

Role of Tourism and Hospitality in Economic Development of India

Uzmah Bashir¹ and Dr. Kirti Sharma²

¹Department of Tourism and Hospitality Management University

²School of Business, Chandigarh University, Mohali

*Corresponding author: academiciankirtisharma@gmail.com

Abstract. We explore the significant role tourism and hospitality play in driving economic development. These sectors have consistently generated employment, strengthened local industries, and contributed to the growth of national GDP. In this paper, we examine the economic influence of tourism through key dimensions such as job creation, foreign exchange earnings, infrastructure expansion, and the regional diversification of economic activity. We also highlight the multiplier effect that extends to allied sectors, including transportation, retail, and cultural industries. While the benefits are substantial, we address critical challenges such as seasonality, environmental sustainability, and the unequal distribution of tourism gains. Furthermore, we emphasize the need for effective policy intervention and the adoption of digital transformation strategies to enhance efficiency and reach. Through a strategic and sustainable approach, we believe tourism and hospitality can evolve into long-term pillars of inclusive and resilient economic growth.

Keywords: Tourism, Hospitality, Economic Development, Employment, Infrastructure, Sustainability

1. Introduction

Tourism and hospitality have increasingly gained recognition as important contributors to the global economy ((Ranasinghe, Gangananda, Bandara, & Perera, 2021). These sectors are not only associated with travel and leisure but are also closely linked to economic progress in both developed and developing nations. Their influence can be seen in the way they create employment opportunities, support various service industries, and contribute to foreign exchange earnings. Governments and policymakers have also acknowledged the potential of tourism as top tier approach to generate income and stimulate infrastructure development, mostly in regions that may not benefit as directly from industrial or technological growth (Saner et al., 2019).

The impact of tourism on the global economy has been consistently highlighted in international reports and studies (Song, Li, & Cao, 2018). As reported by the United Nations World Tourism Organization, prior to the COVID-19 pandemic, tourism accounted for nearly ten percent of the global gross domestic product and supported more than 300 million jobs around the world (Buhalis et al., 2023). These numbers underline the importance of tourism and hospitality not only as economic engines but also as sectors with the capacity to influence social and regional development on a broad scale. In our Indian context, the impact we see in

tourism can be beyond economic charts and policy documents ((Baken & Bhagavatula, 2010). It becomes visible in small towns where local shops survive because tourists pass through, or in cultural festivals where communities earn their yearly income through performances and craft sales. From the heritage forts of Rajasthan to the beaches of Goa and the spiritual routes in the Himalayas, tourism has in real supported countless livelihoods in ways that are often overlooked in mainstream economic discussions (Kumar, 2009).

India's diversity got exciting offers for everyone be it unique opportunities in both domestic and international tourism (Mishra, 2021). According to the Ministry of Tourism, the country received approximately 6.9 million foreign tourists in 2022, generating over 1.34 lakh crore rupees in foreign exchange earnings (Lal, 2024). These numbers give a picture of a slow but steady recovery despite the disruptions and losses caused by the pandemic. As domestic travel has been gaining more momentum, tourism is being seen not just as a luxury-driven sector, but rather more as a tool for regional development, employment generation, and cultural sustainability (Etemaddar, Duncan, & Tucker, 2016). The influence of tourism is not limited to travelers and hospitality businesses alone. We can also feed its presence in multiple sectors that has benefited indirectly but significantly from its growth. Industries, mostly such as transportation, retail, food services, and cultural arts experience steady demand wherever tourism develops. As tourism flows into a region, it brings with it an extra need for improved infrastructure, faster and efficient services ((Lohmann & Duval, 2011), and skilled human resources, which could help in generating a ripple effect that boosts employment and investment beyond the core sector. This interconnectedness is often referred to as the multiplier effect, where the initial economic activity from tourism leads to a chain of further economic benefits within the local and national economy. Considering these widespread linkages, tourism and hospitality are increasingly being viewed as strategic tools for economic diversification and balanced regional development (Macbeth, Carson, & Northcote, 2004). This paper attempts to explore these connections in greater depth, focusing on how tourism contributes to economic growth through employment generation, infrastructure development, foreign exchange earnings, and sectoral interdependence.

