Determinants of Tourism Demand in India

Raghavendra D.V. ¹ Shilpa V.² and Vijayachandra Reddy.S.³

¹ Ph.D.Scholar, Dept. of Agril. Economics, UAS Raichur-584101.
² M sc (Agri), Department of Agricultural statistics, College of Agriculture, UAS Dharwad-580005
³ SRF, Dept. of Agril. Economics, UAS Raichur-584101

ABSTRACT: Tourism As an important sector of the Indian economy with considerable contribution in terms of Foreign exchange, income and employment opportunities. Many factors can be seen as responsible for this and some major ones in the process have been increase in the volume of Tourist flow, increase in the proportion of high spending tourists, accelerated spread in the Volume of tourists geographically, pro-active govt. policies and growing interest from investors. Appreciably growth tourism has been demonstratively catalytic in their role as agents of positive Contribution in the socio-economic development in the country. In India, recent statistics shows decline growth in the tourism industry, the growth rate in Foreign Exchange Earnings (FEE) in Rs. terms in May 2011 over May 2010 was 15.8 % as compared to 34.1 % in May 2010 over May 2009. This decline is outcome of many factors which include Human Activity and other natural calamities. The present study was conducted with an objective to identify the Determinants of Tourism Demand in India. The present study is based on the secondary data published in various journals, articles, books, newspapers and others sources of information. The study expose that, the determinants of tourism demand are those factors with propensities to shape the nature and pattern of a population's demand for holiday and travel. It can also explain why the populations of some countries have a high propensity to participate in tourism and travel compared to other countries. The decrease in disposable income consequent upon immense decline in income and employment opportunities, especially in the developed economies. The study also point outs that, Fluctuations in exchange rates are one of the determinants for tourists. And also the main health factors like outbreak of contagious disease like H1NI influenza virus and its spread. Besides this, geographic factors such as climate, topography, coastal landscape etc. also play varying roles but these are preferential aspects rather than determining elements. The study also depicts that prices of tourism products may not follow the general principle of price due to the factors economies of scale, advancement in transport and communication technology, deregulation of air transport and stronger competition. The remedial measure to overcome the determining factors are to reduce the product prices, especially accommodation and airfares, reduction of tax rates specific to these segments can be considered. The volume and growth of the population in the generating markets are considered to be key factors in shaping overall demand patterns. Then, in many cases, it is not just the volume of population that matters but size of the relevant market segments of different age groups, purchasing power, willingness to purchase etc. This can be achievable only through the implementation of existing management plans and efforts being made to come up with a inclusive policies and integrated management plan should be designed such that the use of tourism resources in India, benefits the present generations while at the same time not making vulnerable changes to existing resources for the benefit of future generations from the same resources.

Key words: Tourism, growth rate, Tourism Demand, Foreign Exchange Earnings

I. Introduction

Tourist activities, as traditionally defined by the tourism industry, fundamentally involve th transportation and hosting of the tourism consumer in a local community, i.e., “tourist destination,” where the tourist product is consumed. No other global industry structures itself in such a way that the consumer is brought to the product, rather than the product being delivered to the consumer in his or her own community. This structural difference produces unique social impacts upon the local tourist community, including the interruption of local customs and lifestyles, the spread of infectious diseases, changes in local demographics, and changes in local housing and labor markets.

