

# Economic Impact of Sustainable Tourism and Hospitality Sector in India

Akkala Venkata Hanumantha Rao

Senior Lecturer  
Department of Commerce  
Government Degree College, Chebrole  
Guntur District- 522202, Andhra Pradesh.

**Abstract-** For the economic development of India and many other nations tourism and hospitality sectors acts as vital instruments. Both of the sectors can be placed among the sectors which are emerging worldwide. Both the hospitality and tourism sectors generates a good amount of revenue for any country. The tourism and hospitality sectors have both positive and negative outcomes. Well the negative outcomes increased the need for sustainable practices in both tourism and hospitality sectors. For India's economy to thrive while maintaining environmental protection and societal well-being, sustainable tourism and sustainable hospitality practices are essential. The goal of the study is to comprehend and advance sustainable tourism and hospitality practices in light of India's varied native landscapes, rich cultural legacy. Secondary data sources such as government papers, scholarly works, trade journals, and internet databases are used in a thorough policy analysis. The study highlights the value of sustainable practices in both tourism and hospitality sectors and also in reducing adverse effects and fostering beneficial ones. Furthermore how the tourism and hospitality sectors have been contributing to the economy of India and the growing significance of sustainable practices in both the sectors, positive and negative outcomes, challenges faced while practicing these choices have been discussed. The initiatives taken by the government to promote the sustainability also been discussed.

**Keywords:** sustainable tourism, hospitality, sustainable practices, economic development.

## INTRODUCTION

Tourism and hospitality sectors both are considered as customer-oriented sectors. They provide jobs, and helps in the overall development of regional communities. Both these sectors uplifts the financial status of the country and also encourages development of the infrastructure which in return helps in increasing financial condition of the local communities. Also the government has introduced several schemes and policies with an aim to promote both domestic and international tourism.

All over 3200 lakhs of individuals were given employment worldwide by the tourism sector in the year 2023. In India over 390 lakhs of jobs were created in the year 2020 by the tourism sector which is responsible for 8% of the overall manpower. The hospitality industry is a major contributor to the global economy, providing job opportunities through travel and tourism agencies, hotels, cafes, and restaurants. As visitors flock to different regions and countries to explore their geography and culture, the hospitality industry experiences a surge in demand, resulting in increased sales for local businesses. While it is an indirect economic influence, national governments can still benefit from the industry through various taxes, such as business tax and registration fees. The hospitality sector generates revenue through value-added tax (VAT), lodging, conferences, food, events.

The establishment and growth of the hotel sector may be the catalyst for the construction of infrastructure. Money may be spent on building new infrastructure or improving the ones that already exist. To enhance the whole experience of a visitor and draw in new ones, governments and private investors may provide funding for upgraded communication, transportation, and recreational amenities. This infrastructure investment is both capital and ongoing, creating jobs and revenue in the process. The top local and foreign players in the hotel and hospitality sectors are covered in the study on the Indian hospitality market. The hospitality industry in India is young and vibrant. For foreign and domestic companies looking to enter the country's hospitality market, there is more room for growth. Cutting down trees and extensive use of electrical appliances which releases tons of green house gases are the serious issues faced in any tourist spots among different nations. To diminish or rescue these negatives consequences Indian government has taken several sustainable initiatives as part of promoting tourism. Here are some of the positive outcomes/effects of sustainable practices.

- Substantial benefits
- Financial benefits
- Positive effect on Brand building

Energy-efficient operations and waste management techniques, among other sustainable hospitality practices, help reduce greenhouse gas emissions and consequently mitigate climate change. Ecological systems and the various plant and animal species that depend on them are protected by sustainable practices, which reduce pollution and habitat degradation. Sustainable hospitality encourages awareness and education about environmental issues through eco-friendly initiatives and guest engagement programs, motivating people to adopt more environmentally conscientious practices. Hotels may preserve finite resources like water and non-renewable materials for future generations by adopting conservation strategies and responsible sourcing practices.

By reducing energy, water, and waste management expenses, hotels and resorts can boost their profitability by implementing sustainable practices in their operations. Through using locally sourced materials and participating in community events, environmentally conscious hotels help to boost the local economy by fostering job growth and providing assistance to small enterprises. Using sustainable practices helps hotels project a more socially and ecologically conscientious image. Today's environmentally conscious customers actively seek out hotels that practice sustainability, which helps them stand out from rivals. The hotel's reputation and commercial position are improved by drawing in customers who value sustainability.