So, if we look upon broad impact of tourism and hospitality on economic development, it becomes important to understand not just their direct contributions but also the extended benefits and challenges associated with them. This paper presents a thematic analysis of the role these sectors play in shaping economic outcomes. Our study mainly starts with reviewing existing literature that tells a lot about tourism's economic significance and its connections to employment and infrastructure in India. Then we move on to a discussion of the methodology used for the analysis, followed by an examination of the core findings in relation to major industry linkages, regional diversification, and sustainable tourism industry. We conclude by highlighting key insights, addressing policy implications, and

suggesting possible directions for future development in the tourism and hospitality sector.

2. Literature Review

The *India Tourism Statistics 2022* by the Ministry of Tourism gives useful data about how many tourists come every year and how much foreign exchange is earned (Kumar & Ekka, 2024). It shows that tourism is one of the sectors that is helping India bounce back after COVID-19. These stats are important because they show how tourism is not just for leisure but is also contributing to real development. Many states also depend on this industry for income. So, official reports like this help understand the bigger picture of how tourism is linked to the country's overall economic plans.

A report by the National Council of Applied Economic Research (NCAER) has studied the link between tourism and employment in India. It found that this sector is creating a lot of jobs, both directly in hotels and restaurants, and indirectly in transport and shopping. In many rural and smaller towns in India, tourism is literally becoming a major source of income. People are working part-time and full-time as guides, running guest houses and lodges, or making local products and boosting vocal for local initiative. This is very important for inclusive growth because not every area has industries or IT jobs. Tourism gives them something to rely on. The paper also said this growth can be improved with more training and better infrastructure.

The *Strategy for New India @75* report by NITI Aayog has also talked about how tourism helps push infrastructure growth with a demand and supply mindset. When tourism increases, there is more need for roads, better airports, and even local amenities like clean water and toilets (Mathieson & Wall, 1982). These things help both tourists and the people living in those areas. The report also says tourism can improve small towns and villages if proper planning is done. So, we should consider investment in tourism as just for short-term gains but helps the place grow overall in multiple metrics. This also encourages local governments to focus on tourism as a serious part of their economy.

Another study by Singh and Mishra focused on the challenges in tourism, like seasonality and sustainability. It was published in the journal *Tourism Recreation Research* (Kiran & Kanta,). The authors said that during peak seasons, some places get overcrowded and polluted. But in off-seasons, there is no business at all. This imbalance makes it hard for people to depend fully on tourism. The study also warned that too much unplanned growth harms the environment. So, it becomes important to make rules that balance tourism and nature. This study is useful to understand that growth should not come at the cost of long-term problems.

Some more reports like the one by FICCI that focus on how digital tools are changing tourism. Their report, *Travel and Hospitality Tech Landscape in India*, has explained so well how online booking, mobile apps, and AI-based systems are becoming normal in the tourism industry (Mujačević, 2023). Tourist now can book faster, compare prices, and even plan better trips before arriving to the destination. The government is also trying to use tech to promote tourism, like through campaigns such as *Dekho Apna Desh*. These changes are making Indian tourism more accessible and more organised for both locals and foreign visitors. It shows that future of this industry is more technology driven along with its execution at ground level around the globe and for India.

3. Analytical Framework and Scope of Study

A. Nature and Structure of the Study

Our paper is basically a qualitative and descriptive approach study. We are not using any experimental models or survey tools. Instead, we focus here on understanding the economic role of tourism and hospitality by analyzing existing information that is already available from trusted sources. Various government reports, research journals, whitepapers, and industry insights have been reviewed by our authors to identify patterns and key developments in this sector.

The aim here is not to calculate any exact figures but to observe and explain how tourism has contributed in India to economic development in different ways. The method involves selecting major areas of industry and developments where tourism shows visible impact and then exploring them one by one using actual data published in official documents. The focus is also on how these impacts have changed over time, especially due to the COVID-19 period.

This approach is useful when the goal is to study a broader pattern that connects multiple areas like jobs, infrastructure, and industries, rather than just measuring one factor. With that we will try to present a complete picture without going into deep technical analysis but still giving meaningful understanding through real facts and reports.