Tourism is an essentially an expression of natural human instinct for experience, education and entertainment. Tourism is one of the fastest growing sectors of the global economy, which accounts for 11 per cent of gross domestic product (GDP) and employ around 225 million people worldwide. Domestic tourism is estimated to be much higher than international tourism and has also been rising speedily. Many factors can be seen as responsible for this and some major ones in the process have been increase in the volume of tourist flow,
increase in the proportion of high spending tourists, accelerated spread in the volume of tourists geographically, pro-active govt. policies and growing interest from investors. Appreciable growth in all three forms of tourism- domestic, outbound and inbound have been demonstratively catalytic in their role as agents of positive contribution in the socio-economic development in the country. Fast growth and diversification in tourism has indeed been a post-1990 phenomenon. Fast growth and diversification in Indian tourism has been a post-1990 phenomenon. As regards to the growth and magnitude of impacts, domestic tourists have been way ahead and contribute nearly three-fourth of the tourist-related income generation in the country. In fact, many commentators euphemistically state often: 'almost half of India is on move' owing to massive volume of domestic tourists being estimated at whopping 562 million in 2008. The volume of inbound tourists during 2007-09 in India has been a little over 5 million each, whereas, outbound tourist numbers have been almost double to that of inbound. Perhaps, many analysts have been critical of the reliability of the domestic tourist numbers and its socio-economic significance. Then, even while being conscious of number counts, it would not be proper to underestimate the role of domestic travellers in tourism development process. Because, as Sutheeshna Babu (2008) reasoned, domestic tourism holds the key for the future of tourism in India, and therefore, it is imperative for the country to evolve a development model for tourism accordingly. This is not only because of the sheer volume and revenue generation but equally important are its reliability, consistency, resilience, less volatility and lower cultural impacts in contrast to international tourism. Domestic tourism thrives in the pilgrim centres, attractions located in the country-sides and villages, beaches so also in big cities and towns. It is undoubtedly a remarkable source in the development of destinations, especially in sustaining a huge informal and unorganised tourism sector. The data available also indicate considerable increase in per capita income during the last decade. Instantaneous being latest CSO (India) estimates, which shows that average income of India has almost doubled since the turn of new Millennium. In real terms, average per capita income (PCI) has increased from Rs 16,688 in 2000-01 to 32,283 in 2007-08. When the inflation-adjusted growth during this period was taken, average growth has been over 50% (cited in TOI, 31-01-08, p.01). Besides this; media, industry and other stakeholders also played contributory roles in pushing up national tourism demand.

Vibrant economic environment is a key determinant of tourism business because it not only influences availability of disposable income of individuals but it is also a manifestation of healthy economy. But strikingly, the global economy has been thrown into sharp recessionary track, more prominently in 2008. Magnitude of the crisis was so deep that all major world economies of the Western Europe, North America, Japan and to a large extend, Australia have either become victim of severe recession or economic compression. Incidentally, those are also major tourist generating regions/ countries of the world. An economic crisis of present severity had other fall outs as well, major being compression in personal income and loss of millions of jobs. The pinching effects of the concomitant processes have been demonstrative of in every segment of the industry and the economy. Tourism was an obvious sector directly affected by ongoing economic recession and consequent contraction in income. However, a sigh of relief was that despite the world-wide economic turmoil, the Chinese and Indian economies were performing comparatively better. These along with economies along with other dynamic economies like Brazil and Russia were indeed insulating an otherwise downward spiralling global economy from falling into a sharp negative trajectory. Fast deteriorating recession really pushed tourism very hard. The growth in international tourist arrivals in 2008 was dropped to 2%, i.e. just 16 million tourists from 2007 level of 908 million (UNWTO). The declining track was evident throughout 2009. Needless, deceleration in global economy and tourism demand in major tourist generating countries of the world had a negative bearing on India as well since those countries happen to be main source of its inbound traffic. Reflections of various happenings were seen in the hotel, airline and tour operation segments leading to a sharp fall in occupancy rates or cancellation in bookings in the last couple of months in 2008 was indeed alarming. Many hotels in popular tourist destinations like Goa, Kerala etc. reportedly suffered from disproportionate cancellation rates to the tune of around 30%. At the same time, general cancellation trend during this period has also been alarming. This situation forced the industry towards some desperate actions like substantial discount offers during the peak season and extra spending on promotions. Even the ones located at established tourist destinations followed the suit to remain and moving. The alarming situation like this warrants critical thinking and multi-pronged and coordinated actions from stakeholders. Bringing the demand scenario back to pre-crisis stage and stabilizing the tourism business should be a priority area as it would be important to ensure overall vibrancy of the economy.

