



The Role of Kerala Tourism in India's GDP

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Abstract : A potential strategic element for economic progress, tourism is one of the largest and fastest expanding sectors in the world. India is a nation that has experimented in all areas of tourism, including man-made and natural tourist destinations. Kerala, a state blessed by God with green landscapes and scenic tourist destinations, derives a large percentage of its revenue from tourism, especially from visitors from abroad. Therefore, the purpose of this study is to analyse Kerala's foreign earnings with the Indian GDP. The present study is based on secondary data from the years 2012 to 2021. Correlation and regression are used to analyse the relationship between Kerala's foreign exchange earnings and the GDP. The study is concluded that the impact of foreign exchange earnings of Kerala tourism on Indian GDP is very less.

Keywords: Foreign exchange earnings, Indian GDP, Travel and tourism share in Indian GDP

I. INTRODUCTION

Tourism is an activity when one individual from one country or region travels to and spends some time in another country or territory. The primary goal is for fun. Spending time for recreation has become essential in today's hectic world. Nowadays, people budget a portion of their income for recreational activities. It has now become an important aspect of our lives. In Indian context of tourism, the country has a great potential for revenue generation. Obviously, the tourist industry is becoming a more significant economic force with the potential to be used as a lever for development. In addition to contributing to economic progress, the tourist industry also enhances the quality of people's lives through supporting environmental protection, promoting diverse cultural heritage, and enhancing international peace. In line with the increasing importance of tourism, Government of India has announced the tourism as an industry. In 1988 the committee on National Tourism recommended that, using public sector as tool to develop Indian tourism as a promising industry. Government of India revise its policy from time to time. In 2014-2015 Ministry of tourism and culture launched many schemes such as Swadesh Darshan, Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD) Scheme, Capacity Building for Service Providers (CBSP) etc. The main aim of Swadesh Darshan scheme is to position tourism as a major engine for job creation and economic growth. PRASAD scheme focuses on enriching the religious tourism experience. CBSP scheme providing training to a large segment of people involved directly and indirectly in the tourism industry. Prior to the pandemic, it was anticipated that the Indian travel and tourism sector will increase at an average annual rate of 6.9 per cent from 2019 to 2028, reaching \$460 billion, or around 9.9 per cent of India's GDP in 2028.

Kerala is the first state that recognises tourism as an industry in India. 63 per cent of the state's revenue from 2019 to 2020 will come from the tertiary sector. Kerala's economy has been progressively transitioning from an agrarian economy to a service-based one since 1960. Its main sources of income are shipbuilding, tourism, education, and information technology. Due to time and resource constraints, the researcher solely considered the tourism industry in Kerala for investigation. The variables chosen to investigate the interaction effect of foreign exchange earnings from Kerala tourism on economic growth of Indian GDP are Foreign exchange earnings, the proportion of travel and tourism in Indian GDP and overall Indian GDP.

II Review of Literature

The following studies give insights into the macroeconomic variables and GDP and their relationship.

Edward and George (2008)¹ attempted to investigate the destination attractiveness of Kerala tourism in their study named “Tourism development in the state of Kerala, India: A study of destination attractiveness”. The researchers used PIA grid to analyse the destination attractiveness. As per this analysis policy makers should direct their developmental and marketing efforts towards beaches, art and crafts forms and heritage attractions for strengthen Kerala tourism. This study also discloses that apart from natural attractiveness there are many other factors indirectly contributes towards the attractiveness of a destination. It includes exchange rate, political risks, calamity preparedness and infrastructure etc. The main aftermaths of tourism in Kerala are economic growth and employment generation.

Muhammad and V P (2008)² attempted to study “Challenges faced by Kerala tourism industry” based on both primary and secondary data. The primary data collected with the help of questionnaire and personal interviews with officials of the Department of Tourism, private interviews, domestic tourists and international tourists. This article opens up about major challenges faced by Kerala tourism industry. It consist of horrible condition of road, inadequate of information centres and basic amenities, poor assistance of guides, improper management of historical monuments, filthy public amenities, unpleasing taxi drivers and high tax rates. The researchers make suggestion to the government that sustainability in tourism will only be possible with continuous study and timely applications of innovated technology.