B. How Things Changed Over the Years

Tourism in India did not stay the same over the last few years. It went through big changes, and we have tried to look at it by dividing the time into three parts — before COVID, during COVID, and now after it (kumar, 2020). This helps to see how much things have moved.

Before COVID, especially from 2015 to 2019, tourism in India was growing way faster with lots of government initiatives being it from statue of Unity to Lakshadweep coral reefs. People were travelling more, both within the country and from outside. In 2019, India recorded around 10.9 million foreign tourist arrivals and earned more than ₹2.11 lakh crore in foreign exchange earnings, as per the Ministry of Tourism (Lal, 2024). Domestic travel was also strong, with

over 2.3 billion domestic tourist visits that year. It was clear that tourism was becoming a strong part of the economy.

Then came COVID-19 in 2020. Everything changed. Travel was banned, hotels were shut, and most tourist places were closed. We remember even in our own city; local businesses that depended on tourists were badly hit. According to UNWTO and the Tourism Statistics 2021, foreign tourist arrivals dropped by more than 75%, and domestic tourism also declined heavily during 2020 and 2021 (Buhalis et al., 2023). The sector went from growth to complete pause.

After COVID, from 2022 onwards, tourism started coming back. People began travelling again, mostly within the country. A report by Thomas Cook and SOTC said that domestic travel saw over 1.7 billion visits in 2022, showing strong signs of recovery (Bansode, 2024). Online bookings, road trips, and shorter stays became more common. Slowly, international travel is also returning, but domestic tourism is clearly leading to the recovery.

So, by comparing these three periods, which are pre-COVID growth, COVID slowdown, and post-COVID recovery we can clearly see how the tourism sector changed. In the next part, we will show this change with actual graphs and data, based on these three timelines.

C. Thematic Areas of Analysis

In this study, we have focused on four major themes that represent the economic significance of tourism and hospitality. These themes were selected based on factors being relevant to the Indian context and they show repeated appearance in both government policy frameworks and academic literature. Each theme we explored through secondary data sources and is supported by real-world examples that justify its inclusion.

1) Employment Generation

We observed that tourism serves as a key driver of employment in both formal and informal sectors. It creates jobs across a wide range of services such as hotels, restaurants, transport, travel agencies, tour operations, and local markets. According to the Ministry of Tourism, more than 8 crore direct and indirect jobs were supported by the sector in 2019 (Lal, 2024).

A good example we portray as in the Leh-Ladakh region, a significant number of residents are engaged in tourism-related activities such as homestays, trekking services, and vehicle rentals. During the tourist season, local families depend on these activities for their primary income, indicating how tourism supports livelihoods in remote and economically weaker regions.

2) Infrastructure Development

We identified a relation where tourism often acts as a trigger for large-scale infrastructure development. To accommodate growing tourist footfall, authorities

invest in improving road connectivity, public transport, sanitation, water supply, and accommodation facilities. These investments not only benefit tourists but also enhance the quality of life and give aspirational premium experience for local communities.

An example can be seen in Varanasi, where under the *PRASHAD Scheme*, the government improved road access, renovated ghats, and upgraded sanitation infrastructure in key religious and tourist locations (Tripathi & Shukla, 2024). It is a bold example of this.

3) Sectoral Linkages and the Multiplier Effect

We examined the indirect economic impact of tourism through its strong links with other sectors such as retail, food services, handicrafts, and local transport. This phenomenon, commonly known as the *multiplier effect*, explains how tourism spending circulates through the local economy, supporting multiple industries simultaneously (Tripathi & Shukla, 2024).

For example, in Jaipur, tourists frequently purchase local textiles, jewellery, and handicrafts. These purchases benefit not only retailers but also craftsmen, transporters, and raw material suppliers. Thus, tourism acts as a catalyst for the growth of multiple interconnected industries in the state.

4) Policy, Sustainability, and Digital Transformation

We also explored the evolving role of policy interventions and technology in shaping tourism development. Sustainability has become a key focus in recent years, with policies encouraging eco-tourism, waste management, and crowd control in sensitive destinations. At the same time, digital platforms are transforming the way tourism services are accessed and delivered.

