



International Journal of Advance Studies and Growth Evaluation

The Impact of Tourism Industry on the Indian Economy

^{*1} Rakesh Bhoir

^{*1} Assistant Professor & Head, Department of Economics, B.K. Birla College, Kalyan, Maharashtra, India.

Article Info.

E-ISSN: 2583-6528

Impact Factor (QJIF): 8.4

Peer Reviewed Journal

Available online:

www.alladvancejournal.com

Received: 18/July/2026

Accepted: 16/Aug/2026

Abstract

The tourism sector plays a significant role in the economic growth and development of India. It has emerged as one of the most significant contributors to the economy. Tourism industry contributing to India's GDP growth rate. It's generate the employment within the country. It's also helps to generate foreign exchange earnings. The tourism industry is a major pillar of the Indian economy, contributing over 6% to GDP and 9% to total employment. (in 2025). Tourism is a labor-intensive sector that supports over 42 million jobs including Accommodation (hotels, resorts) Transportation (airlines, railways, taxis) Travel agencies and tour operators, Entertainment and recreation services. This research paper examines the impact of the tourism industry on India's economic growth and development. The paper also identifies key challenges such as inadequate infrastructure, environmental concerns, and seasonality. It concludes that tourism can performance as a substance for inclusive and long-term economic growth and socio economic development of India.

*Corresponding Author

Rakesh Bhoir

Assistant Professor & Head, Department of Economics, B.K. Birla College, Kalyan, Maharashtra, India.

Keywords: Tourism, Indian Economy, GDP, Foreign Exchange, Economic Development, Infrastructure, Environment.

Introduction

The contribution of tourism industry in national income is often taken as an indicator of economic growth and development. It is one of the source of livelihood for a large section of the population. The tourism sector has become a vital component of the Indian economy, contributing significantly to income generation, foreign earning and employment. Tourism industry contributing to India's GDP growth rate. It's generate the employment within the country. It's also helps to generate earnings in rural areas. The tourism industry is a key pillar of the Indian economy, contributing over 6% to GDP and 9% to total employment. (in 2026). Tourism is a labor-intensive sector that supports over 42 million jobs including Accommodation (hotels, resorts) Transportation (airlines, railways, taxis) Travel agencies and tour operators, Entertainment and recreation services. The importance of tourism as tool for economic growth, development and employment generation. It is the one of the service industry globally in terms of gross revenue as well as foreign exchange earnings. Tourism plays an effective role in achieving growth with equity objectives which we have set for ourselves. The tourism sector can contribute to long-run macroeconomic performance of developing countries like

India. India having high potential for the expansion of tourism industry can be a substance for the long economic growth and Development.

Objectives of the Study

- To understand the concept and importance of tourism industry.
- To analyze the impact of the tourism industry on India's economic development.
- To identify challenges faced by the tourism industry.

Methodology

The research is based on secondary data collected from national and international sources including: Ministry of tourism, Government of India, Economic Survey of India, Reserve Bank of India (RBI) reports, publications, World Travel and Tourism Council (WTTC) Data, Handbook of Indian Government for the period 1950 to 2026, Reports and Budget documents, different website, Articles and Research Papers published in National and International Journals like Journal of Public Choice, Journal of Development, Journal of Political Economy, Journal of Economic Studies, Economic and Political Weekly.

Importance of the Tourism Industry

The tourism industry refers to the collection of activities, services, and sectors that provide travel-related experiences to people visiting places outside their usual environment for leisure, business, or other purposes. According to the World Tourism Organization, tourism involves the movement of people to destinations outside their usual place of residence for not more than one year for leisure, business, or other purposes. Tourism significantly contributes to national income and economic development. It generates revenue through spending on travel, accommodation, food, and entertainment, thereby boosting GDP. The industry creates a large number of jobs, both skilled and unskilled, in areas such as hotels, transport, travel agencies, and local businesses. International tourism brings foreign currency into the country, strengthening the balance of payments and supporting economic stability. Tourism encourages the development of infrastructure like roads, airports, railways, and communication systems, which also benefit local communities. It helps preserve and promote cultural traditions, historical monuments, art, and crafts by increasing their visibility and economic value. Tourism promotes development in rural and underdeveloped areas by creating income opportunities and reducing regional imbalances. It promotes cultural exchange and global understanding by bringing people from different countries and backgrounds together.