Cheam (2013)³ in an article entitled “Economic growth, tourism and selected macroeconomic variables: A triangular casual relationship in Malaysia” attempted to study the long-run relationship among economic growth, tourism, physical capital, human capital and exports. The results of long run Granger causality test give away the idea that physical capital, education and health, exports, government tourism expenditure has a positive effect on tourist’s receipts. This will finally influence the economic growth of Malaysia in long run.

Ghatage and Kumbhar (2015)⁴ attempted to study the “Growth and performance of tourism industry in India”. The investigation results show that during the period of 1997 to 2013 the trends in foreign tourist’s arrivals and foreign exchange earnings from tourism in India show a continuous growth. Maharashtra, Tamil Nadu, Delhi, Uttar Pradesh and Rajasthan are the top five states in terms of foreign tourist’s visits. The share of India’s international tourism receipts in the World and Asia and Pacific region during the year 1997-2013 is also showing an upward movement.

Mir (2017)⁵ focused on “The impact of tourism industry on Gross Domestic Product and Balance of payments in India” by using the data collected from Ministry of tourism and RBI bulletin. During the period of 2010- 2015, India’s foreign exchange earnings and direct contribution of travel and tourism to GDP shows an upward trend. But the net receipt of balance of payment position shows a decline. That means more and more Indians are taking up foreign tours than foreigners visit India.

Pedak (2018)⁶ has done a study on “The effect of tourism on GDP” with the data of 111 counties. The researcher’s main purpose is to examine the relationship between tourism and GDP per capita through a cross sectional study. The researcher identifies GDP as dependent variable and international tourism receipts, international tourist arrivals per capita, trade openness, FDI net flow as independent variables. The results of linear regression reveals that increasing amount of trade openness, international tourists arrivals and FDI flow will make a positive impact on the economy of a country.

Gajalakshmi and Shanmuananthavadelu (2020)⁷ in her research paper “The impact of tourism in India” exhibits that Since 2002 the percentage changes in foreign exchange earnings shows an increasing movement. But it is started to decline continuously since 2008. The researcher explains that India has blessed with tremendous natural as well as historical tourists places but insufficient infrastructure. The policy makers should divert their marketing strategies and techniques towards the different aspects of tourism such as adventure tourism, medical tourism, pilgrimage tourism, eco tourism, wildlife tourism, cultural tourism, wellness tourism, business tourism, heritage tourism, educational tourism, leisure tourism, cruise tourism and sports tourism. All of these spheres have great potential to attract foreign tourists.

Yap (2020)⁸ explored the association between event tourism demand and macroeconomic variables. This study also examines the causality of relationship among these variables on event tourism and tourism receipts. Positive association between government expenditure and event demand reveals that, an increased allocation of government expenditure on infrastructure and

event promotion will increase the number of tourists travelling to Malaysia. Furthermore there is a positive relationship between tourist's receipts and event demand. And there is negative association between crude oil price and event demand.

Matthew (2021)⁹ made a study entitled as "Interaction effect of tourism and foreign exchange earnings on economic growth in Nigeria". This paper examined the interaction effect of tourism and foreign exchange earnings on economic growth in Nigeria. They also ascertained the impact of trade balance in tourism on economic growth. The analysis pointed out that there is a positive relationship exists between tourism and foreign exchange earnings and economic growth in Nigeria. It also has positive economic effect on balance of payments, employment, gross income and production. Despite of positive results, it may also have negative effects particularly on the environment.

Pinjaman and Pawan (2021)¹⁰ in their article titled "The relationship between macroeconomic factors and tourism demand for ASEAN countries" analyse the relationship between macroeconomic factors and tourism demand. The researcher demarcating the macroeconomic factors such as GDP of ASEAN countries, exchange rate, consumer price index and trade openness as independent variables and tourism demand from world towards nine individual ASEAN countries as dependent variable. As per the results of the study income per capita, exchange rate and trade openness has a positive relationship with tourism demand in ASEAN countries and consumer price index exhibits a negative relationship.