II. Methodology and Objectives

The global economy is undergoing one of the worst crises ever. Similarly, tourism business has not encountered a setback of present magnitude in the recent times and it has been on downward spiral in India as well. Perhaps, a major constraint in strategically responding to the demand crisis has been lack of quality knowledge/ information base, particularly real causes of the crisis and the consequences. The present study aims
to address some of the factors affecting tourism demand in India and to suggest corrective measures that can strengthen tourism demand in India. The study was based on the secondary data collected from various government sources like ministry of tourism, world tourism organization and other sources like journals, online information sources. This study is scoped to inquire into the causes of ongoing turmoil in tourism business in India. The results of the study aim to provide a sound basis for formulation of appropriate policies and program for competitive sustenance of tourism sector. Specific focus of the Study was the demand component (i.e. tourists) and the inputs from tourist establishments.

III. Results and Discussion

The major problems are need to preserve the environment and natural resources, the need for education, proper understanding for both tourists and local people, and the need to generate a democratic movement which helps people at all levels to participate in tourism development. Also they need to focus on occupation training, handicraft promotion, and improvement of both the landscape and the basic infrastructure, to increase the villagers' quality of life by creating a healthy environment. The cooperative system in rural tourism can be an effective approach in bringing positive impact in rural areas. Local people can monitor and control the negative impacts of tourism on their own society, if they have an equal stake and authority in management and development.

The determinants of tourism demand are those factors with propensities to shape the nature and pattern of a population's demand for holiday and travel. These can also explain why the population of some countries have a high propensity to participate in tourism and travel compared to many other countries. Equally important is that while formulating the determinants, one needs to be cautious in distinguishing between the motivation and buyer behavior. Available literature on tourism demand provides a variety of factors determining in nature. Major ones are given below:
1. Economic determinants
2. Time availability
3. Demographic factors
4. Legislation Problems
5. Lack of Trained Manpower
6. Insufficient Financial Support
7. Lack of Local Involvement
8. Underdeveloped people
9. Lack of proper physical communications
10. Lack of Basic Education
11. Language problems
12. Business Planning Skills
13. Trained tourist guide
14. Communication Skills

Short-Term Determinants of Tourism Demand

Given the prevailing business environment for tourism, the economic and security related factors have higher likelihood of influencing tourism demand. A brief of emerging economic and employment scenario is furnished in the previous section. There are other Contributory factors too having potential to impact tourism demand adversely and major Ones are given as below:
- Decrease in disposable income consequent upon massive decline in income and
- Employment opportunities, especially in the developed economies.
- Fluctuations in exchange rates.
- Lack of improvement in business and consumer confidence.
- Uncertainty on the future dimension of the H1N1 influenza virus and its spread. It is indeed a cause for concern as still there are cases of infection being reported across the world. At the moment, no restrictions on international travel are recommended by the World Health Organization (WHO).
- The level of advanced bookings, coupled with the reduction in airline capacity, make recovery before 2010 difficult.

1 Economic determinant

Probably, most important amongst the demand determinants is the economic factors, especially, national income or disposable income of the tourist generating countries. Mostly, countries with higher national income are situated in the developed parts of the world. In late 1990s, there were 30 countries of origin that accounted for over 90 per cent of the world international tourist spending. In terms of tourist spending also, a
similar pattern exists with top 30 nations accounting for about 80% of total tourist expenditure in 2008 (UNWTO Barometer- Jan. 2010 edition). More striking is that top 15 countries alone accounted for about 52% of the global tourism spending in 2009. Given this, it is logical for the tourist destinations to vie for a fair share from the same tourist pie. Income can be measured in many ways; more pertinent being GDP and disposable income. However, the later could be a major independent variable, but, discretionary income- i.e. the income left after all necessary expenditure- is considered as even better measure. But, there are many constraints in using disposable/ discretionary income and the variables such as net saving rates for forecasting purpose viz. inadequate availability.

