

A Study on Role of Tourism in Indian Economy With Reference To Identification of Skill Gaps in Tourism Industry

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Abstract

Tourism is one of the element of Service sector. The tourism industry of India is economically important and is growing rapidly. The World Travel & Tourism Council calculated that tourism generated INR6.4 trillion or 6.6% of the nation's GDP in 2012. It supported 39.5 million jobs, 7.7% of its total employment. The sector is predicted to grow at an average annual rate of 7.9% from 2013 to 2023. This gives India the third rank among countries with the fastest growing tourism industries over the next decade. India has a large medical tourism sector which is expected to grow at an estimated rate of 30% annually to reach about ₹ 95 billion by 2015. Tourism is already growing leaps and bounds in many states of our country. However growth of tourism is limited by the unskilled manpower in this sector. Keeping in view the same, Government of India has taken many steps to train the human resources in tourism. One of the initiatives is the scheme "Hunar se Rozgar Tak" – A training initiative to create employable skills. Participation of the private sector institutions is one of the significant features of this programme. So far this scheme has an overwhelming response. With such schemes tourism sector would have no limits to its growth.

Key words: *Economic Growth, employment generation, Skill gaps, Human resources development, Private participation*

Introduction

Tourism can have a great impact on regions and obviously destinations. The Travel & Tourism Competitiveness Report 2013 ranks India 65th out of 144 countries overall. The report ranks the price competitiveness of India's tourism sector 20th out of 144 countries. It mentions that India has quite good air transport (ranked 39th), particularly given the country's stage of development, and reasonable ground transport infrastructure (ranked 42nd). Some other aspects of its tourism infrastructure remain somewhat underdeveloped however. The nation has very few hotel rooms

per capita by international comparison and low ATM penetration. The World Tourism Organization reported that India's receipts from tourism during 2012 ranked 16th in the world, and 7th among Asian and Pacific countries. The various dimensions of tourism have varied impact of tourism in terms of economic, social, cultural and environmental influences. The main aspects of economic impact of tourism are as follows:

1. Income generation

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2. Employment generation
3. Tax revenue generation
4. Balance of payments effects
5. Improvement in the economic structure of a region
6. Encouragement of entrepreneurial activity
7. Various disadvantages

Thus for a developing country like India tourism can be an engine of growth. Statistics published World Travel and Tourism Council (WTTC) support the fact that across the globe tourism has contributed significantly in the economic growth of a country. Thus to understand the role played by tourism in Indian economy this study is taken up.

Objectives

1. The paper seeks to find out the contribution of tourism in the economic development of Indian economy with special reference to employment generation.
2. The sector has taken a leap and therefore there is a growing demand for all the tourism related activities and facilities. However to meet this growing demand supply of skilled man power is inadequate. Therefore to obtain skill gap analysis in the tourism sector.
3. To analyse and review scheme of 'Hunar Se RozgarTak' launched by Ministry of Tourism

Review of Literature

According to a report by Mc Kinsey, tourism is going to be the very significant industry in the world in

the next few years. India is experiencing the same now. Tourism is being considered as a sunrise industry in our economy. India is growing as a favourite destination of the foreign tourist.

In their paper "Impact of tourism on Indian economy", Leena Kakkar and Sapna¹, tourism has played a significant role in the economic growth. It has played a supportive role in the development of industry. It has contributed to the foreign exchange earnings, income as well as employment generation. Since tourism has forward and backward linkages to sectors such as hotels, infrastructure it will reap the full potential of these opportunities.

Dr. Prakash Singh in his paper "Sustainable tourism and economic development: a case study of Agra and Varanasi"² maintains that tourism has played a very dominant role over the traditional sectors of the developing countries such as agriculture. Tourism contributes more than the agriculture in the GDP of India.

In an article on tourism by V. Bansal, an additional advantage of tourism was focused. Tourism creates backward and forward linkages with the other sectors like agriculture, poultry, handicrafts, transport and construction thus creating multiplier effect in the economy. The value of tourism multiplier is 2.36. Significant benefit of tourism is contribution to the national and state revenues.

