IMPACT of GLOBAL RECESSION on INDIAN TOURISM INDUSTRY

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The focus of this research paper is to study the impact of recession on the Indian tourism industry. India is a country with a large and diverse mix of tradition and culture. Its beautiful sights, creative architecture, cultural exuberance, customs and tradition compel a tourist to come again and again. Indian tourism industry contributes around 5.9% to the country’s GDP and provides employment to around 41.8 million of its inhabitants. In the beginning of 2008, there was cautious optimism building up the case for double digit growth of domestic as well as inbound tourism. However this did not happen due to the effect of recession. Recession crept into the Indian economy by early June and oil prices went over the roof. The failure of an over heated stock-exchange made matters even worse. In late November, the terrorist attack was the final blow to an industry which demands peace at all times in order to flourish. With so many negative impacts caused by recession, how tourism was going to bounce back was the Chief Concern.

A recession is a decline in a country’s gross domestic product (GDP) growth for two or more consecutive quarters of a year. A recession is also preceded by several quarters of slowdown.

WHAT CAUSES IT?

An economy which grows over a period of time tends to slow down in growth as a part of the normal economic cycle. An economy typically expands for 6-10 years and then tends to go into recession for about six months to two years. A recession normally takes place when consumers lose confidence in the growth of the economy and spend less.

This leads to a decrease in demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment.

Investors spend less as they fear stock values will fall, and the stock market falls due to this negative sentiment in a chain reaction.

IMPACT OF RECESSION IN USA ON INDIA

A slowdown in the US economy was bad news for India. Indian companies have major outsourcing deals with the US. India’s exports to US have also grown substantially over the years. The India economy lost in between 1 to 2 percent points in its GDP growth. Indian companies dealing with the US saw their profit margins shrinking. The worries for exporters grew as rupee strengthened further against the dollar. But experts noted that the long-term prospects for India are stable. A weak dollar brought more foreign money to Indian market. Oil got cheaper bringing down the inflation. Recession brought oil prices to $70/barrel. Between January 2001 and December 2002, the Dow Jones Industrial Average went down by 22.7 per cent, while the Sensex fell by 14.6 per cent. If the fall from the record highs reached is taken, the DJIA was down by 30 per cent in December 2002 from the high of January 2000. In contrast, the Sensex was down by 45 per cent. The whole of Asia was hit by recession as it largely depends on the US economy. Asia is yet to totally decouple itself (or be independent) from the rest of the world, say experts.

OBJECTIVES OF THE STUDY

- To study the impact of recession on tourism industry in India.
- To study the role of tourism industry on GDP of India.
- To study how to overcome effects of recession on the Indian tourism industry.

TOURISM IN INDIA (INDIA TOURISM)

There is no doubt that India is a fascinating land and is very popular among travelers owing to the fact that its rich cultural heritage disappoints none. All the regions in India are very interesting in their own special ways. India, always warm and inviting, is a place of infinite variety – one that fascinates people with a different tastes. Most tourists come to India for:

- Adventure sports
- Ayurveda
- Beaches
- Heritage
- Hill stations
- Indian culture
- Pilgrimage
- Wildlife
- Cheap health care

India is a country with a large and diverse mixture of tradition and culture. It is a land of varieties as one can get a taste of golden beaches, temples, wildlife, monuments, handicrafts, cuisine, and India’s extremely beautiful sights, creative architecture, cultural exuberance, customs and traditions which never fail to captivate a traveller and compel him to come again and again. India’s amazing diversity offers everything one could ever want in a holiday. Bounded by the majestic Himalayan range in the north and edged by a spectacular coastline surrounded by three seas, India is a vivid kaleidoscope of landscapes, magnificent historical sites and royal cities, golden beaches, misty mountain retreats, colorful people, rich cultures and festivities. At any time of the year India can offer a dazzling array of destinations and experiences.