In Sikkim, for example, the state government has introduced permit systems and visitor limits to protect ecologically fragile zones like Tsomgo Lake. Parallely, the rise of online bookings, mobile apps, and virtual tour options—especially post-COVID—has accelerated the digital shift in Indian tourism. Reports by FICCI and Thomas Cook highlight how campaigns like *Dekho Apna Desh* are pushing domestic tourism through digital channels (Tiwari & Anjum, 2016).

4. Results and Discussion

A. Employment Generation

Tourism has consistently contributed to employment in India through direct and indirect job creation. According to the Ministry of Tourism, in 2019, the sector supported over 8.09 crore jobs, which accounted for approximately 10.75% of total employment in the country.

However, due to COVID-19, employment sharply declined. In 2020, the number fell to 6.87 crore, a drop of over 15%, affecting especially informal workers in

transport, local markets, and hospitality services. As of 2022, partial recovery has been observed. Employment in tourism-related sectors increased to around 7.75 crore, driven largely by the revival of domestic travel.

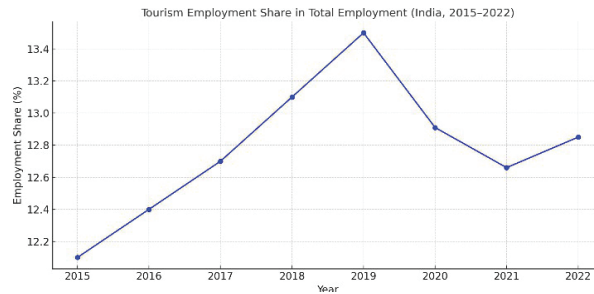


Fig. 1. Tourism Employment Share in Total Employment



Fig. 2. Domestic Tourist Visits in India (2015-2022)

B. Infrastructure Development

Tourism infrastructure plays an important role in shaping visitor experiences and promoting regional development. It has been observed that increasing tourist footfall often encourages both public and private investments in physical infrastructure, including roads, airports, sanitation facilities, and local transportation networks. These improvements not only enhance accessibility and convenience for tourists but also provide long-term benefits to local communities.

In India, schemes such as Swadesh Darshan and PRASHAD have been launched by the Ministry of Tourism to strengthen tourism-related infrastructure, especially in heritage, cultural, and religious destinations. These centrally funded initiatives

have supported projects across multiple states, improving amenities and connectivity at key sites.

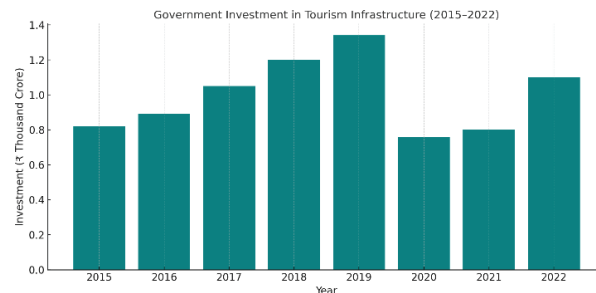


Fig. 3. Government Investment in Tourism Infrastructure (2015-2022)

During the COVID-19 pandemic, infrastructure development in the tourism sector was significantly impacted. Budget allocations were reduced, and many ongoing projects faced delays. However, with the revival of domestic tourism, recent data shows a gradual recovery in infrastructure spending beginning in 2022 (Tiwari & Anjum, 2016). This trend suggests renewed momentum toward long-term tourism planning and investment.

C. Sectoral Linkages and the Multiplier Effect

Tourism creates ripple effects across multiple sectors. It does not work in isolation. Every visitor contributes not just to hotels and transport, but also to food services, retail, entertainment, and small-scale manufacturing. This interconnected impact is referred to as the multiplier effect. In India, this is clearly visible in tourism-driven cities like Jaipur, Varanasi, and parts of Himachal Pradesh. Local artisans, street vendors, cab drivers, and small food joints benefit whenever footfall increases, especially during peak travel seasons. Recent data from the India Tourism Data Compendium 2024 shows that domestic tourists spend approximately 20–25% of their total trip budget on shopping, local travel, and food. For international tourists, the distribution shifts slightly, with a higher percentage allocated to accommodation and structured experiences.

