

Contribution of Tourism Sector to State's GSDP with Special Reference to South Indian States - A Comparative Study

M. P. Gowtham¹ and B. Shekhar²

Abstract

India is known for diversity in every aspect. The physical geography of the nation has to endeavour in tourism. For developing countries such as India, tourism has been a boon in employment creation and revenue generation. In this particular research paper, the researchers have compared the contribution of tourism to State Gross Domestic product among southern Indian states. The study was based on secondary data. The study found that the tourism sector has been consistently contributing around 6 per cent to the total GSDP of each state. Out of these, Karnataka topped in terms of revenue generation, and Tamil Nadu topped in terms of foreign and domestic visits.

Keywords: Gross State Domestic Product, MoSPI, Revenue Generation, Southern States, Territory Sector, Tourism
JEL Classification Code: Z30, Z32

1. Introduction

Tourism is an important sector for the economic development of any country. The economies of developing nations are heavily reliant on tourism. Despite significant setbacks in the past that hampered the expansion of the tourism sector, it quickly recovered. Previous roadblocks to tourist growth and how the industry rose from the

ashes like a phoenix indicate that it will rapidly recover. Recovery from COVID-19 is also no exception, according to UNWTO, with around 250 million foreign arrivals reported in the first five months of 2022, the sector has recovered over half (46%) of its pre-pandemic 2019 levels (UNWTO, 2022). Although the recovery from tourism was not at the same level as it was in 2019, Table 1 demonstrates that there has been a big improvement, and

Table 1. Tourist arrivals of tourist in millions

| Regions Classification as per UNWTO | 2019 | 2020 | 2021 |
|-------------------------------------|-------|-------|-------|
| World | 1465 | 406 | 429 |
| Europe | 745.2 | 238.1 | 288.4 |
| Asia and the pacific | 359.6 | 59.2 | 20.6 |
| Americas | 219.3 | 69.8 | 82.4 |
| Africa | 68.1 | 18.8 | 19.4 |
| Middle East | 73.0 | 19.8 | 18.6 |

Source: UNWTO Tourism Barometer (UNWTO, 2022)

M. P. Gowtham¹ and B. Shekhar²

¹Research Scholar, Department of Studies and Research in Commerce, Tumkur University, Tumakuru – 572103, Karnataka, India; mpgowtham20@gmail.com

²Professor, Department of Studies and Research in Commerce, Tumkur University, Tumakuru – 572103, Karnataka, India

now, in 2022, it is recovering more quickly. Recovery is lower in Asia and the Pacific region, which may be due to Omicron fear in Asian countries.

Given its significant economic contribution to the nation, tourism is one of the major industries in India. But It's interesting to see how India's GDP and global ranking are impacted by tourism During Covid Pandemic. Because India's position improved from eighth in 2019 to sixth in 2021 in terms of its contribution to GDP from tourism, and it remained second in terms of its contribution to employment in both years. In terms of domestic visitor spending, India's position was fourth in 2021 compared to sixth in 2019, and in terms of foreigner spending, it fell to twentieth in 2021 from fifteenth in 2019 (UNWTO, 2022). It shows that as compared to other countries India's recovery is better and faster. According to the UNWTO's projection of India's position in 2032, the country will come in second place to China in terms of the number of employments generated by tourism (20.4% of all jobs worldwide), and third place to the United States and China in terms of GDP contribution (457.1 USD billion) (UNWTO, 2022). All this data and projections show that Tourism will play a key role in building three trillion economies.

2. Literature Review

The focus of the current study is on calculating and analysing the GDP contribution of tourism in relation to southern Indian states. These states provide a considerable economic contribution to the nation; therefore, it will be fascinating to see how each state performs in terms of its contribution from tourism.

Thommandru et al. (2021) discusses the impact of tourism on a Country's economy. Tourism is a summation of direct impact, indirect impact, and induced impact. A direct impact is directly related to tourist expenditure; an indirect effect is a multiplier effect due to the forward and backward connection of tourism, and an induced impact is sales, revenue, or employment generated as a result of tourist spending. Here researcher also throws light on the point that countries across the world use tourism satellite accounts, Input-output table and model, social accounting matrix, and computable general equilibrium model for assessing the economic impact of tourism.