## RESEARCH METHODOLOGY

This current research work is to make people aware on a broader range about the tourism sector and hospitality sector and the sustainable practices being adopted by these industries and the initiatives being followed by the government for this purpose. The impact of both of these sectors on the economy of the country is also discussed. Secondary data sources have used to collect the data which is used for the research purpose.

## SUSTAINABLE TOURISM

Sustainable practices which are existing in the tourism industry and also the sustainable initiatives taken up by the tourism industry truly defines the term sustainable tourism. Even though there are both positive and negative impacts the predominant goal is to minimize the negative outcomes. As quoted by the UNWTO and UN Environmental program on sustainable tourism is something which takes the full accountability of the ongoing and upcoming episodes which are related to environment and economy. Sustainable tourism also means creating a balance between these three aspects. It also sheds light on the requirements of the industry, its visitors and also the local residents. Sustainable tourism runs on the three core concepts namely economic sustainability, environmental sustainability and social sustainability. These concepts are also named as profits, planet and people.



Fig 1. Different forms of sustainable tourism

The whole concept of sustainable tourism is founded on making best use of the natural resources, allocating societal and financial resources in an equitable manner and also safeguarding the cultural and social integrity of the communities that host. India has been adopting some major changes to adopt sustainable tourism practices. In the year 2022 the sustainable tourism market of India has a value of 26.01 million American dollars. By the year 2032 this is to extend up to 151.88 million U.S. dollars. This is to happen during the time span 2022 to 2032 with the compound annual growth rate of 19.3%.

## SIGNIFICANCE OF SUSTAINABLE TOURISM

Sustainable tourism is important because of the following reasons

- ❖ Creation of better experiences for everyone

- ❖ Upholding, protecting and conserving natural environments
- ❖ Reduction of overtourism
- ❖ Assisting local communities
- ❖ Promoting learning and understanding of different cultures

### **BENEFITS OF SUSTAINABLE TOURISM**

- Sustainable tourism takes care of the wildlife by understanding the needs and making decisions which caters to those needs.
- Sustainable tourism has the potential to boost the local economy, create jobs locally, and offer funds for neighbourhood projects.
- Protection of the environment is another advantage of the sustainable tourism as it encourages the usage of eco-friendly materials while limiting the waste produced by it.
- The ability to bring together businesses, travellers, and governments with the goal of implementing policies that consider the long-term viability of the tourism sector, local communities, travellers, and the environment is one of the main benefits of sustainable travel.

### **HOSPITALITY SECTOR**

The term hospitality speaks of the cordial and greathearted receiving of the visitors/strangers. Hospitality can be considered as the spine of the service industry as it is pivotal for the growth, success and prominence of the business in various sectors like tourism and travel. Hospitality boosts the satisfaction of the customers, promotes good relations between the guests and the hosting parties. Hospitality is a huge and intricately industry. Even though the hospitality sector is closely connected to the hotel industry and travel industry it is easily distinguishable from both of them. As believed by many, hospitality isn't just a collection of services but a culture.

### **ROLE OF THE HOSPITALITY SECTOR IN THE ECONOMY**

Notable contributions have been made by the hospitality industry to the global economy by means of creating jobs and encouraging foreign and cultural exchanges of currency. Hospitality industry strengthens the economic climate of a country on a universal platform by taking care of its country's culture, art and crafts. Hospitality sector not only holds a prominent place among many other sectors as it not only upholds the economic conditions of a country but also the exploration, adventure of arts and culture of the country. Hospitality sector has a huge economic influence with nations utilizing it as an effective, strong and soft but a yet powerful tool.

Hospitality sector alone made a contribution of 10.4% to the GDP globally in the year 2020. An approximation is made that this percentage is to be raised by 10% in the upcoming 10 years.

Looking back at the year 2018 both the hospitality and tourism industry made a straight through benefaction of more than 98 billion dollars to the India's GDP. This benefaction is speculated to be around 194 billion dollars of U.S. by the year 2028.