Research Methodology

The paper involves descriptive research. Therefore the secondary sources of data are used for the purpose of analysis. Various reports of the government of India are used in the research. Along with the

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reports articles of various experts are reviewed.

1. Role and Contribution of tourism in Indian Economy

1.1 Role of tourism in Indian economy:

Tourism is a part of service industry. It is a sunrise industry since this sector is hoped to achieve higher levels of growth and employment generation in India. The Ministry of Tourism designs national policies for the development and promotion of tourism. In the process, the Ministry consults and collaborates with other stakeholders in the sector including various Central Ministries/agencies, state governments, Union Territories and the representatives of the private sector. Concerted efforts are being made to promote new forms of tourism such as rural, cruise, medical and eco-tourism. The Ministry also maintains the Incredible India campaign.

India's rich history and its cultural and geographical diversity make its international tourism appeal large and diverse. It presents heritage and cultural tourism along with medical, business, educational and sports tourism.

a. **Generating Income and employment:** Tourism has been emerged as an instrument of income generation, poverty alleviation and sustainable human development. Tourism

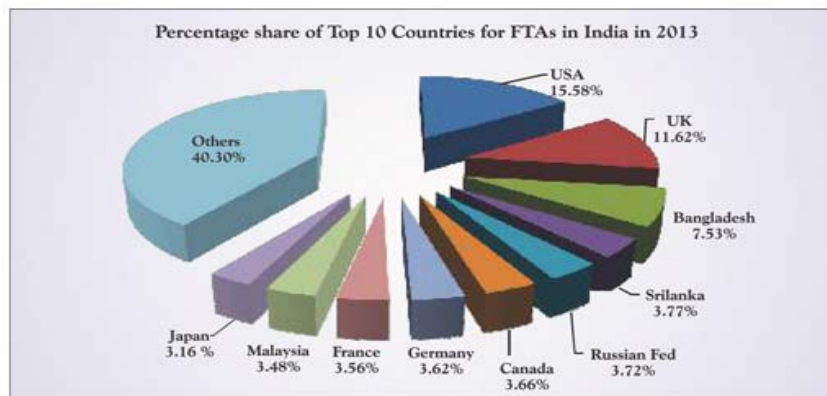
multiplier generates employment in the other sectors as well.

Employment generation in tourism involves spill over effects. Wages and salaries of the people employed in tourism can also benefit other industries. For example, a waiter may save up and buy a refrigerator, creating demand for manufacturing goods and in turn creating employment. In this way, the benefits of tourism can spread throughout the entire economy of a destination.

b. **Source of foreign exchange earnings:** Inbound tourism from the foreigners has generated sufficient foreign exchange earnings. It has a very favourable impact on the Balance of Payments.

c. **Preservation of national heritage and monuments:** Important historical places are now declared as heritage sites. Therefore places such as Victoria Terminus (now Chhatrapati Shivaji Terminus), Taj Mahal are preserved with a great care.

d. **Developing infrastructure:** Tourism has facilitated development of infrastructure at the tourist destinations and therefore at the nearby places. Various modes of transport, health care facilities, sports centres, hotels and high end restaurants are developed due to growth of tourism in that region.



1.2 Contribution of tourism to the Indian economy

According to report published by Ministry of Tourism, Government of India in 2013 tourism plays a key role in our economy.

- In terms of movements of tourists:

Number of foreign tourist arrivals	6.97 million
Annual growth rate	5.9 %
No. of tourists visits to all states/ UTs million	1145
Annual growth rate	9.6%
- In terms of foreign exchange earnings:

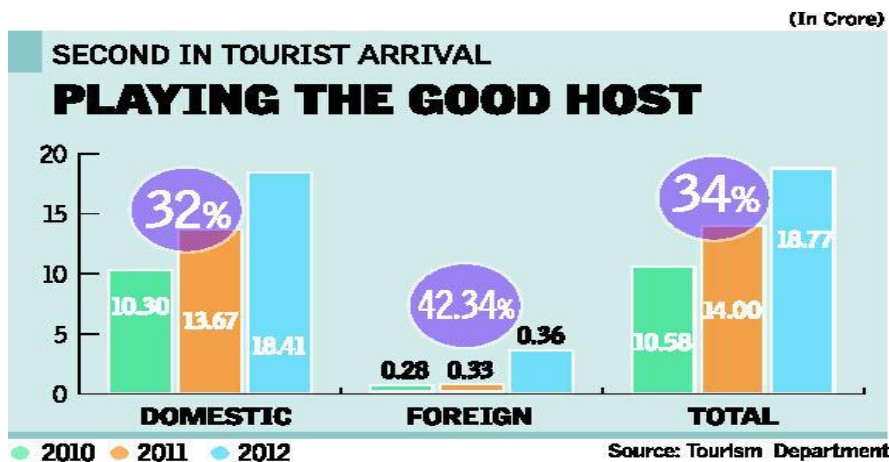
In INR terms	Rs.
107671 Cr.	
Annual Growth rate	14%
In US\$ terms	US \$
18.44 billion	
Annual growth rate	4%
- In terms of India's position in world:

Share of India in international tourists arrivals	0.64%
India's rank in world tourists arrivals	42
Share of India in International tourism receipts (US \$ terms)	1.59%
India's rank in world tourism receipts	16
- In terms of India's position in Asia Pacific region:

Share of India in tourists arrivals in Asia Pacific region	2.81 %
India's rank in tourists' arrivals to Asia Pacific region	11
Share of India in tourism receipts (in US \$ terms) in Asia Pacific Region	5.14%
India's rank in tourism receipts of the Asia Pacific Region	8

The above data shows growing popularity of India as a tourist destination among the international tourists. It also indicates a growth in domestic tourism. Tourism has contributed significantly to the foreign exchange earnings.

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Following is the data published by World Travel and Tourism Council (W TTC). It highlights contribution of tourism to GDP as well as employment generation. According to the report total contribution of tourism to India’s GDP is 6.2% in 2013 and forecasted to rise by 7.3% in 2014.

Similarly direct contribution of tourism in employment in the year 2013 is 4.9% which is expected to rise by 2.5 % in 2014. The total contribution of tourism to employment is 7.7% in 2013 and is expected to rise by 2.7% in 2014. Direct contribution of tourism sector to employment includes employment directly related to the tourism sectors such as airports, airlines, hotels, travel agents, leisure activities, etc. Total contribution of

iii. Travel Industry

tourism to employment includes direct as well as indirect effects. It includes new investment activities such as purchase of new aircrafts, construction of new hotels; collective spending by the government which helps travel and tourism activities in many ways; domestic purchase by the sectors directly dealing with the tourism sector such as buying cleaning and food services by hotels, IT services by travel agents.

2. Skill gap analysis in tourism sector

A study of tourism industry suggests that there are three major sub segments.

- i. Hotels and restaurants
- ii. Tour operators

2.1 The education wise distribution of work force in the travel and tour operators segment is provided in the table below:

Education Level	% of people	Functional area assigned
MBA, CA, CS, ICWA	3% - 5%	Management level as Branch Manager or Divisional Manager

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Post Graduates/Graduates	25% 35%	-	Ticketing (Travel Counsellors), Marketing and sales, Accounts / Finance department, Foreign Exchange, etc.
Diploma / Certificate Course	42% 45%	-	Ticketing, executives / assistants in various departments
High School and below	15% 30%	-	Ticketing, Messenger / Delivery boys
Total	100%		

Source: Primary Research and IMacs analysis

Following table shows education wise distribution of Human Resource in hotels and restaurants

Educational level	% of people	Functional area assigned
MBA, CA, CS, ICWA	5	General Manager / Manager
Post Graduates / Graduates	20 – 30	Managers / supervisors / Assistants – Front office, F&B Services, Kitchen (Chef / Cook/ Steward), House Keeping, Purchase, Sales, HR etc
Diploma	25% - 55%	Chef, Steward, Line Cook, F & B Services, etc.
High School and below	20% - 40%	Kitchen Staffs, Front office – Bell boys, waiters/ Servers, Bartenders, Security guards, Room service, etc
TOTAL	100%	

Source: Primary research and IMacs analysis from NSDC

Various activities and operations in the tourism industry demand skilled human resources.