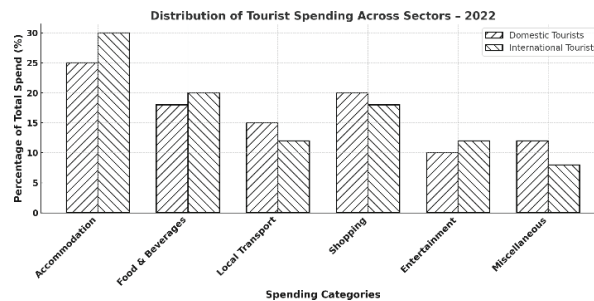


Fig. 3. Distribution of Tourists Spending Across Sectors- 2022

The graph below compares the average spending pattern of domestic and international tourists across key categories like accommodation, transport, food, shopping, and entertainment. The breakdown demonstrates how tourism actively supports several parallel industries, making it a strong economic driver through indirect channels as well.

D. Policy, Sustainability, and Digital Transformation

Tourism was growing, but there were problems also. Too many people in small places. That created crowd, waste, and damage to environment. So, government had to do something. They made new policies to fix these issues.

We found that in 2024, Government of India launched a new tourism policy. It is called the National Tourism Policy 2024 (Guleria, Joshi, & Adil, 2024). This policy talks about responsible and sustainable tourism. It also wants more private investment and more jobs from tourism. Focus is to develop places without harming them.

There is also something called *Swadesh Darshan 2.0* (Guleria, Joshi, & Adil, 2024). This is not like the old one. Now they focus on full destinations, not just monuments or sites. They want to develop whole area properly, so it helps both tourists and local people. Places like Varanasi, Hampi, and coastal sites are now getting planned in this way.

We also saw guidelines from Ministry for rural tourism, adventure tourism, and sustainability (Purcell, Burns, & Voss, 2021). These strategies tell how states should promote tourism but still protect nature and culture.

And after COVID, tech became very important. Most people now book travel online. We saw this shift clearly after 2020. Reports say online bookings are now more than offline ones (Hudson, 2025) Campaigns like *Dekho Apna Desh* also used digital to promote domestic tourism. Visa processes have also become online for more countries.

So, policy is changing. And technology is helping tourism become smart. We also made a graph to show how booking methods changed from 2018 to 2023.

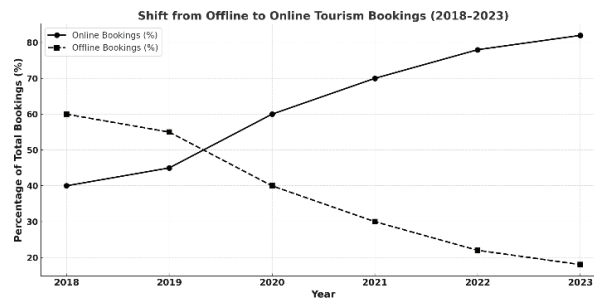


Fig. 4. Technology shift from Offline to Online Bookings

5. Conclusion and Future Scope

Tourism in India is no longer just a support sector — it's slowly becoming a core part of the economy. With every step forward, it connects jobs, culture, small businesses, and innovation. What we're seeing now is only the start of what tourism can do when backed by good policy and tech. The recovery after COVID wasn't just about getting tourist numbers back. It showed how domestic travel can carry the weight, how digital tools can simplify planning, and how local communities can be brought into the center. Government efforts like the National Tourism Policy 2024 and Swadesh Darshan 2.0 reflect this shift — a move from just promotion to planned development. But there's still work to do. The future of tourism depends on how inclusive, sustainable, and smart we make it. We believe that rural tourism, eco-tourism, and digital-first infrastructure are not trends — they're necessities. If India wants to stay globally competitive, tourism has to be seen as a long-term investment, not just a seasonal revenue stream. Tourism isn't only about where people go. It's about who gets included, who benefits, and how we preserve what we showcase. With the right direction, India has the potential to lead not just in tourist numbers — but in how tourism creates impact.

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