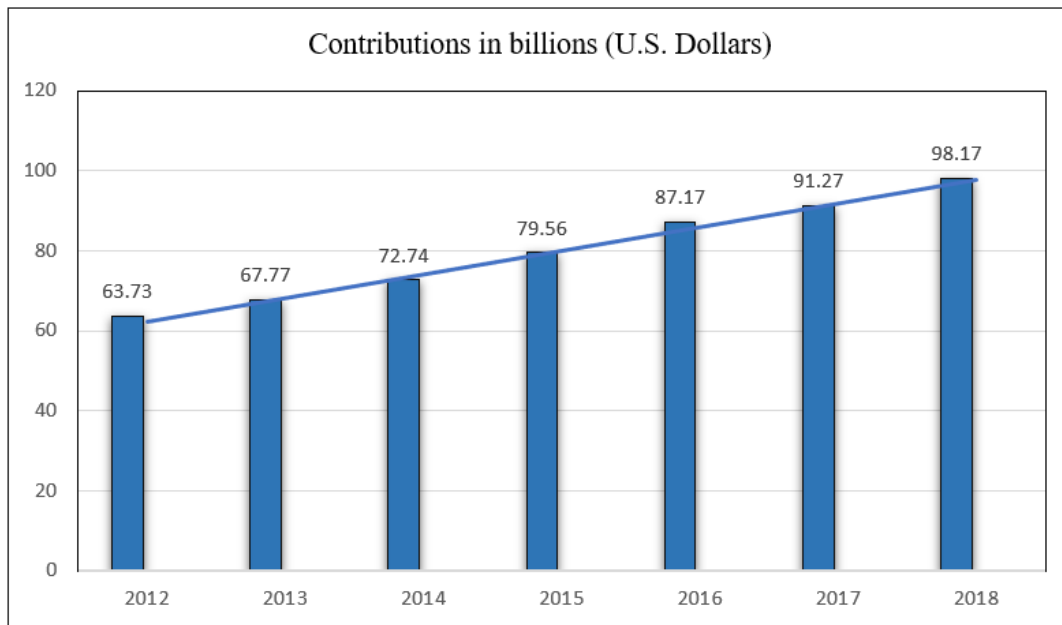


Fig 2. Straight through contribution made by hospitality and tourism sectors from the years 2012 to 2018 to the GDP of India

Source: The above picture is adopted from an internet blog botshot.ai

It can be observed from the figure 1 that there is a constant rate of growth over the years 2012 to the 2018 and it can be presumed that it is likely to be increased over the upcoming years.

### IMPORTANCE OF THE HOSPITALITY SECTOR IN THE ECONOMY

Hospitality sector is a crucial sector for the development of economy of any country around the world. Following are the areas where hospitality sector plays a key role.

- ❖ Uplifts the rate of employment
- ❖ Helping the regional business
- ❖ Increases the generation of revenue
- ❖ Preservation of regional arts and regional culture
- ❖ Stimulation of direct investments and exchange of foreign currencies
- ❖ Promotes infrastructure growth

According to a Research Gate study on German cultural heritage in 2007, the country's rise in tourism is a result of cultural tourism. The nation's unique art, history, crafts, and culture are safeguarded by government support through the tourism industry. This preserves the country's distinctiveness and attracts visitors from all over the globe, which in turn enhances the nation's GDP. Furthermore, the nation's indigenous handmade items draw in a lot of tourists. Their strong interest in native goods contributes to the survival and growth of numerous regional handicraft companies as well as national handicrafts in general. One of the most important financial impacts of the hotel industry is the increase in foreign currency that comes with the arrival of international tourists.

Some nations mandate that foreign visitors must carry a specific amount of cash during their stay, which boosts the host country's foreign reserves. A developed and growing hospitality industry attracts international guests and encourages them to spend money on its offerings, facilitating year-round global interactions. India's tourism sector generated around 17 billion US dollars in foreign exchange revenues in 2022. This was an increase of more than 92% from 2021. Furthermore, the Indian government hopes to generate \$400 billion in foreign money from tourism by 2047, according to a proposed tourism policy.

The tourism industry also encourages direct foreign investments in regional tourist sites and destinations. India experienced a surge in foreign direct investment (FDI) in 2016, as several multinational hotel chains opened locations there.