Similarly, while disposable income may be a more reliable variable, GDP was found more in use for forecasting purposes perhaps due to the consideration that it is easier to obtain quality data and future predictions on GDP than disposable income. With respect to income, two relevant points are worth noting. First, disposable income or GDP per capita depicts an average. A better average of these can be taken as indicator of the economic health of the economics and society. But, it does not necessarily reflect the issues of income distribution within a country because it is not capable of capturing skewness in income distribution. Second, there can be a time-lag between income creation and spending for tourism, meaning that the income created at one point of time might be used for tourism after a considerable lag of time. Again, consumers may have income expectations that can be optimistic as well as pessimistic, but sometimes their overreaction in either way could be unreliable (WTO 1999). A notion often attributed to tourism demand is that of income elasticity. It is defined as relative change in tourism demand for relative change in income and in general, elastic nature of income and demand situations is directly relational and that is applicable in tourism as well. The studies by leading tourism economists like John Tribe also demonstrate that certain segments of tourism demand are comparatively less elastic to income. Another notable determinant is price. But, often behavior of the prices of tourism products may not follow the general principle of price due to the factors economies of scale, advancement in transport and communication technology, deregulation of air transport and stronger competition. In fact, flexible nature of pricing has invariably resulted stimulating not only the purchase capacity of the travellers but it also made travel more accessible. Further, differential pricing being practiced in many countries usually brings in certain elements of price competition between them, thereby making, tourism pricing a more complicated issue. Scattered nature, and at times, non-availability of the price data also make it difficult to capture the impact of prices in a robust manner.

2 Time availability

It is to acknowledge that availability of time for travel is a prerequisite for tourism to happen. Invariably, availability of free time has been a major determinant for many decades. But, it no longer has critical role because over the years, duration of the paid leaves has been reduced significantly in most of the developed countries. Notwithstanding, it is still a determining element in developing countries and in countries like Japan and USA (WTO 1999).

3 Demographic factors

The demographic factors play equally important roles. For, the volume and growth of the population in the generating markets are considered to be key factors in shaping overall demand patterns. Then, in many cases, it is not just the volume of population that matters but size of the relevant market segments (age-wise), purchasing power, willingness to purchase etc. Besides this, geographic factors such as climate, terrain, coastal landscape etc. also play varying roles but these are preferential aspects rather than determining elements.

Again, there are also many socio-cultural and political attributes that shape demand patterns viz. government regulations, political stability of the destination, marketing the destination etc. However, it is considerably difficult to obtain quantitative data on these in such a manner to incorporate those in the tourism demand analysis in a meaningful way.

4 Legislation Problems

Tourism is a part of an entertainment industry. All hotels, motels and cottage having license are paying taxes to the government. According some respondent, the rural tourism should have a tax holiday or it should be tax free. The government should encourage rural tourism to grow. But the question arise, who will be ultimately benefited by not charging the tax. Urban entrepreneurs will be encouraged to participate in rural tourism the villagers who will extend their services will be benefited indirectly. There could be law and order problem. Any outside can come and pollute the environment by seeing attractive benefits. The woman could be sexually abused, exploitation of children, underpayment, exploitation of labour, etc. A tour operator can affect natural beauty and environment of that place.
5 Lack of Trained Manpower

The trained people in hotel management may not be interested to go to rural area to work. The rural people who will be appointed are required to be trained for discharging their duties. Decorating the cottages or suites and maintain them. Serving foods to the visitors, to understand the taste of the customers, either it should be local cuisine or different type of India cuisine or continental dishes. The success of rural tourism totally depends on the quality of service provided to the tourist. To attract different type of tourist, whether it is a nature tourism, health tourism or agro tourism, everyone expects quality service at right time. To develop the manpower government has to take initiative to open various short training courses for imparting knowledge and skill, so that they can discharge their duties effectively.

6 Insufficient Financial Supports

For tourism in general and specific for rural tourism, sufficient fund is required to promote this business in introductory phase. Rural tourism term is still uncommon to many of the respondents. This is because the government has just started promoting rural tourism. Central government and State government should encourage rural tourism by providing financial support to start the project. Because it will create employment in rural areas and it will also help in flow of fund from urban to rural. It can help in preventing the migration of people from rural area to urban areas. Sufficient financial support is required for essential developments like human resource, enforcement of rules and regulations, building of physical infrastructures, and land use management.