In summer, when the subcontinent is sizzling, there are spectacular retreats amidst the heady beauty of the Himalayas or the lush heights of the Western Ghats Mountains with cool trekking trails, tall peaks to conquer stretches of white water for the adventure seekers. In the cool of an Indian winter, cities come alive with cultural feasts of music and dance.

The balmy weather is an ideal time for all to go hopping in romantic cities studied with medieval forts and palaces. The sun drenched beaches are inviting and wildlife sanctuaries with their abundance of flora and fauna are abuzz with activity. One can taste the delights of the Indian monsoon anywhere in the country - on a camel safari in the Rajasthan desert when nature comes alive and the peacocks dance; along the west coast where the relentless rain paints the countryside in brilliant greens or even trekking amidst the stark grandeur of mountain valleys lying in the rain shadow of the Himalayas.

ROLE OF TOURISM INDUSTRY IN INDIA’S GDP

Role of Tourism Industry in India’s GDP has been quite impressive since past few decades. Tourism industry has contributed enormously in the flourishing graph of Indian economy by attracting a huge number of both foreign and domestic tourists traveling for professional as well as holiday purposes. The tourism industry in India witnessed a stupendous growth in 2006. The growth in the inflows in...
India's tourism industry is calculated both in terms of business and vacations. The number of foreign tourists arriving from all over the world rose from 0.37 percent to 0.53 percent in the year 2006 (UN World Tourism Organization UNWTO). This remarkable growth in the graph of tourism industry in India popularized the entire South Asia as one of the most spectacular tourist terminal. Indian tourism industry contributes to around 5.9 percent of the country's GDP and it provides employment to around 41.8 million of inhabitants.

Some of the most significant features of India's tourism industry have been listed below:

- The percentage of foreign tourists in India has increased by 12.4 percent in one year, that is, from 2006 to 2007. In 2006, Indian tourist industry witnessed a growth of 14.3 percent, which reached around 3.99 million in 2007.
- The foreign tourist arrival led to a robust growth in the foreign exchange earnings that increased from USD 5.03 billion during January-October 2006 to USD 6.32 billion during January-October 2007, which is apparently a 25.6 percent rise.
- Seeing the growing rate of tourists in the country, the Indian tourism industry designed a wide spectrum of holiday packages and cheaper airlines to attract more tourists.
- The booming success of Indian tourism industry has led to a drastic change in the hospitality department as well. The increase in the ratio of tourists resulted in the setting up of a wide range of hotels and other residing areas.

- A number of international hotels such as the Hilton, Accor, Marriott International, Berggruen, Cabana Hotels, Premier Travel Inn (PTI) and Inter Continental groups have committed some large-scale investments to append 65,000 additional rooms to look after the needs.
- India is most likely to set up forty hotels of global brands during the current decade. The hospitality segment in India is assumed to reach USD 11.41 billion shortly.

Following are the few benefits ensured by the tourism industry in order to boost the GDP of India:

> The Indian tourism industry offers online booking system, one of the basic proofs of technological advancement in this sector. These online bookings are applicable for booking the air tickets via Internet and also for booking the hotel room of the place to be visited.

> The online tourism industry has accounted for a turnover of USD 800 million which is apparently 14 percent of the entire travel and tourism industry.

The Role of Tourism Industry in India GDP also features medical tourism that includes traditional therapies like yoga, meditation, ayurveda, allopathic and other conventional systems of medicines. It is currently estimated at USD 333 million and is most likely to reach USD 2.2 billion by the year 2012.

GLOBAL RECESSION CASTS SHADOW OVER INDIAN TOURISM INDUSTRY

Incredible India is feeling the heat. No, it's not the summer. It's the slow drying up of order books for inbound tour and hotels. Travel agents are reporting a 20-25% dip in leisure bookings for the coming holiday season. The epicentre of the trouble, it appears, is about 16,000 miles away.

Travel agents are reporting a dip of around 25% in leisure travel bookings into India for the coming winter season. Travel plans are usually finalised at least six months in advance and, in the wake of the US slowdown, not many queries and bookings are coming in.