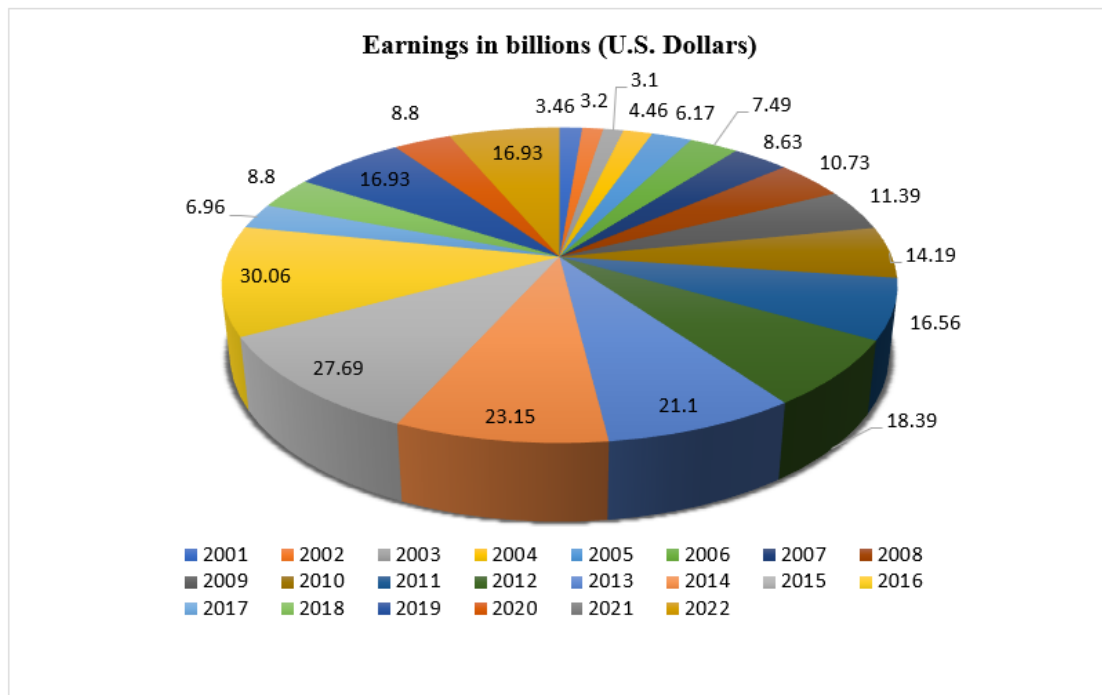


Fig 3. Earnings from foreign exchange by the tourism industry over the years 2001-2022 in India

Source: The above picture is adopted from an internet blog botshot.ai

It can be observed from the figure 2 that there is a constant rate of growth over the years 2001 to the 2022 and it can be presumed that it is likely to be increased over the upcoming years.

**CHALLENGES AND SOLUTIONS**

Following are some of the common hurdles which occur while following the sustainable practices

- Unawareness among the people
- Reluctant to change
- Expensive endeavor

In the hospitality industry, there may still be a dearth of knowledge about sustainable practices despite the increased awareness about the issues of environment. Certain organizations could undervalue the advantages of sustainability or fail to recognize the tools and assistance that are accessible for executing environmentally conscious projects. The transition of hotels and resorts to more environmentally friendly operations may be hampered by this ignorance. Both the staff and management parties are reluctant to adopt the changes. Workers may be reluctant to embrace new practices or technology out of concern over schedule interruptions or increased workloads. In a similar vein, managers could be reluctant to change current procedures, particularly if they think sustainability initiatives are pointless or expensive. In order to implement these sustainable practices, the hospitality sector regularly needs to make large amount of investments in facilities which are eco-friendly, energy-efficient technologies which are energy-efficient and also upgraded infrastructure. Budgets may be stretched by these upfront expenses, particularly for smaller businesses, which makes it difficult to dedicate resources to sustainability projects.

The best practices which are suitable to overcome the challenges which arises while following sustainable practices are:

- Making eco-friendly strategies
- Guest education programmes
- Encouraging local partnerships

To increase the brand reputation competitiveness in the market, usage of eco-friendly marketing strategies to draw in guests who is empathetic and promotes sustainable initiatives. Form partnerships with surrounding companies to boost regional economies, lessen carbon emissions, and provide visitors with genuine experiences abased on community involvement. Developing educational initiatives to teach visitors about environmentally friendly activities while they are here, giving them the tools to make responsible decisions and encouraging a culture of environmental care.

## INITIATIVES TAKEN BY THE GOVERNMENT

The Ministry of tourism has recently made many measures to boost the tourism, including the introduction of new programs like SAATHI, PRASHAD, NIDHI, SWADESH DARSHAN and many more. A quick view at some of the schemes are as follows:

### DEKHO APNA DESH INITIATIVE:

Dekho Apna Dash initiative is taken up by the ministry of tourism in January 2020. The scheme's prime objective is the promotion of tourism and encouragement of people to explore the country's copious cultural legacy and diversity. Ministry of Railways and Indian Railways Catering and Tourism Corporation works together as part of this scheme to increase the rate of domestic tourism.

### SAATHI:

SAATHI is a certification system launched by the Indian Government under the Ministry of Tourism. The scheme was introduced with vision of developing and providing self-assuredness to the tourists/visitors. It also encourages many hospitality units to upgrade their standards and services to face any kind of risks which occur post covid.