2.1 Research Gap

The reviews of the earlier studies related to tourism and macroeconomic variables gave an understanding about how tourism influences the macroeconomic variables and ultimately the GDP of a country. Those are conducted in a large scope by analysing a country as whole or an economic bloc. And the studies related to states were conducted on conceptual basis only. By referring these studies a lay man is not able to understand, how a state tourism contribute towards the economy of a nation. Hence the present study attempted to focus on the contribution of Kerala tourism towards the Indian economy.

III Statement of the problem

Kerala is a state that mostly depends on the service industry for its income. Since tourism is a part of the service industry, it contributes over 10 per cent to the state's GDP. Kerala's export of human resource is one of its main sources of foreign currency. Over 24 lakh people from Kerala are NRIs. Their inbound remittances have sparked the state's overall development. In addition, Kerala earns income through exports of agricultural products and tourism. The rise of tourism is pitiful after the terrible intrusion of the COVID-19 pandemic. The mobility of people is the backbone of tourism. The government places restrictions on people's movement during the pandemic. The growing pace of foreign exchange earnings is showing a downward trend due to invasion of pandemic. Due to the underdeveloped infrastructure and non availability of professional guide service foreigners are reluctant to visit Kerala. This is also a barrier for making enough contributions of foreign exchange to Kerala exchequer. Tourism in Kerala is promising sector, even there are shortcomings temporarily. It has the potential to contribute more towards the GDP of India. Hence, the present study is attempted to analyse the impact of foreign exchange earnings of Kerala tourism on Indian GDP. This raises the following questions:

1. How is the trend of foreign as well as domestic tourist's arrivals in Kerala?
2. Whether the foreign exchange earnings of Kerala tourism related with share of travel and tourism to Indian GDP and overall GDP of India?
3. Whether the foreign exchange earnings of Kerala tourism have any impact on share of travel and tourism to Indian GDP and overall GDP of India?

IV Objectives of the study

The objectives of the study are:

1. To analyse and forecast the trend of domestic as well as foreign tourists arrivals in Kerala.
2. To study the relationship between foreign exchange earnings of Kerala tourism and Travel & Tourism's share in Indian GDP and overall Indian GDP.

3. To study the impact of foreign exchange earnings of Kerala tourism on Travel & Tourism's share in Indian GDP and overall Indian GDP.

V Hypotheses

The hypotheses of the study are:

H₀₁: There is no significant relationship between foreign exchange earnings of Kerala tourism and Travel & Tourism's share in Indian GDP.

H₀₂: There is no significant relationship between foreign exchange earnings of Kerala tourism and overall Indian GDP.

H₀₃: Foreign exchange earnings of Kerala tourism have no significant impact on Travel & Tourism's share in Indian GDP.

H₀₄: Foreign exchange earnings of Kerala tourism have no significant impact on overall Indian GDP.

VI Research Methodology

The present study is in analytical nature and it is purely based on secondary data collected from Ministry of tourism, Kerala, Ministry of tourism India, World Bank data bank and reports collected from Statista. Data collected for the period of 2012 to 2021. Trend analysis, correlation and regression are the tools used to analyse the data.

VII Analysis and Interpretation

Analysis of the data regarding foreign exchange earnings of Kerala tourism, share of travel and tourism to GDP and Indian GDP helps to identify the relationship and impact between these above said variables. Based on the trend of foreign as well as domestic tourist's arrivals in between 2012 to 2021 the researcher forecasted the trend during the period of 2022 to 2026.