Impact of the Tourism Industry on India's Economic Development

The tourism industry plays a crucial role in accelerating India's economic growth and development by contributing to income generation, employment, and overall growth. Its positive impacts are wide-ranging and affect multiple sectors of the economy. The positive impact mansion in following areas.



Fig 1: Positive Impact of Tourism Sector

The tourism industry continues to be a major contributor to India's economy. In 2025-26 its contributes approximately 6.5% to 7% of India's GDP. The sector's contribution is projected to reach around ₹22–22.5 trillion (₹22 lakh crore) in 2025, and continues at similar or slightly higher levels into 2026. (India Tourism Statistics Report (2026)). The contribution of the tourism sector to GDP at the national level in recent years is as follows

Table 1: % share of Tourism sector to GDP

%/Years	2019-20	2020-21	2021-22	2022-23	2023-24
Total Share of Tourism in GDP	5.18	1.50	1.75	5.09	5.22
Direct	2.69	0.78	0.91	2.65	2.72
Indirect	2.49	0.72	0.84	2.44	2.50

Source: National Accounts Statistics 2025.

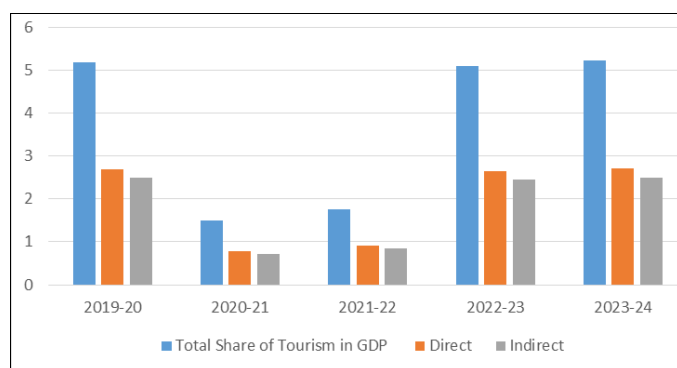


Fig 2: Contribution of Tourism to GDP (in %)

Table 2: % share of Employability in Tourism Sector

% / Years	2019-20	2020-21	2021-22	2022-23	2023-24
Tourism Direct Employment (in million)	30.28	29.68	30.55	33.22	36.90D
Direct share of Tourism	5.89	5.63	5.52	5.48	5.82
Total Tourism Employment(in Million)	69.44	68.07	70.04	76.17	84.63
Total Share in jobs	13.50	12.91	12.66	12.57	13.34

Source: Estimates based on the Periodic Labour Force Survey (PLFS)

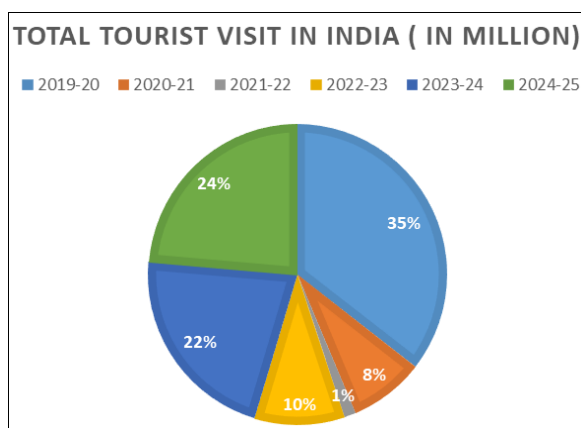
Foreign exchange earnings (FEE) from tourism represent the income India earns from international tourists spending foreign currency on travel, accommodation, and services. It is a key indicator of tourism's contribution to the economy. According to Ministry of Tourism, Government of India (Tourism Statistics)

and Press Information Bureau (PIB) Reports Foreign exchange earnings from tourism in India have shown strong growth, reaching about ₹2.7–2.9 lakh crore (USD 30–35 billion) annually in recent years. This highlights tourism as a key pillar of India's external revenue and economic development.