"If we are seeing an impact on leisure bookings for next inbound peak season, the coming winter," says Rajeev Kohli, director, marketing, Creative Travel.

MICE (Meetings, Incentive, Exhibitions and Conferences) travel and corporate traffic have also been impacted by the US recession. Occupancies in hotels in metro cities, which cater to business tourists, are expected to dip by 8-10% in May and June, says Arjun Sharma, MD, Le Passage to India.

"Business delegations from America and travel by IT companies too have slowed down," he explains. Even the few travellers coming in from the US are planning to spend less. "Mid-segment travel will get affected the most," says Himmat Anand, co-chairman of the FICCI Tourism Committee. Growth is not very bullish. "The government claims tourism is growing at over 12% in 2008 but I feel it is 7-8% maximum," he adds. Even in the peak months of November and February, he says, rooms were available easily. For the coming season, hotels in most leisure locations are offering deals, though discreetly, trying to convey that things are not as bad as they look.

Air charters from the UK are expected to be affected and so will be the student groups. "Around 35% of the Goa charter market is the lower end of the UK market which is going to be hit during the coming season," says Sunirmol Ghosh, MD, Indi-Asia Tours.

For Indi-Asia, there has been a 20-25% drop in bookings from the US and UK for the coming winter season. Student trip bookings from the US for this summer and Christmas time for Ghosh's company are down by at least 50%. Raji Rai, MD, Swift Travels too is worried about the 20% fall in bookings from the UK and the US for his company.

Overall, international agents indicate that bookings for the coming leisure season are down by at least 25%, on the back of lesser bookings from the US and UK, especially. In many cases, India's perception as an expensive destination could also be the reason for not figuring in the travel plans of many a traveller, especially in the long-haul markets.

India is certainly looking more expensive on the brochures. It is significant to note that the two most affected countries, UK and the US, make about 20-22% of India's inbound numbers. Sharma feels that there is certainly some concern with bookings down by at least 15-16%, this trend can be arrested in the near future. "The ministry of Tourism can step-up the Incredible India campaign in new markets to get additional numbers in the coming season," he suggests. Though some travel majors continue to refute the slowdown's negative impact on inbound tourism, reality is that for now all's hunky dory in the travel space.

The whole picture will be clearer with the help of table 1 and the graph which shows how the number of foreign tourists arrival has declined from 5.8 millions 2007 to 2.72 in 2008.

<table>
<thead>
<tr>
<th>Year</th>
<th>FTAs (in Million)</th>
<th>Percentage (%) change over the previous year</th>
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<tbody>
<tr>
<td>1996</td>
<td>2.29</td>
<td>+7.7</td>
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<tr>
<td>1997</td>
<td>2.37</td>
<td>+3.6</td>
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<td>1998</td>
<td>2.36</td>
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<td>1999</td>
<td>2.48</td>
<td>+5.1</td>
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<td>2000</td>
<td>2.65</td>
<td>+6.7</td>
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<td>2004</td>
<td>3.46</td>
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<td>3.92</td>
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<td>2006</td>
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<tr>
<td>2008</td>
<td>2.72</td>
<td>+11.6</td>
</tr>
</tbody>
</table>

P: Provisional; (P) Growth rate over Jan-June, 2007 Source: (i) Bureau of Immigration, Govt. of India, for 1996-2007 (ii) Ministry of Tourism, Govt. of India, for 2008
Summer 2011

Survey of concerning literature
Experience survey
Analysis of insight-stimulating survey

A survey of the Concerned Lined focuses on a review of work done already by others.

Experience Survey - experience survey means a survey of people who have practical knowledge in the respective area of tourism industry.

Analysis of Insight-Stimulating Survey - Analysis of insight-stimulating example focus on intensive study of instances related to tourism sector

Sampling design

Convenience sampling that comes under non-probability sampling (purposive and judgemental sampling) is chosen here because it is more suitable for exploratory research. We have selected the respondent according to convenience. Unstructured instruments were used for the collection of data.

