

The Impact of Tourism on Sustainable Development: Challenges and Opportunities

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Abstract

Tourism is a topic in which India takes great pride; it has a multitude of sites that garner attention all year. Although tourism is a great asset to a country like India, which is still in its developing stage, the issue of environmental degradation takes place on the sidelines. One of the biggest challenges of our era is sustainable development—increasing the availability and utility of resources in the current period without adversely impacting the standard of living of future generations. In this paper, we analyse the impact of tourism on sustainable development and how to improve tourism and allied activities sustainably, especially with the recent wave of ecotourism. Incorporating secondary information from various databases, such as the Reserve Bank of India and World Development Indicators, utilizing previously done studies and looking through books from various authors, this paper aims to investigate the effect of tourism on the GDP of India and how we can combine the issue of tourism with the idea of sustainability shortly. We also investigate the opportunities that ecotourism and other trends in the tourism industry present for India. This study analyzes trends in the tourism industry over the past decade and examines the potential opportunities that ecotourism presents for India.

Keywords: tourism, ecotourism, GDP, sustainable development, India.

Introduction

Gross domestic product measures the monetary value of final goods and services, that is, those that are bought by the final user, and produced in a country in a given period, say a quarter or a year (Callen, 2019). While it is far from our only measure of how prosperous a nation is, it is a telling indicator of how well an economy is being managed when taken together with some other economic variables. The main determinants of GDP are personal consumption expenditure, investment expenditure, government expenditure, and the balance of trade. The first two are dependent on the makeup of a country's private sector, and the last two are dependent to a large extent on official government policy. This means that certain sectors contribute more to the economy than others- in India, for example, agriculture is the primary contributor to employment but the service sector is what generates the most economic growth. One subsection of the economy is the tourism and allied activities sector, so to speak. Tourism involves a series of activities performed simultaneously or sequentially when a tourist, that is to say, a traveller, passes through a certain place. It is often well-integrated as a supply chain, and large-scale operations in the sector often are involved in several adjacent activities. A recent area of concern in economics is sustainable development. In the most literal sense, sustainability means the capacity to maintain some entity or process over an extended period. Taken equally literally, then, sustainable development is such development that can be continued for an indefinite period (Mensah, 2019). Proceeding with this definition of sustainable development, this paper will go on to explore the implications of the current state of tourism and emerging

trends in tourism on sustainable development in the Indian context.

Objectives

- Drawing an understanding of the effect of the tourism sector in the GDP of India and developing a correlation in regards to them.
- Understanding the role of sustainable development in the field of tourism.

Methodology

- Quantitative analysis of GDP and tourism data sourced from the Reserve Bank of India and the World Bank's World Development Indicators database.
- Analysis of previously written research papers, journal articles and books to gain a qualitative understanding of the role of tourism in the Indian economy in regards to GDP growth.
- Research into trends in ecologically responsible tourism and their impact on the targets set for sustainable development.

Results

GDP

The GDP of India saw an altitudinal increase in its numbers throughout the study i.e. 2012-2020. Given below is the graph about the GDP along with its data.

Table 1
GDP of India 2012-20

Years	GDP (Constant 2015 USD)
2012	1704.6
2013	1813.5
2014	1947.8
2015	2103.6
2016	2277.3
2017	2432.0
2018	2589.0
2019	2689.2
2020	2532.4

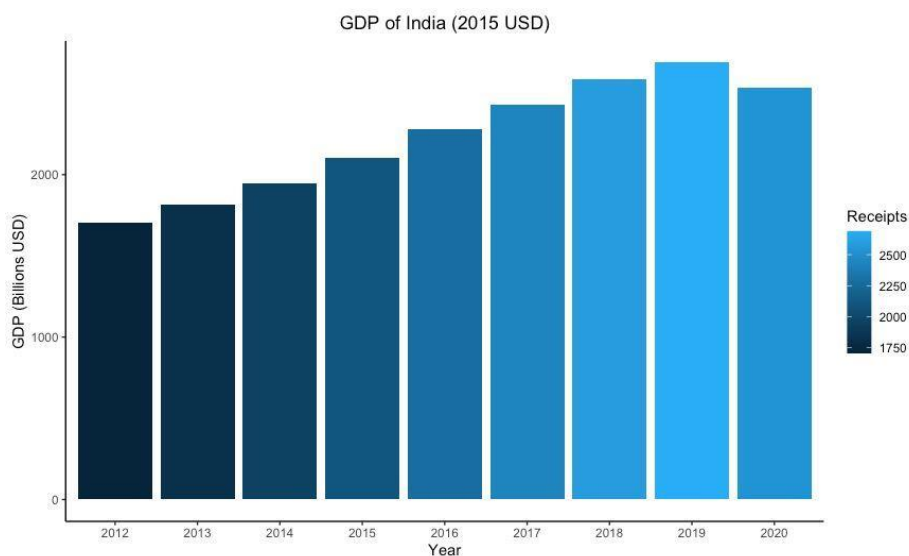


Figure 1: GDP of India (2015 USD)

