



THE FOREIGN CURRENCY AND THE INDIAN TOURISM INDUSTRY

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Abstract

Tourism industry has contributed enormously in the flourishing graph of India's economy by attracting a huge number of both foreign and domestic tourists travelling for professional as well as holiday purpose. Terror, threat, swine flu scare and hike in air fares and above all the great economies depression hit the tourism sector hard in 2009 with number of foreigners visiting the country dropping by over 6% foreign tourist arrivals continued to dip despite the visit India 2009 scheme launched by the government offering several concessions to woo tourists. This paper focuses on the impact of global economic meltdown on tourism industry in India as a whole with the case study of Lucknow city. Tour operators, hoteliers and other government officials of tourism were interviewed and make out the problems and prospectus of tourism industry. It also helps to analyze the remedial measures which could be taken at the time of recession.



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Introduction:

In India travel and tourism has becoming the largest employment generating industry on the one hand it promotes income generating activities and on the other it helps the nation to pocket some foreign currency without any export activities. Tourism is the industry of the century these smokeless industries vast capacity to support the economy generates employment opportunity and many other unique features make it stand out from other industries. Countries all over the world have acknowledged the importance of tourism and its scope in development of nation tourism offers unlimited opportunities in career development. Travel & tourism business employ an estimated 100 million people worldwide studies show that job creation in tourism is one and half times faster than any other industrial sector. International and domestic tourism combine to generate up to 10% of the world gross domestic product.

The world's leading travel and tourism journal "Conde Nast traveler" ranked India amongst top 4 preferred holiday destinations in the world. There has been a significant increase in the number of foreign tourist arrivals during last two years due to this surge of

foreign tourist, India's share in world arrivals which was just 0.37 percent in 2001 raised to be 0.53 percent in 2006. The importance of tourism for the Indian economy is evident from the fact that it contribute to 5.9 percent of the gross domestic product and provided employment to 41.8 million people . Also the cumulative FDI in to the hotel and tourism sector from 1991 to march 2007 has been US \$ 517.83 representing 1.18 percent of the total FDI in to the country.

Objectives of the study:

- To find out the impact of recession on tourism industry
- To highlight the economic significance of tourism industry.
- To analyze the various factors affecting recession influencing tourism.

Scope of the study:

This paper focuses the impact of recession on the tourism industry. Though everyone knows the ill effects of global meltdown, but whether tourism is also affected in a negative manner!

This study point out the major area of tourism industry which is more affected in positive and negative manner in India this paper helps tourism industries in understanding factors that may influence recession and by taking corrective action against these factors recession can be avoided with the help of this paper tourist industries can understand when recession will come so that they can take corrective measures to control recession & all kind of losses that may occur due recession how tourist industries can help in the development of countries economy during recession period this can be easily understood by this paper.

Recession tourism:

Recession across the globe has hit the Indian tourism sector badly. The sector has sacrificed a considerable set back in the wake of global financial meltdown. Though no one likes or wants a recession, almost everyone appears reconciled to one in the us mean while politicians continue to downplay any fears of global repercussions, citing decoupling of the united states and other economies as a buffering factor, but what is the reality for countries like India? It would be native to imagine that a recession in the United States would have no impact on India. The United States accounts for one fourth of the world GDP and any significant slowdown is bound to have reverberations elsewhere. On the other hand interdependencies between the US economy and emerging economies like India and china has reduced considerably over the last two decades. Thus the effects may not be as drastic as

would have been the case in the 1980's. Ministry of tourism has revealed the data of foreign tourist arrivals (FTA) and foreign exchange earnings (FEA's) on the basis of data received from major airports.

FTA's during the month of Jan 2009 stood at were 0.49 million as compared to FTA's of 0.59 million during the month of Jan 2008 and 0.52 million in Dec 2008. The decline in FTA's may be mainly due to ongoing global financial meltdown FEE during the month of Jan 2009 stood at Rs.45.98 billion as against Rs.54.38 billion in 2008.