Godara et al. (2020) try to examine the association between travel and GDP in India from the fiscal year 2000- 01 to the fiscal year 2018-19 using the least square method (OLS). The study found that the growth rate of foreign tourism revenue has a direct relation to a country's economic growth, and a 100% change in tourism revenue growth causes a 19% change in GDP.

Antara and Sumarniasih (2017) comparing the foreign tourist visits to Bali with the total foreign tourist visits in Indonesia, and it forms a significant portion. The increasing trend from. Growth in the Number of star and non-star hotels. Tourism contribution to the economy of Indonesia amounted to 16.15% in 2000 decreasing to 14.60% in 2014. However, if it is represented by the tertiary sector it amounted to 40.62% in 2014, an increase from 38.48% in 2010. Tourism was one of the key foreign exchange-earning Industries from 2010 to 2014 – it was in the top 4th industry after oil and gas, coal, Palm oil, and processed rubber in Indonesia.

Sharma and Vyas (n.d.) discuss the importance of tourism to Rajasthan State and India's Economy as a whole. Tourism growth will lead to an increase in disposable income Growth in the IT and Outsourcing industry, and development of other sectors related to tourism, and the creation of more employment opportunities.

3. Research Methodology

3.1 Research Design

The present study adopts Descriptive Research design for the study. Descriptive research aims to describe and depict the characteristics of a particular phenomenon or population without manipulating any variables. The study compares the contribution of tourism to GSDP in South Indian states by using data on tourism-related activities from Tertiary activities from the Gross State Domestic Product (GSDP) table issued by the Ministry of Statistics and Programme Implementation (MoSPI) (2022).

3.2 Objectives of the Study

The goal of this study is to analyse the tourism performance of all the south Indian states and determine what proportion of a state's Gross State Product (GSDP) comes from the tourism industry.

3.3 Methodology of the Study

The study uses secondary data from a variety of sources to quantify the effect of tourism. The whole state's domestic product is compared with the gross value added by tourism. Key elements connected to tourism are obtained from tertiary sectors to calculate the contribution of tourism to state GDP such as contributions from hotels and restaurants and contributions from all types of transportation services, including air, land, and sea. The contribution of tourism to all south Indian states' GDP is compared with each other to conclude.

3.4 Profile of the Study Area

The five states that make up South India are Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, and Telangana. Every State provides distinctive and varied tourist experiences. These are situated on the Peninsular Decan plateau, which is bounded to the east and west by the Bay of Bengal and the Arabian Sea, respectively. Languages spoken here are older than Hindi. Karnataka tourism offers adventure, pilgrimage, cuisine, history, beach tourism, etc., living up to its slogan of "One State many Worlds." Bengaluru, its capital, is renowned as Silicon Valley. Varkala Beach, Kumbalangi Silent Valley, Ponmudi

Hill Station, Thenpula, Alapuzza, and other well-known tourist destinations can all be found in Kerala. Ooty, Madurai, Kanyakumari, Thanjavur, Kodaikanal, and others are well-known tourist destinations in Tamilnadu; Mahabalipuram is the most popular. AP is well known for its beaches, Eastern Ghats, and Temples. In AP, Tirumala and Borra Caves receive the most visitors. Similarly, the state of Telangana offers a variety of tourism experiences. All these southern states contribute significantly to India's Economy and it is important to know the contribution of tourism from these states. (Maps of India, 2015)

4. Data Analysis

Table 2 show the contribution from key tourism areas to the respective state's GSDP from 2019-20 to 2021-22.

The preceding table makes it very evident that, throughout time, tourism has made a considerable contribution to a state's GDP. Among all the Key elements of the Tourism sector contribution from road transport is the highest, and the contribution from water transport is the least to the state's economy. Twenty per cent or more of the total contribution comes from hotels and restaurants.