Trend forecasting of domestic as well as foreign tourist's arrivals in Kerala

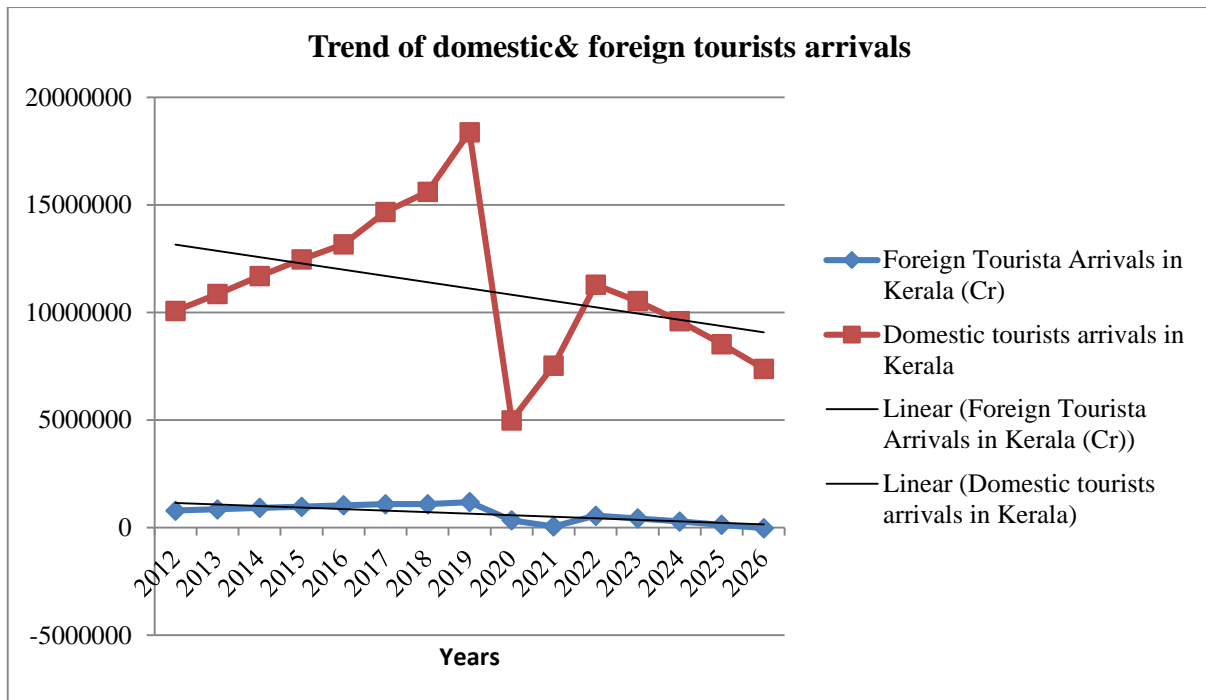
Table 1

Foreign& Domestic tourist's arrivals during 2012- 2021

Year	Foreign Tourists Arrivals in Kerala (Numbers)	Domestic Tourists Arrivals in Kerala (Numbers)
2012	793,696	10,076,854
2013	858,143	10,857,811
2014	923,366	11,695,411
2015	977,479	12,465,571
2016	1,038,419	13,172,535
2017	1,091,870	14,673,520
2018	1,096,407	15,604,661
2019	1,189,771	18,384,233
2020	340,755	4,988,972
2021	60,487	7,537,617
2022	554,428	11,293,297
2023	429,825	10,533,965
2024	288,519	9,598,058
2025	136,637	8,532,739
2026	-19,245	7,386,492

(Source: Statistics published by Ministry of tourism, Kerala)

Chart 1



The Table 1 shows the foreign as well as domestic tourists arrivals in Kerala during the period of 2012 to 2021. Based on the previous years, the prediction is has been done for the period of 2022 to 2026. As per Chart 1, the arrival of foreign as well as domestic tourists in Kerala during 2012 to 2019 shows an upward trend. Year 2019 shows highest number of tourist arrivals in both in domestic and foreign category. It is 18,384,233 foreign tourists and 1,189,771 domestic tourists respectively. But this falls down in 2020 as 60,487 foreign tourists and 7,537,617 domestic tourists. And started to rise in 2021. The government’s decision to restrict people’s movement has a major impact on the travel and tourism sector Yadav and Qureshi (2020). And after lifting of travelling restrictions on arrivals the graph shows an upward moving trend. Hence the prediction of next five years (2022- 2026) also influenced by the negative trend in past both in case of foreign as well as domestic tourists arrivals.