Fee in USD terms during the month of Jan 2009 were USD 941 million as compared to FEE of USD 1.382 million during the months of Jan 2009 the lower growth rate in Jan 2009 as compared to Jan 2008 may be mainly due to exchange rate variation and lower growth rate of FTA's

• Factors influencing Recession:

There are various factors which may influence global recession as follows.

1) Crisis theory :

It concerned with explaining the business cycle recession and crisis in capitalism drawing particularly on karl Marx's achievement in articulating the law of the tendency for the rate of profit to fall arising out of the consequences of value relations unless certain countermeasures are available to be taken the exponential growth of capital out paces the growth in labour productivity so the profit of economic activity have to be shared out more tringly among capitals. i.e at a lower profit rate.

2) Tendency of the rate of profit to fall:

The tendency of the rate of profit to fall is a hypothesis in economics and political economy, generally accepted in the 19th century, but rejected by main stream economist today. Economist as diverse as Adam smith, john Stuart mill and Stanley Jevons noticed a long run empirical trend for the return on capital invested in industrial to decline.

3) Currency Crisis:

A currency crisis occurs when the value of a medium of exchange quickly undermining its ability to serve as a medium of exchange or a store of value. it is also known as a balance of payment crisis. it is a type of financial crisis and is often associated with a real economic crisis.

4) Energy Crisis:

An energy crisis is any great price in the supply of energy resources to an economy. It

usually refers to the shortage of oil and additionally to electricity or other natural resources. An energy crisis may be referred to as an oil crisis, petroleum crisis, energy shortage, electricity shortage or electricity crisis.

5) Under Consumption:

In under Consumption theory recession and stagnation arise due to inadequate consumer demand relative to the amount produced. It is an old concept in economics. one of the early under consumption theory says that because workers are paid wage less than they produce, they cannot buy back as much as they produce. Thus there will always be inadequate demand for the product.

6) Overproduction:

In economies overproduction refers to excess of supply over demand of products being offered to the market this leads to lower prices or unsold goods.

7) Financial Crisis :

Many financial crises were associated with banking panics and many recessions coincided with these panics. Other situation that are often called financial crisis include stock market crashes and the bursting of other financial bubbles, currency crisis and sovereign default, many economist have offered theories about how financial crisis develop and how they could be prevented there is little consensus however and financial crisis are still a regular occurrence around the world.

There are some more factors that indicate recession these are as follows.

- General loss of confidence in the American economy.
- Stocks were regularly bought on margin & their value is kept soaring. A stock market decline knows as bear market and therefore investment decline.
- The rate of jobless people increases because companies in all sectors decide to keep their jobs vacant instead of hiring new staff.
- When companies start facing depression in sales and profit figure.
- When borrowers are unable to pay back their loans on home, two-wheeler, four wheeler etc.
- When prices of essential commodities such as food, fuel and other utilities shoot up and government seems helpless to do anything.
- When GDP growth rate declines.
- When interest rate on deposits decreases.

- When the demand of the commodity declines.
- Cutback in perks and salary is high.
- When capital inflows from FDI reduce which were invested in Indian market.
- **Impact of economic recession on tourism in India.**

A slowdown in the US economy is bad news for India; Indian companies have major outsourcing deals from the US. India's Exports to the US have also grown substantially over the years. The Indian economy is likely to lose between 1 to 2 percentage point in GDP growth. Indian companies with big tickets deals in the US would see their profit margins shrinking. Economic recession has affected the tourism sector in Jammu and Kashmir. Kerala's tourism sector also affected by recession 2008-09 which just last year had grown by 25% now a wide spectrum of enterprises ranging from home stay providers to high end hotels and resorts are reeling under a severe reversal of fortunes.

- Travel agents are reporting a 20-25% dip in leisure booking for the coming holiday season. The epicentre of the trouble it appears is about 16000 miles away travel agent are reporting a dip of around 25% in leisure travel.

Booking in to India for the winter season travel plans are usually finalized at least six months in advance and in the wake of the US slowdown not many queries and booking are coming in. (MICE eating, incentive, exhibitions, and conferences)

Travel and corporate traffic have also been impacted by the US recession occupancies in hotel in metro cities which cater to business tourists, are expected to dip by 8-10% in may and June.