7 Lack of Local Involvement

Since the rural people do not have knowledge and skills to involve them are different activities. They may get the jobs of unskilled worker. The rural people need to develop the knowledge and skill to have a higher involvement in rural tourism. The basic concept behind rural tourism is to emphasize on participation of rural people. But in practice local people are seldom involved in decision making, planning and implementing policies. Most of the rural people do not have much knowledge of tourism, and are misled by outside investors who hope to take most of the economic benefits from rural areas. Consequently, local people become confused about what kind of tourism they want to establish in their own area.

8 Underdeveloped people

The vast majority of the rural populations are uneducated and literate; they are bounded by the traditional values and customs. Their culture, religion, superstition have a strong influence on their attitudes and behaviours. The paces of life of the villagers are very slow and they have a tendency to stick to their traditional jobs whether they are remunerative or not, they are not much interested to take up risk. But it has been observed that after globalization the rural economy started showing the aspiration to grow, the media is playing an important role in changing the mindset of the rural consumer. Through television they got exposure to different products and services. They are exposed to different technology by provided through government or non-government initiatives. For development of rural tourism they need understand the urbanites.

9 Lack of proper physical communications

Nearly half of the villages in the country do not have all-weather roads. Just getting to some of these villages is very difficult task. In northeast states, like Assam landscape is very beautiful, but due to heavy rainfall it is inaccessible for developing tourism especially during rainy season. The Pradhan Mantri Gram Sadak Yojana has promised to connect all the villages with a population more than 500 in the plains and 250 in hilly areas by all-weather roads by 2007. For developing in tourism in any rural area we not only need all-weather roads but we also have arrange safe drinking water, electricity, telephone, safety and security, etc.

10 Lack of Basic Education

Lack of literacy is a major problem in rural tourism. The rural literacy is 59% as per the Census report 2001 while the literacy rate was 45% in 1991 in rural India. The 29.5% of the population are below primary education.31.6% of the population left the schooling in the middle of the high schooling. 21% of the population reach up to matriculation but not completed. 15.5% have done their matriculation but non-graduate. Only 2.7% of the rural population is graduate and above.

11 Language problems

There are 16 recognized languages and 850 dialects in India. Although Hindi is an official language, but in many parts of India people do not understand it. Either the rural people have upgrade them to communicate with the urbanites otherwise they will not going to get much benefit from the rural tourism. The villagers not only have to educate themselves but they have to understand Hindi to interact with the Indian customer and English to communicate with the foreign customers.
12 Business Planning Skills

To do any business, they require technical knowledge and skill to organize and maintain it. With the help of government or non-government organization they can prepare business plan. If some outside is preparing a project for rural tourism, the villagers should participate in developing and implementing the project, otherwise it will not going to give much benefit to the rural people. Advertisement and sales promotion will play a very important role in creating awareness and attracting the customers. They can promote through print media, brochures, public relations etc. Word of mouth generally plays very important role in attracting tourists, a satisfied customer encourage others.

13 Trained tourist guides

The guide plays a very important role in attracting tourists. Some of the respondents pointed out that the guide should have through knowledge about the place and he or she should able to generate interest in the mind of tourist to visit the site. The guide can show the album, video film, brochure to give knowledge about the places. The guide should give what he promise during booking. The guide should be intelligent to handle different type of tourist, good communication skill and good rapport building attitude. Department of Tourism would select and train them and provide license to the guide.

14 Communication Skills

Language and education is the basic hindrance in communication. The ability to communicate effectively is essential. Much of success will depend on your ability to give warm welcome to tourists. Adequate capability to communicate to convince the tourist during horse-trekking, camel riding or some other physical activity in which safety is an element is very important. After seeing a historic site or buildings if tourist generates some interest to know more and if there is no one to answer those questions, it will create negative impacts. They have to understand the tourist wants and needs. There should not be any communication gap between the guest and the host.