Table 2. Showing tourism contribution to GSDP to Karnataka State

| Key Tourism elements | 2019-20 (in lakhs) | 2020-21 (in lakhs) | 2021-22 (in lakhs) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Hotels and restaurants | 1582598 | 1638751 | 2002351 |
| Railways | 232986 | 212607 | 224601 |
| Road transport | 5082433 | 5053060 | 5214885 |
| Water transport | 34435 | 33027 | 33586 |
| Air transport | 174482 | 85546 | 149570 |
| Services incidental to transport | 91828 | 78088 | 80421 |
| Total | 7198762 | 7101079 | 7705414 |
| Total GSDP | 114982904 | 114387339 | 125223259 |
| Tourism as per cent of total GSDP | 6.26% | 6.20% | 6.15% |

Source: Compiled from Ministry of Statistics and Programme Implementation, 2022

Table 3. Tourism contribution to GSDP to Kerala State

| Key Tourism elements | 2019-20 (in lakhs) | 2020-21 (in lakhs) | 2021-22 (in lakhs) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Hotels and restaurants | 722988 | 628488 | 695571 |
| Railways | 163337 | 142561 | 153865 |
| Road transport | 2332730 | 2022374 | 2074893 |
| Water transport | 38921 | 25134 | 25829 |
| Air transport | 84518 | 70508 | 75058 |
| Services incidental to transport | 139806 | 114796 | 124709 |
| Total | 3482300 | 3003861 | 3149925 |
| Total GSDP | 56652270 | 50130965 | 53525275 |
| Tourism as per cent of total GSDP | 6.1% | 6.0% | 5.9% |

Source: Compiled from Ministry of Statistics and Programme Implementation, 2022

Table 4. Tourism contribution to GSDP to Tamil Nadu State

| Key Tourism elements | 2019-20 (in lakhs) | 2020-21 (in lakhs) | 2021-22 (in lakhs) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Hotels and restaurants | 1676786 | 1257801 | 1600263 |
| Railways | 510919 | 473021 | 494283 |
| Road transport | 3249965 | 3218720 | 3395535 |
| Water transport | 85200 | 79274 | 86924 |
| Air transport | 124615 | 61645 | 147844 |
| Services incidental to transport | 720662 | 670209 | 746920 |
| Total | 6368147 | 5760670 | 6471769 |
| Total GSDP | 127855872 | 129665935 | 139842586 |
| Tourism as per cent of total GSDP | 4.98% | 4.44% | 4.62% |

Source: Compiled from Ministry of Statistics and Programme Implementation, 2022

Like its neighbouring state Karnataka, Kerala's economy benefits from tourism as shown in the Table 3. A major contribution comes from road transportation and hotels and restaurants. In comparison to other elements, water transport's contribution is also the smallest in this case. Additionally, a significant 6% of the economy is contributed altogether by tourism-related activity.

Tamil Nadu's GDP contribution from tourism is lower than that of other states (Table 4). However, Tamil Nadu

is the top destination for both domestic and international visitors. And it comes in second place to Karnataka in terms of overall contribution.

Both Andhra Pradesh and Telangana (Tables 5 and 6) profit from the state's tourist industry, which has contributed between 7% and 8.4% of each state's GDP over the past three years. In comparison to other tourism-related components, road transportation, and hotel and restaurant contributions are at their highest level here.