Kerala's hotel and resorts had reported 30% cancellation at a time when the state had been hoping to maintain at least last year's growth rate. The revenues from tourism which employs around 12 lakh people had touched Rs.11.433 core then. The travel advisories against the country after the Mumbai attacks have also prompted many cancellations while corporate houses stopped booking rooms for company get Ways and conferences.

According to industry sources, the worst affected is **backwater** tourism in Alappuzha, which has 460 houseboats and 3000-odd direct employees even the famous kovalum beach has not been spared house boat owner's association president v.c. zachariah said operators had been struggling to keep a flat as business had come down by more than 30 percent. The flow of domestic tourist from north India is down to a trickle.

Rail tourism appears to have been adversely impacted by the ongoing economic crisis as Indian railway catering and tourism corporation (IRCTC) has seen 30-40 percent decline in passenger traffic to tourist and pilgrim destination it have been found a dip in the range of 30 to 40 percent in passenger traffic mainly originating from Mumbai, Kolkata and other major places for tourist and religious places of the northern region because of the economic meltdown. The Chandigarh region of IRCTC handles Panjab, Jammu and Kashmir, Uttarakhand, Himachal Pradesh.

Business delegations from America and travel by IT companies too have slowed down. Even the few travelers coming in from the US are planning to spend less mid- segment travel will get affected the most. The government claims tourism is growing over 12% in 2008 but actually it is 7-8% maximum.

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.

The tourism industry of India is reported be suffering badly owing to global recession despite the fact that the tourism season has been in full swing in the country, the tourism industry of Agra is unable to attract the many tourist according to Business today (leaving magazine of India) in this season there has been a decline in foreign tourist visit to Taj mahal. The tour operation in India have informed that tourist visit to India has decreased by 20 to 30 percent in this year. Earlier Goa's tourism industry had also experience similar decease in foreign tourist visit. The costal state has recorded almost 20 percent fall in tourist arrival.

According to the president of Goa's travel and tourism association Ralf D'souza, there has been massive reduction in scheduled and chartered flights arriving from international and national destination which was affected the tourism industry of the state it is worth mentioning that the reduction in airfares by major carriers of the country also could not improve the health of tourism industry. Apart from global recession the increase of terrorism has also contributed to the fall of tourism industry, regular terror attacks in various part of the country discourage the foreign visitors to tour India after the Mumbai incidents where several foreigners lost their lives the country's tourism industry is expected to deteriorate further.

ASEAN is an important source market for India, India has been actively prompted in this market through promotional and marketing events, and India sees immense potential for tourism generation from ASEAN region due to geographical proximity and good connectivity with most of the ASEAN member countries.

As the recession takes hold it would be natural to think that medical tourism would see a decline in the number of foreign patients. This however does not appear to be the case. Already popular in countries such as Thailand, Hungary, Mexico, Poland and Turkey where accredited and affordable health's care is available for many westerns. India is fast becoming the preferred destination for medical tourism. Low priced gastric bypass surgery, affordable Botox and cheap dental work are saving thousands of dollars for millions of Americans. In an article in the times of India 2002 saw earnings of \$300 million as a result of medical tourism which has been increased 25% each year.

During the gulf war in 1991 too, Visitors from the US had dropped 9.2 percent as compared to previous year. This shows reluctance on the part of American to travel in times of uncertainly as people choose to travel to areas which are perceived to be safe. Therefore efforts must be made to project India as a "safe destination "as many Indian tourist may have to cancel their holidays abroad, they will look for destinations within the country. By trapping the domestic market, the industry can overcome the present crisis.

Conclusion:

- Despite the major world economic degradation tourism is one of the major industries in India which has minimum negative impact.
- Through airline industry suffers few losses but railways and other transport industry gets a boom during this season.
- Foreign travellers decreased in number but domestic tourism increased as a whole.
- During global meltdown medical tourism gets a favorable boom. In India a large number of people come to India just for medical reasons.
- International MICE decreased in number of different corporate sectors were not in a position to place their meetings and conferences abroad so Indian star hotels and resorts welcomes mostly Indian guests.
- Impact of recession mostly seen in USA and UK Tourism, Indian tourist were untouched with this economic depression.

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