DATA SOURCES

Primary sources: Primary data was collected through discussions with manpower engaged in the travel & tourism sector.

Secondary sources: Secondary data used in the study is taken from tourism magazines, websites, books, journals.

LIMITATIONS

Interviews, discussions with respondents are the means of collection of primary data but several times it has been found that it is not fruitful. This is due to the following reasons:

Busy schedules of employee(s)
Unconscious responses

They add that investment in hotels is lumpy and usually comes in waves, leading to periods of excess supply or demand. Their final clincher is that tariffs at popular destinations in decent properties are high primarily because land prices are high and the market for it non-transparent. In this situation when a piece of land is auctioned, it fetches sky-high prices, making high tariffs more or less inevitable. In the last few boom years, mill land in Mumbai and plots in the national capital region and Kolkata's Eastern Bypass fetched astronomical prices. But even within the limited space available to it, the hospitality industry can adopt a fresh approach. There is a crying need for no-frills, clean and functional budget hotels, not the Rs 5,000 ($100) per night ones that pass for them when top rates are in the Rs 12,000-15,000 range, but those that ask for closer to Rs 2,500 ($50). And here, a beginning has been made. Indian Hotels launched four years ago the Ginger category which offers clean comfortable nights in the Rs 1,000-2,000 range, in non-metros and the outskirts of metros. Sixteen properties are up and eight more are being constructed. The company management expects these properties to break even in less than the five to seven years the time that top end properties take, and considers the model successful and viable.

CONCLUSIONS

The Indian tourism industry has been hit by a double whammy - first the global slowdown and then the Mumbai attack. As a result, tourist arrivals declined for the first time in six years in November by 2.1 per cent, when compared with the same month a year earlier. This is against the good run that the tourism industry has had lately, clocking double digit growth for five years, leading to 5 million arrivals in 2007.

Having already initiated an attractive 'Incredible India' promotional campaign, the tourism ministry can do little more than request foreign governments to issue travel advisories declaring India to be a safe destination. Most of the other solutions lie at home, but they will either take long to work out or action can begin only after there is some agreement.

One effective solution is to lower luxury taxes. The tourism ministry has requested the finance ministry and the Planning Commission to work with state governments on this, but no one knows when any results will come, if ever. In this situation, the ministry has turned to what can be done quickly and requested hotels to cut tariffs. It has the support of tour operators, who point to the fact that hotel stay accounts for the bulk of what a tourist spends and Indian hotel tariffs remain high compared to most countries, in and out of season.

The hotels are in the unenviable position of already having cut rates by as much as 30 per cent in some cases and are yet to see any improvement in their fortunes. They also point out that they are as driven by the market as any other business. As late as in October, hotels in some popular destinations were turning down bookings for January, after which of course the roof caved in.
opportunity time to make a commitment to responsible tourism, which means that we will invest sufficient amount to make our rivers free of pollutants, invest heavily in sewage treatment plants, look at alternative energy sources, take care to ensure our fragile mountain ranges do not suffer from the impact of unrestricted growth, and keep a strict check in ensuring forest land does not shrink. The need for single lane roads to be converted into double lane or four lane highway is an important need to ensure safety of travellers. The scarcity of decent accommodation is an issue at all major centres of tourist interest and specifically in large cities. Most deluxe hotels are unaffordable for average tourist because of high costs of rooms. Recession is normally the best time to enter any industry because entry level costs are extremely low. The above mentioned facilities need to be addressed at the earliest, the sooner we invest in it, the more we would stand to gain.

RECOMMENDATIONS AND SUGGESTIONS

- Making investment strategically.
- Affordable accommodation with little variation in price between the types of accommodation.
- World class transportation facilities.
- Greater investment in security and intelligence.
- To cut down tariff rates.
- Allow 100% FDI in Tourism Sector.

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