Table 5. Tourism contribution to GSDP to Andhra Pradesh State

| Key Tourism elements | 2019-20 (in lakhs) | 2020-21 (in lakhs) | 2021-22 (in lakhs) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Hotels and restaurants | 833583 | 939138 | 1000076 |
| Railways | 452896 | 438652 | 516381 |
| Road transport | 3372120 | 2922069 | 3249231 |
| Water transport | 123234 | 70576 | 88046 |
| Air transport | 24024 | 9254 | 16880 |
| Services incidental to transport | 545725 | 473407 | 595142 |
| Total | 5351582 | 4853096 | 5465756 |
| Total GSDP | 66978337 | 67032150 | 74691274 |
| Tourism as per cent of total GSDP | 8.0% | 7.2% | 7.3% |

Source: Compiled from Ministry of Statistics and Programme Implementation, 2022

Table 6. Tourism contribution to GSDP to Telangana State

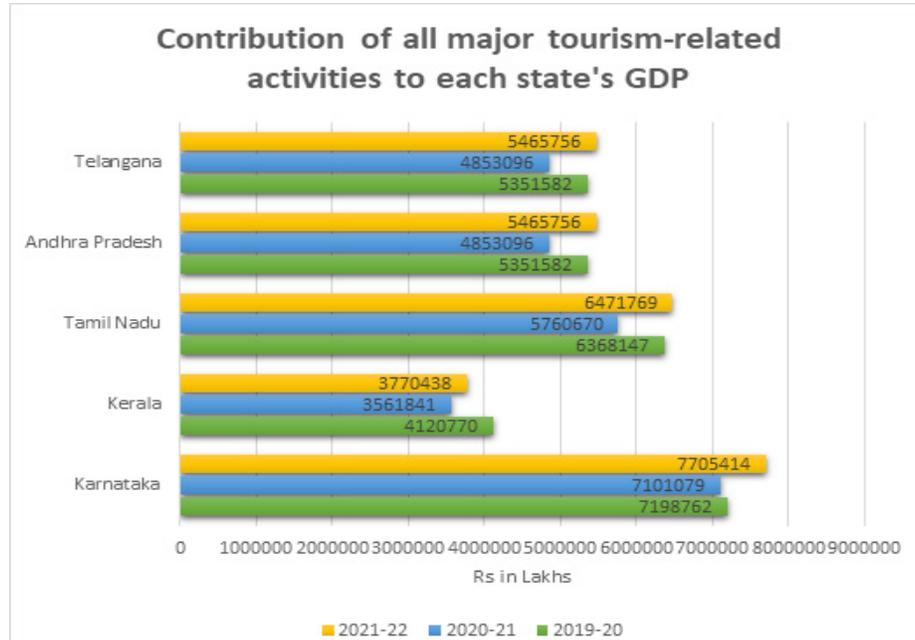
| Key Tourism elements | 2019-20 (in lakhs) | 2020-21 (in lakhs) | 2021-22 (in lakhs) |
|-----------------------------------|-----------------------|-----------------------|-----------------------|
| Hotels and restaurants | 763480 | 575431 | 703787 |
| Railways | 204165 | 154054 | 219912 |
| Road transport | 2499070 | 2405387 | 2529976 |
| Water transport | 0 | 0 | 0 |
| Air transport | 106202 | 73060 | 76983 |
| Services incidental to transport | 436594 | 369454 | 347954 |
| Total | 5351582 | 4853096 | 5465756 |
| Total GSDP | 63868152 | 61636878 | 68555024 |
| Tourism as per cent of total GSDP | 8.4% | 7.9% | 8.0% |

Source: Compiled from Ministry of Statistics and Programme Implementation, 2022

5. Discussion and Conclusion

The tourism industry's past three years' contribution to each state's GDP is depicted in Figure 1. Karnataka makes the most contribution out of all the states, followed by Tamil Nadu. Even though the graph shows that Kerala is last on the list among South Indian states, when compared to its area and population, it receives a sizable portion of its income from tourism.

Tourism is a multibillion-dollar industry that supports the economy in a variety of ways and employs thousands of people. It is clear from the study above that tourism significantly contributes to the economies of Southern Indian states. Comparative analysis reveals that each state's tourist industry contributes at least 6% of its GDP, which is crucial because it affects the employment contribution. Reviving tourism-related activities following COVID is critical to increasing these contributions. The government



Source: Researcher calculation based on Data from MoSPI

Figure 1. Comparison of Tourism Contribution to South Indian states.

should guarantee that all facilities are in place to ensure that tourism activities run smoothly.

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