### PRASAHD:

It is a scheme launched by the government of India in the year 2014-2015 under the ministry of tourism. It was launched with an objective to boost attractiveness of the tourism by following sustainable practices. By harnessing the pilgrimage tourism the rate of employment generation and the development of economy can be increased.

### NIDHI:

It is an initiative under Padmanabha Bharat. It promotes the usage of technology for the empowerment of business sector. NIDHI works with aim of becoming a doorway to the abundant opportunities present in the tourism and hospitality industries. NIDHI provides platform for many hospitality organisations where they can share their best ideas, implementations and also brings up these ideas to the government scrutiny for a smooth way of business work.

### 24×7 Multi-lingual tourist helpline:

A Toll free multi-lingual tourist helpline which works 24×7 was set up by the tourism ministry in the year 2016 for catering the needs of the tourists. It includes 10 international languages along with Hindi and English.

## CONCLUSION

To sum up, India's transition to sustainable tourism is a reflection of a growing understanding of the need to strike a balance between economic expansion and the preservation of the environment, cultural arts, and community involvement. The policies and strategies that have been detailed in several reports and actions over the years demonstrate a dedication to supporting a tourist industry that aims for beneficial social and environmental outcomes in addition to economic ones. A comprehensive approach to tourist development is demonstrated by the focus on eco-tourism, community-based initiatives, and conservation efforts. The main objectives of the most current Draft National Tourism Policy are to provide relief measures, give sector status, and concentrate on digital and green tourism. To guarantee that sustainable tourism continues to be a pillar of India's international tourist identity, the country may profit from increased cooperation, ongoing monitoring, and international cooperation. India can set the standard for developing a tourism environment that both draws tourists and guarantees the sustainability and vibrancy of its varied attractions. This may be achieved through capacity building, technological integration, and incentives for sustainable practices.

## REFERENCES:

1. Yogesh Hole, E. B. Khedkar, Snehal Pawar. Challenges and solutions to the development of the tourism and hospitality industry in India. *African Journal of Hospitality, Tourism and Leisure*, Volume 8 (3) - (2019) ISSN: 2223-814X. [http://: www.ajhtl.com](http://www.ajhtl.com)
2. Karnail Singh. Hospitality Industry in India: Opening the door of new opportunities. *Amity Research Journal of Tourism, Aviation and Hospitality* Vol. 01, issue 02, July-Dec 2016.
3. B. Suresh Lal. Sustainable Tourism and Economic Growth in India — An Analysis. *Journal of World Economy*, Volume 3 Number 1 March 2024, ISSN 2709-3999. [www.pioneerpublisher.com/jwe](http://www.pioneerpublisher.com/jwe)
4. Aditya, Naresh Prajapati & Kirti Ruhil. Sustainable tourism in India: policy review. *JOURNAL OF LEGAL STUDIES AND RESEARCH* Volume 9 Issue 6 – ISSN 2455 2437 November- December 2023. DOI: [doi.org/10.55662/JLSR.2023.9601](https://doi.org/10.55662/JLSR.2023.9601)
5. Praveen S Kambar (2019), The study of sustainable tourism: with reference to karnataka state, *Indian Journal of Research*, ISSN: 2250-1991
6. Monika Singh (2018), Sustainable tourism in Uttarakhand, *International Journal of the Academic Research and Development*, ISSN: 2455-4197.

7. Mr. Rohan Joglekar, Ms. Tanya Singh. To Study the Significance of Sustainable Tourism in India. *PRIYANKA JAIN M/S AMAN PUBLICATIONS*, ISBN : 9788182041264 -2022.
8. Neelam Kumari, IMPACT OF ECO-TOURISM ON THE INDIAN ECONOMY. *GAP iNTERDISCIPLINARITIES* – Volume - IV Issue I January – March 2021
9. Adity, Siddharth Aanand, Tourism and Hospitality Industry in India, 2nd International Conference on Hospitality and Tourism ICOHOST -2019, Special Issue IJRAR- International Journal of Research and Analytical Reviews, ISSN 2349-5138
10. [https://www.ibef.org/download/1707292245\\_Tourism-and-Hospitality-December-2023.pdf](https://www.ibef.org/download/1707292245_Tourism-and-Hospitality-December-2023.pdf)
11. [https://tourism.gov.in/sites/default/files/202209/National%20Digital%20Tourism%20Mission\\_2022.pdf](https://tourism.gov.in/sites/default/files/202209/National%20Digital%20Tourism%20Mission_2022.pdf)
12. <https://botshot.ai/resources/blog/importance-of-the-hospitality-industry-in-the-economy>