The government of India has focused on 2 major aspects i.e. firstly financial empowerment of the citizens and government and secondly, attaining inclusive growth. This means that the main objective of the various policies implemented is to close the financial gap among the different classes of society by majorly using a progressive tax system along with giving out subsidies to different occupations and sectors. India has looked forward to increasing the amount of FDI received and has made it one of the country's main foci. This has been noticed significantly in the economy which accounted for about 24 billion USD i.e. only 1.31% of GDP arriving from FDI in 2012. This was almost tripled by 2020 which saw FDI reaching 64.6 billion USD accounting for 2.41% of the GDP in 2020. This has led to a massive increase in the capital for indigenous startups.

One of the biggest developments that transpired in the economy was the Demonetisation of 2016 which was implemented to curtail the quantity of black money in the economy and bring in a bulk of cash that had been omitted from taxes which would have helped with the financial standing of the country. Ultimately, the RBI saw that the amount retrieved by the banking system was nowhere near what was expected to be deposited back. The act caused a heavy blow to the small-scale and indigenous businesses of the country due to almost 86% of cash being pulled back from the cash flow of the country. This crippled the cash-reliant economic system of the country and brought about a slowdown in the GDP for the upcoming years. This was immediately accompanied by the introduction of the Unified Payments Interface (UPI) in 2016. UPI makes use of various apps such as Google Pay, PhonePe, etc to link the bank accounts of its users across the country electronically which allows them to transfer funds easily without any transaction delay. It has led to a hike in financial inclusion thereby in overall transactions where they recorded a growth rate of 63% in the year 2020 which equates to transactions worth about INR 4.3 trillion. This system has also been utilised by almost every sector in the country such as the transportation and tourism sector and has been significant in the growth of the financial sector of India in the past decade.

Current Status of Ecotourism in India

On the 29th of April 2022, the Ministry of Tourism published a report on the issue of Ecotourism and how they plan to deal with the issue in a very detailed and ordered plan. This plan aimed at a few simple principles for the development of Ecotourism: (i) Adopt low-impact wildlife tourism, (ii) Highlight the biodiversity and heritage of India, (iii) Raising awareness among citizens, (iv) Providing employment opportunities through development projects, (v) Using sustainable materials for tourism activities and lastly (vi) Facilitating the sustainable enterprises and activities.

One of the most successful ecotourism projects in India has been the development of Kerala as a prominent tourist attraction. Kerala has a couple of important aspects to why it became such a pillar in the Indian ecotourism industry, such as the heritage spots and temples, the backwaters, the western ghats, beaches, wildlife sanctuaries and the home of ayurveda. Kerala contains a protected area of 2,324 sq. km in 2 National Parks and 12 Wildlife Sanctuaries which has boasted a wide array of tourism opportunities for the state. The government of Kerala has spent a lot of monetary and physical effort in advertising and monitoring the various tourism spots to develop the state as a whole. Thenmala is one of the projects that was formed in the Shenduruney Wildlife Sanctuary under the guidance of the Forest, Irrigation and Tourism and is said to be the first planned ecotourism destination in India. Although there exist multiple other tourist sites, Thekkady is one of the only sites that has gained active popularity in the region. This lack of overall tourism crowd has been one of the main issues that the Government

of Kerala and the Ministry of Tourism have been working on and one that still needs to be resolved.

The Role of Tourism in the Economy

Tourism is one of the largest and fastest-growing service sectors in the country's economy (Khatik & Nag, 2012). The implications of tourism growth are far-reaching and make meaningful changes to economies. The most obvious implication is that tourism leads to money coming in. The cash flow of a nation or a local economy improves when tourists spend money on travel, lodging, or on improving their experience at their destination. This cash flow is especially important for small, third-world or developing nations since many of them rely on tourism for income. Furthermore, tourism contributes to employment generation. The various industries catering to tourists employ a large number of people directly and indirectly ranging from travel agents to waiters and hotel receptionists. Tourism is hence a key part of the economy. However, a switch to sustainability-focused economic policy is coming sooner rather than later. How does tourism fit into the larger roadmap?