Problems of tourists during travel are many and exist in every facet of their journey. However, what distract them are its relative severity and the difficulty in dealing with some of the severe problems. It is natural for the destination managers therefore to be concerned about the problems because tourist satisfaction is relative and largely connected to quality of their direct encounters with the people, facilities or overall quality of environment. Equally important is that pre-visit perception of destinations is a close correlate of overall destination environment, including safety and security. Given these, positive image is critical to competitive sustenance of destinations because as Roehl & Fesenmaier (1992) observed, tourists make their travel decisions based on perceptions rather than reality. Specifically, risk perception and not the facts or actual risk factors that influence tourists' behaviour, eventually motivating them to avoid or cancel travel to particular destinations (Irvine and Anderson 2006). Needless, news reports and word-of-mouth on epidemics and terrorism at tourist destinations could also raise consumers' perceptions of risks. Perhaps, due to its credibility and ability to reach wider and large audiences in a short span of time, media turns particularly influential in changing/modifying people's perceptions of destinations (Tasci & Gartner, 2007). This becomes more critical when tourists lack credible information on destinations.

In outline, major problems of tourists as being revealed in this study based on priority basis. Many of these have been indeed in the public domain very much. Experiences are such that solving some of those should not be a difficult task. What would be needed is prioritization of those problems sets and accordingly initiating preemptive actions by concerned stakeholders. As regards to those issues and constraints which are more complex and multi-faceted, concerted policy interventions and effective coordination would be required to put India on a competitive track.

Some Recommended Measures likely to Influence Tourism Demand in India

1. Taxes are important component of tourism product pricing. To reduce the product prices, especially accommodation and airfares, reduction of tax rates specific to these segments can be considered.
2. During economic crisis, countries not affected by recession and having adequate travel propensities may be identified for focussed promotion.
3. In the event of unlikely events such as terrorism, epidemics etc., areas not affected by the crisis in the country and the steps taken to mitigate the effects of crisis may be highlighted in the promotion campaigns.
4. Value-added offers such as those included in the Visit India Year-2009 could be considered to attract tourists in the event of similar crisis in future.
5. Experiences of foreigners who travelled to India immediately after shock events/ calamities may be highlighted in various promotional campaigns.

6. All stakeholders of tourism should be encouraged to evolve crisis management plan and training programmes specifically to manage such situations. Ministry of Tourism (MoT) could consider sponsoring some of the programmes under its Capacity Building for Service Providers’ (CBSP) scheme.

IV. Conclusion

Tourism and travel service is a major industry attention in the world. Many countries by realizing the significance of this sector are trying to strengthen it. Many developing as well as developed countries are making serious efforts to reshape the tourism sector. Since the tourism has capacity to generate foreign exchange through attracting the foreign tourist. India is expected to be the second fastest growing tourism nation in the world over the period 2005-2014. In 2007 around 5.08 million tourists arrived in India and they spent nearly US 11 million dollars. It contributes significantly to the creation of employment opportunities, income and harmony. India has taken many steps to improve tourism in the last 50 years. Though there an increase in the absolute numbers of tourist arrivals but share of India to total world tourism arrivals and earning is very low this is due to factors which affect the tourism demand in India. The major factors like economic factors, demographic factors, Time availability, Legislation Problems like government has just started promoting rural tourism. Central government and State government should encourage rural tourism by providing financial support to start the project. Because it will create employment in rural areas and it will also help in flow of fund from urban to rural. It can help in preventing the migration of people from rural area to urban areas. Lack of Trained Manpower especially in hotel management may not be interested to go to rural area to work. The rural people who will be appointed are required to be trained for discharging their duties. Decorating the cottages or suites and maintain them. Serving foods to the visitors, to understand the taste of the customers, either it should be local cuisine or different type of India cuisine or continental dishes. Lacks of Local Involvement ever since the rural people do not have awareness and skills to engage them in different actions. They may get the jobs of unskilled worker. The rural people need to develop the knowledge and skill to have an elevated contribution in rural tourism. The basic concept behind rural tourism is to emphasize on participation of rural people. But in practice local people are hardly ever involved in decision making, planning and implementing policies. Most of the rural people do not have much knowledge of tourism, and are misled by outside investors who hope to take most of the economic benefits from rural areas. Consequently, local people become confused about what kind of tourism they want to establish in their own area. Thus, there is an ample scope for enhancing the India’s share in world tourism once we minimize these determinant factors through expansion of world class infrastructure facilities. There is need to develop a policy protection force in almost all the tourist destinations. This will certainly be helpful for improvement of economic conditions of our Indian people besides earning foreign exchange.

References