Table 2

Variation in Foreign Exchange Earnings& Total revenue from Kerala Tourism

Year	Foreign Exchange Earnings from tourism by Kerala (Per cent)	Total revenue generated from Tourism by Kerala (Per cent)
2012	8.28	7.32
2013	21.63	12.22
2014	15.07	8.54
2015	8.61	7.25
2016	11.51	11.12
2017	8.29	12.56
2018	4.44	8.61
2019	17.19	24.14
2020	-72.74	-74.82
2021	-83.52	8.38

(Source: Statistics published by Ministry of tourism, Kerala)

Chart 2

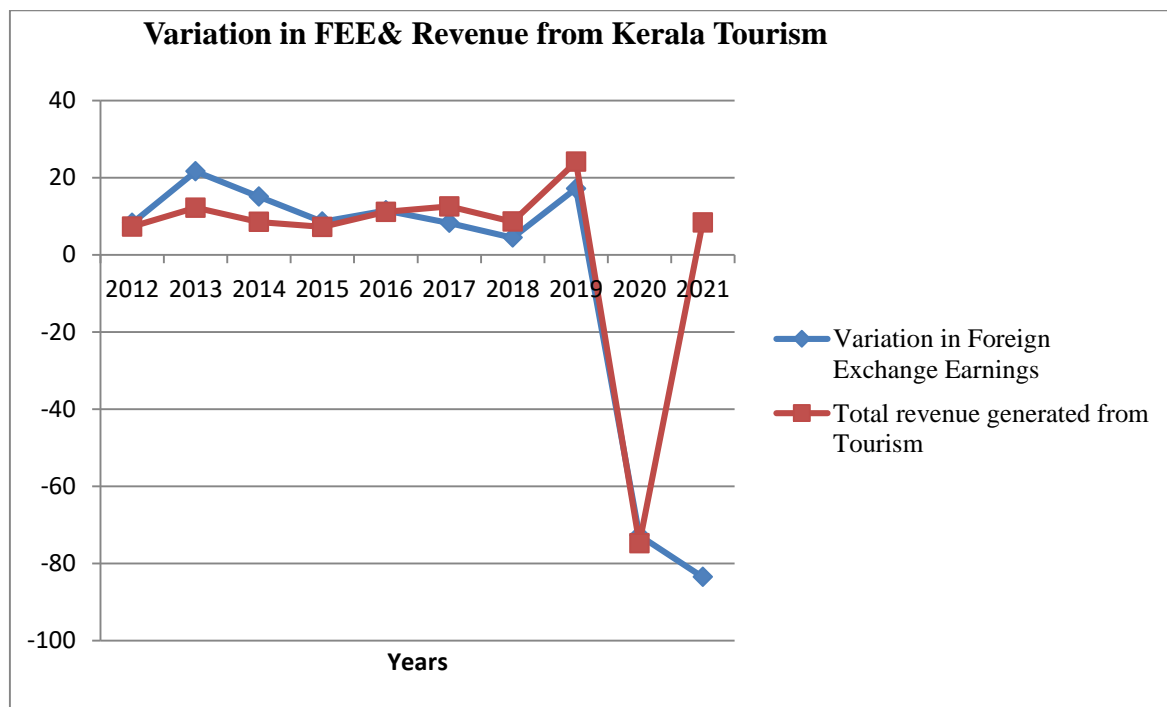


Table 2 shows the variation in Foreign exchange earnings and total revenue generated from tourism by Kerala state. This helps to identify the stability in the revenue generated by tourism industry in Kerala. During the year of 2012 to 2018, the revenue generated from Kerala tourism is more stable than FEE of Kerala. Foreign earnings shows variation in 2015 it is 8.61 per cent, in 2017 it is 8.29 per cent and in 2018 it is 4.44 per cent. But FEE improved in 2019. During the period of study, year 2019 reveals high positive variation in both FEE and total revenue from Kerala tourism; it is 17.19 per cent and 24.14 percent respectively. But both are suddenly shows a negative variation of -72.74 percent for FEE and -74.82 per cent for total tourism revenue. Then the revenue started to raise, but foreign earnings in 2021 reveals a negative variation of -83.52 per cent. From this it is inferred that, revenue from tourism started to increase after the pandemic phase. But foreign tourist's arrival is not up to the level. So the state should offer more economic and worthy tour packages in order to attract more foreign tourists without compromising the health of the people.

Study the relationship between Foreign Exchange Earnings of Kerala tourism and Travel & Tourism's share in Indian GDP

H_{01} : There is no significant relationship between foreign exchange earnings of Kerala tourism and Travel & Tourism's share in Indian GDP.