But it is very clear from the above analysis that a large percentage of employment in this sector is less educated or unskilled. Only academic degrees also are not sufficient to deliver good quality of services.

2.2 Since the tourism as an activity involves people working at various positions and at different levels. Skill gap analysis in case of only

certain functions is taken as an example to illustrate the gap between the required and the available skills. Skill gap in case of front office assistant, team leader in tour and travel operators, food production in the hotels. However guides, people at various levels of housekeeping as well as food and beverages section also suffer from inadequate skills.

Skill requirements and skill gaps in front office

Function	Level	Skills required	Skill gaps
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Front Office	Front office Assistant	Adequate communication Skills; Ability to handle incoming and Outgoing calls – telephone etiquettes; Facilitating smooth client check ins and check outs; Receiving check out settlement and maintain a proper account for the same; Knowledge on various hotel offerings,procedures, etc.; Familiarity with billing software; Familiarity with the local regionto guide guests & tourists.	Inadequate ability to listen to guests; Inadequate communication skills; Inadequate customer orientation; Lack of knowledge about various service offerings in the hotel; Inadequate knowledge of billing software.
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Skill requirements and skill gaps common to travel and tour operators

Function	Level	Skills required	Skill gaps
Operations	Team Leader	Need to ensure that the tickets, visa, etc. are issued correctly and promptly by the team; Ability to act as a solution provider for the team members when they are unable to handle a situation; Knowledge on various aspects of ticketing; Supervisory skills; Time management	Time management; People management; Client handling.

Skill requirements and skill gaps in food production

Function	Level	Skills required	Skill gaps
Food Production	Executive Chef / Head Chef	Ability to prepare different kinds of cuisines; Awareness on food Calorific values; People management; Administrative skill; Flair for creativity- Innovation in food Preparation; Food presentation skills; Ability to plan menu; Knowledge on food costing; Quality Control; Inventory management; Communication Skills.	Inadequate awareness on latest cuisines; Inadequate people Management skills; Inadequate knowledge of cost management

Thus the above skill gap analysis is sufficient to understand the intensity of the need to invest in human resource developments in the tourism sector especially those working at the lower cadres of the tourism operations.

Now the government has become aware of the need for training. Change in the policy of the government is discussed in the following section.

3. Policy developments and shifts in the approach to the tourism sector of the Government of India:

As per the Planning Commission an investment of Rs. 10 lakhs creates 78 jobs in the tourism sector while the same generates just 18 jobs in the manufacturing and 45 in the agriculture sector. Currently tourism sector is employment intensive. To tap these opportunities in this sector

Government has taken certain serious and concrete steps. But such change in the approach has not been accepted overnight but has been successively evolved during different five year plans.

We observe a change in the approach of Government of India towards development of tourism. Even if tourism was a subject in plan expenditure the first separate tourism policy was designed by the Indian Government as late as in the year 1982. Seventh Five Year Plan (1985 – 90) accorded tourism sector a **status of industry**. However a major boost to tourism sector came when the Government announced **National Tourism Policy** in the year 2002. For the first time in the history of tourism sector, the policy has positioned tourism as an engine of growth and formulated policies to harness its direct and multiplier

effects or employment and poverty eradication in an environmentally sustainable manner. It recognised the need of Indian economy to develop that sector which can generate massive productive employment from the specialised to unskilled people. Efforts to involve the private sector in the development of tourism sector have been made. During the Ninth Five Year Plan tourism units were given "export house status". Tenth Five Year Plan adopted a campaign of "Incredible India" as a part of extensive marketing strategy.