Table 3: % share of Foreigners Visited in India

%/Years	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Total tourist Visit in India (In Million)	31.4	7.2	1.1	8.6	19.2	20.9

Source: Press Information Bureau: pib.gov.in

**Fig 3:** Total Tourist Visit in India (In Million)

Growth in tourism in India directly drives infrastructure development, including roads, airports, railways, hotels, and urban amenities. This not only enhances the tourist experience but also improves living standards, regional connectivity, and economic development. India has over 6,000 km of roads developed specifically to improve tourist access in major destinations (as of 2025). (pib.gov.in) India's airport network has grown to 152 operational airports in 2025, up from 125 in 2020, largely to support tourism. (AAI India Report 2026) India's hotel industry has grown at a CAGR of $\approx 10\%$ from 2021–2025, adding over 1,50,000 new rooms nationwide. (FICCI-IBEF Tourism Report 2025).

Tourism promotes economic development in rural and less-developed areas. Popular tourist destinations like hill stations, coastal regions, and heritage sites attract investment and create income opportunities in these regions. Local entrepreneurs, street vendors, guides, and small shop owners benefit from tourism. It encourages entrepreneurship and supports micro, small, and medium enterprises (MSMEs).

Challenges Faced by the Tourism Industry

India's tourism industry is massive and diverse, but it faces several persistent challenges that affect growth, visitor experience, and global competitiveness. The general challenges faced by the tourism sector such that:

- Lack reliable roads, clean public transport, quality accommodation, and basic amenities like toilets and signage.
- Cleanliness remains a concern at several tourist spots, railway stations, and public areas. Inconsistent implementation affects India's image among international tourists.
- Issues like scams, harassment, and safety-especially for solo and female travelers-can discourage tourism. High-profile incidents sometimes negatively impact perception globally.
- Unregulated tourism leads to pollution, deforestation, and damage to ecosystems-especially in sensitive regions like Himalayas and coastal areas.
- There is a shortage of well-trained guides, hospitality staff, and multilingual professionals, which affects service quality and tourist satisfaction.
- Limited air connectivity to smaller cities and poor last-mile connectivity make it difficult for tourists to reach offbeat destinations.

India has immense tourism potential-heritage, culture, nature, and spirituality-but addressing these challenges requires coordinated efforts in infrastructure, policy, sustainability, and service quality.

Conclusion

Tourism is one of the fastest-growing sectors in India and plays a crucial role in the country's economic development. In the current scenario, the tourism industry continues to play a dynamic role in strengthening the Indian economy by generating employment, boosting foreign exchange earnings, and supporting allied sectors such as transport, hospitality, and handicrafts. Post the disruptions caused by COVID-19, the sector has shown strong recovery, driven by domestic travel, digital booking platforms, and government initiatives like Incredible India Campaign. However, to fully realize its potential, India must address ongoing challenges such as infrastructure gaps, environmental sustainability, and service quality. Despite facing several challenges, the sector has shown resilience and strong recovery in the current scenario. With continued government support, improved infrastructure, and a focus on sustainable development, tourism will continue to be a key driver of India's economic growth in the future. With continued investment, policy support, and a focus on sustainable and inclusive tourism, the industry is expected to remain a key contributor to India's GDP growth and overall economic development in the coming years.

References

1. Nayak J, Hanagodimath SV. "An Impact Analysis of Tourism and Economic Growth in India." *International Education and Research Journal*, 2024.
2. Vedapradha R. et al. "Indian Tourism Industry-A Yardstick to GDP." *European Journal of Tourism, Hospitality and Recreation*, 2018.
3. Rout HB, Mishra PK, Pradhan BB. "Socio-Economic Impacts of Tourism in India: An Empirical Analysis." *Journal of Environmental Management and Tourism*, 2016.
4. Shah JA. Tourism's Economic Footprints in India: Synchronizing Government Initiatives to Encourage Industry Growth. *International Education and Research Journal*, 2024.
5. Khaund M, Nath BD, Chakravarty B. A Study on Tourism Prospects for Indian Economy, 2024.
6. Anupama and Sumitha: "Hospitality Industry: A Key Revenue Generator to Indian Economy as a Part of Tourism Industry". *International Journal of Scientific Research*. 2012; 2(3):246-249.
7. Ministry of Tourism, Government of India.
8. World Travel & Tourism Council (WTTC).
9. UN World Tourism Organization (UNWTO).