Table 3

Relationship between FEE of Kerala tourism & Travel and tourism's share in GDP

	Foreign Exchange Earnings from Kerala Tourism	Share of Travel & Tourism in Indian GDP
Foreign Exchange Earnings from Kerala Tourism	1	.596
Share of Travel & Tourism in Indian GDP	.596	1

Table 3 displays relationship between foreign exchange earnings from Kerala tourism and share of travel and tourism to Indian GDP. The value of correlation coefficient is .596. So it is concluded that there is no strongest correlation.

Study the relationship between foreign exchange earnings of Kerala tourism & overall Indian GDP

H₀₂: There is no significant relationship between foreign exchange earnings of Kerala tourism and over all Indian GDP.

Table 4

Relationship between FEE of Kerala tourism & overall Indian GDP

	Foreign Exchange Earnings from Kerala Tourism	Total Indian GDP
Foreign Exchange Earnings from Kerala Tourism	1	.119
Overall Indian GDP	.119	1

Table 4 shows the relationship between foreign exchange earnings of Kerala tourism and Indian GDP. The correlation coefficient is 0.119. So there is very weak correlation. From this, it is concluded that there is no relationship between foreign exchange earnings of Kerala tourism and share of travel and tourism to Indian GDP.

Study the impact of foreign exchange earnings of Kerala tourism on Travel & Tourism's share in Indian GDP

H₀₃: Foreign exchange earnings of Kerala tourism have no significant impact on Travel & Tourism's share in Indian GDP.

Table 5

Impact of FEE of Kerala tourism on Travel & Tourism's share in GDP

Model	R	R Square	Adjusted R Square	S.E of the estimate	P Value
1	.596 ^a	.355	.275	458629.406	.069

Predictors: (Constant), Foreign Exchange Earnings from Kerala

Dependent Variable: Share of travel and tourism in Indian GDP

Table 5 displays the regression analysis; it shows R square value is .355. It means that foreign exchange earnings of Kerala tourism have only 35.5 per cent impact on travel and tourism share in Indian GDP. Since the P value is .069, the null hypothesis is accepted at 5 per cent level of significance. Hence it is concluded that FEE of Kerala tourism has no impact on travel and tourism's share in GDP.

Study the impact of foreign exchange earnings of Kerala tourism on overall Indian GDP

H₀₄: Foreign exchange earnings of Kerala tourism have no significant impact on overall Indian GDP.

Table 6

Impact of FEE of Kerala tourism on overall Indian GDP

Model	R	R Square	Adjusted R Square	S.E of the estimate	P Value
1	.119 ^a	.014	-.109	3965653.569	.743

Predictors: (Constant), Foreign Exchange Earnings from Kerala

Dependent Variable: Indian GDP

Table 6 shows the regression analysis. The R square value is .014. It means that foreign exchange earnings of Kerala have only 1.4 per cent impact on overall Indian GDP. Since the P value is .743 the null hypothesis is accepted at 5 per cent level of significance. Hence it is concluded that FEE of Kerala tourism has no impact on overall Indian GDP.

VIII Findings and Suggestions

1. After the sudden break of the pandemic, the tourism industry is started to grow. This is trend have seen both in the case of domestic as well as foreign tourists arrivals. To rebuild the tourism sector a global level cooperation is required. The government should take bold actions to flourish the tourism sector
2. Till date the Kerala state is not able to attain stability in generating tourism revenue. Being a viable state for tourism this is quiet awful. So the government should invest more in tourism industry and the government should take the required actions to draw more local and international tourists.
3. The impact of foreign exchange earnings from Kerala tourism on share of travel and tourism in Indian GDP and overall GDP is very less. So the tourism administrators of Kerala state should focus innovative ways to generate revenue from tourism.

IX Conclusion

The present study titled “The Role of Kerala Tourism in India's GDP” provides some insight into how Kerala tourism's foreign exchange earnings relate to travel and tourism's contribution to Indian GDP and total Indian GDP. Kerala's tourism industry has significant growth potential. The state does not make full use of it. Being a promising industry, Kerala tourism can make a significantly bigger impact on India's GDP and, ultimately, on the nation's economic development.

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