There was a distinct shift in the approach of the Government towards tourism. During the 11th Five Year Plan (FYP) there was a distinct shift in the approach of tourism development as compared to previous plans. The vision for the tourism sector for the 11th FYP was 'to achieve a superior quality of life through development and promotion tourism which would provide a unique opportunity for physical invigoration, mental rejuvenation, cultural enrichment and spiritual elevation.' During this plan, the government had emphasized on "Inclusive Growth". It also realised the skill gap in the hospitality and tourism sector. To achieve both these objectives Government launched a programme called "Hunar Se Rozgar Tak" in 2009-2010.

4. 'HUNAR SE ROZGAR TAK':

The Ministry of Tourism has launched this special programme in 2009-10, fully funded by it for the creation of employable skills amongst youth belonging to economically weaker sections of the society. This initiative was taken to

bridge the gap of skilled manpower in hospitality sector. The new courses introduced along with the existing are Training related to coach or cab driving skills, Stone masonry to preserve our heritage and golf caddy.

Common features of the schemes introduced so far are:

1. The age group of trainees is 18 – 28 years
2. Each training programme is of short duration ranging between 4 weeks to 8 weeks
3. No fees chargeable to the trainee
4. Each trainee is entitled to incentives comprising free lunch and a set of uniform and stipend
5. Training cost met by Ministry of Tourism
6. Provision of stipend for the trainee with a minimum attendance of 90%
7. The implementing institutions entitled to a payment of 5% - 10% of the respective programme costs to cover their administrative expenses.

ITDC would be made one of the key implementing agencies for this scheme since they have the institutional expertise available in Ashok Institute of Hospitality and Travel Management in Delhi and has a chain of hotels which can become the training centre.

Partnership with the private sector stakeholder associations like HAI, FHRAI and IHHA would be

strengthened to increase the reach of this programme. Special efforts will be made by the institutions to foster forward linkages in terms of placements in the hospitality sector and facilitating bank credit for those who desire to start their own venture.

5. Evaluation of the programme “Hunar Se RozgarTak”

5.1 Achievements of the programme:

1. Employment to the underprivileged section: Tourism activities require people from the skilled as well as unskilled strata. People from the economically backward category can get an employment source in tourism if trained properly. This scheme enables people to get a job.
2. Increasing number of beneficiaries: According to Ministry of tourism, number of persons who were trained has increased since inception of this programme. In 2009 -10 numbers of persons receiving training were 5610 which increased to 12191 in the year 2011 -12.
3. Special focus on backward states: North eastern states are economically backward states. These states have wealth of nature. Under the 12th Five year plan the scheme has more provisions for these states.

a. Limitations or weaknesses

4. Even if this programme has vast of potential for employment generation it

suffers from certain weaknesses.

5. Limited reach of the programme: Since tourism is growing in leaps and bounds demand for trained man power is tremendous. However this programme is able to train very less number of people as compared to the demand.
6. Less awareness of the programme: The major weakness of this programme is lack or low awareness of this programme among the prospective beneficiaries.
7. Tie ups with the industry and coordinating officer: It has been observed that all of the training institutes involved in this programme do not have tie ups with the industries. Similarly there is no coordinating personnel designated by the government for this job.
8. Drop outs from the programme: An evaluation study under MoT has shown that there is a high dropout rate from this course. It is resulting in loss of monetary and human resources.

6. Conclusion

Tourism is growing rapidly in India. Increase in the growth rate of tourism is observed both in domestic and foreign tourism. However the benefits can be fully tapped when tourism sector responds positively to the changing scenario. Along with the other factors like cleanliness, hygiene, poor infrastructure and at some places issues of internal safety and security, inadequate trained human resources is a very serious problem today. Schemes like Hunar

Se Rozgar Tak are very essential for human resource development. But the scheme is not applied in all the states so far. Therefore only certain parts of the country are benefitted from this scheme. Like any other schemes in India it may be a good scheme which is not reaching to the potential beneficiaries. Effective implementation of such scheme is the need of the hour. If we really want to reap the benefits of this sunrise industry we cannot afford to ignore issues of manpower training.

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