The Correlation Between Tourism and GDP

Table 2
Comparison between GDP and Tourism at current 2015 USD

Years	GDP (Current US\$ in Billions)	Tourism (Current US\$ in Billions)
2020	2671.6	110.51
2019	2835.61	171.76
2018	2702.93	228.77
2017	2651.47	213.91
2016	2294.8	202.24
2015	2103.59	185.29
2014	2039.65	170.18
2013	1856.72	158.59
2012	1827.64	149.95

The above figure depicts the GDP for the period under study and the receipts from tourism for the same period. The correlation between the two variables is 0.243, which implies a relatively low degree of correlation but a positive correlation. Tourism growth will lead inevitably to some growth in economic activity, which in turn makes the country a more attractive destination for tourism (Rasool et al., 2021). Hence, we can say that though they aren't strongly correlated, tourism and GDP have a type of symbiotic relationship and each grows through the growth of the other.

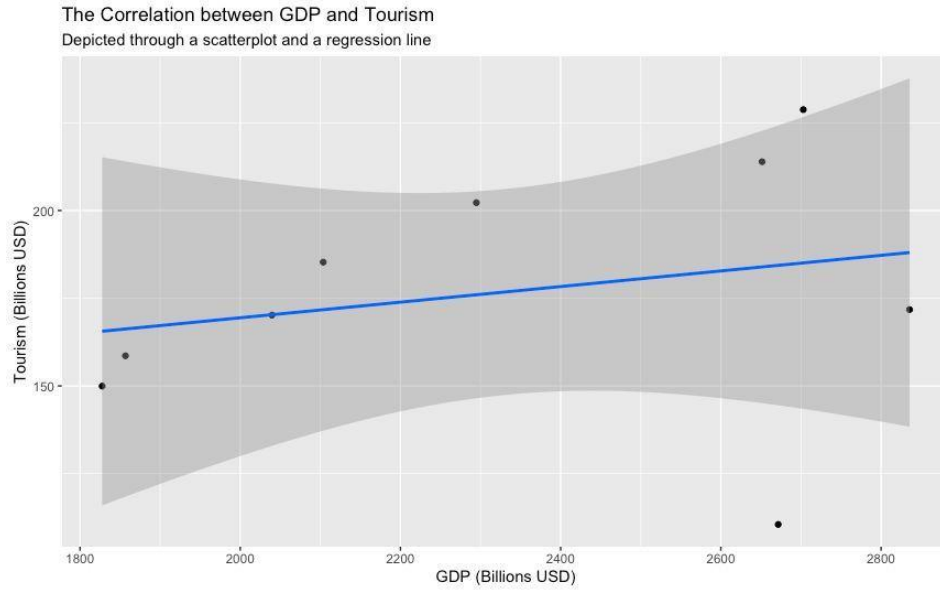


Figure 2: The correlation between GDP and Tourism

We employed a regression model to evaluate the relationship between tourism revenue and GDP. The independent variable was tourism revenue while the dependent variable was GDP. Model diagnostics showed that there was a high residual standard error of 348.2 billion USD, indicating that the prediction was not accurate. Moreover, low values of R-squared (0.3091) and adjusted R-squared (0.2104) indicate that only a small proportion of GDP variation is explained by tourism revenue alone. F-statistics yielded a p-value of 0.1201, leading us to fail to reject the null hypothesis that the variables have no relationship with each other. In summary, these results imply that while the model can only be used to predict GDP from tourism revenue alone, it highlights the influence of other factors on growth. Despite the limitations of this model, there is a correlation between tourism revenue and GDP. Currently, this connection is understated in our model, but we expect an increased correlation in future analysis as the global impact of the world's tourism industry grows steadily over time.

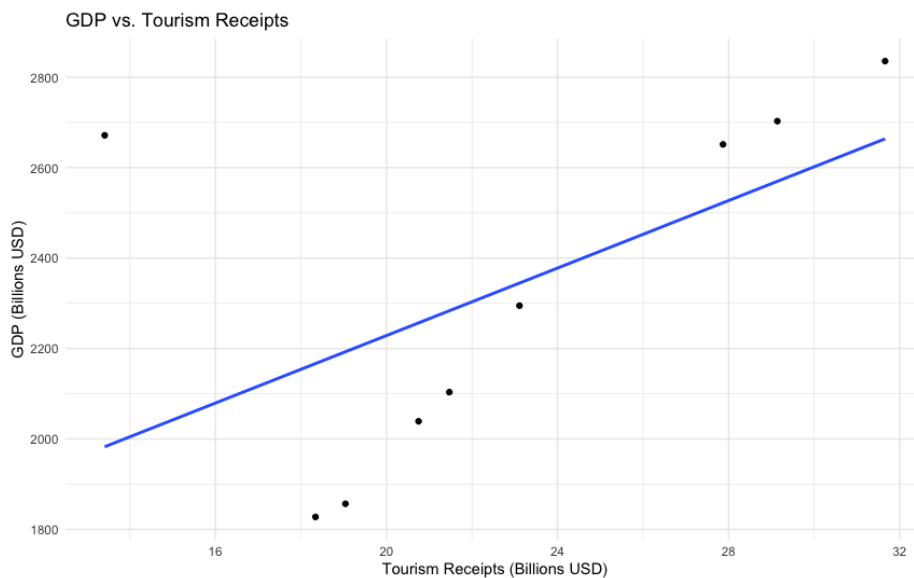


Figure 3: The regression between GDP and tourism

Social and Ecological Effects of Tourism

Although ecotourism is acclaimed to be one of the best forms of tourism globally as it is known for its sustainability and the development it brings about heritage sites, forests, mountains, etc, it also brings with it a number of negatives. The unequal distribution of benefits has been a major issue faced by the localities of such places. Profit gets accumulated in the hands of investors and local governments, leaving the local community with the bare minimum financial gain. India is home to around 705 tribal groups. The onset of ecotourism has put their lands at risk and displaced a majority of such people from their original homes in the name of “development” stripping them of their ancestral lands and traditional livelihoods. India has a lot of various attractions that bring tourists flocking towards the country and one of them is the wide range of culture and societal connections the country boasts. Ecotourism has led to vast cultural erosion in terms of cultural appropriation, social stratification and loss of traditional culture and skill. The indigenous citizens have lost all sense of privacy and autonomy due to the whims and fancies of the tourism industry. The sudden increase in the tourist population in remote areas has also led to the rapid rise in commodity prices and local demand leading to large-scale resource competition and economic vulnerability of the local community. The most obvious downsides of tourism have been the rise in pollution and poor waste management. The glorious Himalayan Mountain range saw about a 30% increase in tourist crowd between 2002 and 2013. This has brought the AQI in the Himalayan region into the category of moderately polluted with thousands of tons of plastic waste and garbage being thrown on the slopes of the vast range. This not only affects the residents of such places but also the large variety of flora and fauna that take shelter there.

Some Policy Recommendations

The tourism industry stands at a crossroads where unchecked growth threatens the very resources upon which it thrives. To ensure the sector's long-term viability and contribute positively to host communities, policymakers must prioritize sustainable practices. Implementing robust Environmental Impact Assessments (EIAs) is essential to identify and mitigate the ecological consequences of tourism development. As recommended by the World Bank, anticipating potential challenges allows policymakers to safeguard fragile ecosystems. They can protect destinations from overtourism. This is a pressing issue highlighted by Hall (2019). Moreover, the strategic use of green taxes and subsidies can incentivize environmentally responsible tourism operations. This also generates revenue for protection efforts. Such measures are paramount for balancing economic gains with environmental stewardship. They are crucial for preserving the allure of tourism destinations for future generations.

Conclusion

The overall development of India can largely be attributed to policies such as Make in India, which have been implemented with sensible regard for both the economy of the country and its industrial needs as well as the environmental and sustainability concerns associated with economic growth driven largely by manufacturing and services. In this sense, the country already has a strong regulatory framework from an environmental perspective that tourism also fits well into. The industry complements others while playing a meaningful role in economic development, and it is important for this harmony to be maintained into the future as well. That said, more work can be done to ensure the sustainability of tourism growth in the nation.

Ever since the post-independence era of India, the country has noticed a steady increase in its tourism which has led it to become a major contender in the global tourism rankings. The tourism sector has since been one of the country's greatest assets in stabilising its monetary situation. In comparison, the country has had a very strenuous relationship with the idea of sustainability and in maintaining the various ecological factors that can be influenced by the population of a country like India. Possessing a population of such a huge number and diversity has had its positives and negatives in this regard. The current status of the tourism industry has been highly influenced by the new-gen ideology of sustainability and ecotourism. This has been particularly noticed by the reduction in the number of disposable items such as plastic bags in the country. Although the turnover it has brought to the environment is minimal i.e. accounting for about 11% of the total SUP waste that is generated in the country, it is a big step for a country the size of India. Going further in the future this ideology shall hopefully be maintained and more environmentally harmful products shall be banned or strictly regulated. The main objective of the policy makers at the current moment should be to address the high percentage of open waste disposal sites that are littered throughout the country. This will open a new scope of development in the future of ecotourism. Creating laws and regulations in regards to waste disposal and SUP will have to be increased alongside building new infrastructure for curtailing the wastes of industries and everyday life such as water treatment plants in residential areas. Another big issue that the tourism industry has caused is the destruction of natural habitats. India being a tropical country filled with various types of flora and fauna has become a hotspot for nature tourism, which entails the formation of resorts, nature parks, etc. in dense forests, river valleys, hills and many such geological locations of the country. This has led to a drop in the number of indigenous species in our country in a large quantity. Although various national parks and sanctuaries have been built across the country, the destruction of local forests for recreational activities has not ceased and exists to this day. The government should focus on this issue as soon as possible or it shall become almost impossible to reverse the damage that has been done.

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