

A Study on Impact of Global Financial Crisis on Indian Tourism Industry

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Abstract

The recession not only hit all the sectors of United States, European and other developed countries but also the under developing and developed countries. The Financial crisis led to crashes of stock market, gave rise to currency crisis and liquidity crisis. This financial crisis changed in to a global economic slowdown with the crumbling of Lehman Brothers on 23 rd September 2008. The affect of global crisis had a direct impact on India in the form of reduction of foreign income, reduction in trade and decline in number of tourists to India which indirectly affected the Indian tourism sector. The objective of the Study is to understand the impact of global financial crisis on Indian tourism industries and to understand what policies or initiatives has the Indian government taken in order to curb the financial crisis that befell on the Indian tourism sector. The primary data is collected through the questionnaire from the major tourism industries and secondary data from various sources like magazines, journals and research papers. The data is analyzed by using statistical tools and findings are interpreted through graphs. The sample size is 10 major tourism industries. The sampling technique used is Stratified Convenience sampling. The area taken for research is Mumbai. In order to make over from recession, most of the tourism industries have made investments and expansion of business through mergers and joint ventures. The government of India has brought in numerous innovative policies for the same. The sector has to be allowed to have the export industry status so that businesses can benefit from state industrial policies and taxes on foreign exchange earnings.

Key Words: Financial Crisis, Indian Tourism, Government Policies, Investments

Introduction

The Tourism in India is the biggest service Industry which contributes 6.23 percent to Gross Domestic Product and 8.78 percent to the total employment in India. India finds around 17.9 million foreigners yearly and 740 million domestic tourists visiting the different forms of tourism. The India's robust past and its diversity in cultural and geographical along with medical, business, educational, adventure, pilgrimage, wildlife, eco and sports tourism makes the international tourism diverse. The financial crisis affected all the financial sectors around the world. It leads to the decline in number of foreigners around the world which in turn declined the foreign exchange in the government treasuries of the effected nations. The Ministry of Tourism aims national policies for the development and promotion of tourism. With the help from the ministry, there were 6.29 million foreign tourists who arrived in India in the year 2011, in comparison with 2010 which was 5.78 million. The Indian hospitality sector has been growing at a cumulative annual growth rate of 14% yearly which has contributed to the economy in the form of foreign exchange

Review of literature

Lateef Ahmad Mir (2014) - The author explains that the financial crisis affected the whole world economy in greater extent compared to previous recessions. This decreased the number of foreign tourist arrivals to most of the famous tourist spots in the world which resulted in unemployment, reduction in sales, decrease in foreign exchange and investments. The Indian tourism was also affected to the same extent of the other nations in the world. **Sundararaman.S. 2010-** The author tries to explain that the financial crisis and increasing terrorism has stopped the growth and sustainment of tourism both global and domestic. The tourist's tendency towards the

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strategies of travel and business come forth as the important matter because tourism acts as tool to incorporate people of various regions.

T. Milton. The author explains that the economic recession around the world has affected both the business and pleasure tourists. Though there was increase in number of tourists in July 2008 by thirteen point eight percent but it fell to two point eight percent in October 2008. The hospitality industry also faced a decline of sixty four percent in their profits in the year 2009. It also led to liquidity crunch, delay in the project and fluctuation in the foreign reserves.

Vandana Nigam & Surabhi Srivastava(2011)- The author briefs that though Tourism industry has bestowed tremendously in the blooming graph of economy of India by appealing number of foreign and domestic tourists either for business or holidaying purpose, the increase in fare hike and economic crisis has idled the tourism sector badly. During 2009 even though the government had offered many concessions in order to attract the tourists, the arrivals was dipped by six percent.

Objectives

- To construe the affect of global financial crisis on Indian tourism companies.
- To construe the policies or initiatives taken by Indian government to curb the financial crisis that befell on Indian tourism companies.

Hypothesis

H₀₁:Performance of Tourism companies has not been affected by Global Financial Crisis.

H₀₂: There is no affect of Government policies on tourism companies.

Research methodology

The primary data is collected through the questionnaire from the major tourism industries and secondary data from various sources like magazines, journals and research papers. The data is analyzed by using statistical tools and findings are interpreted through graphs. The sample size is 10 major tourism industries. The sampling technique used is Stratified Convenience sampling. The area taken for research is Mumbai. The Statistical tools used are T test and Chi square Test.

Analysis and Interpretations

1. To construe the affect of global financial crisis on Indian tourism companies

Table 1 Budget of the Indian tourism Companies

Year-wise	2008	2009	2010	2011	2012	2013
Budget of the Indian tourism companies In lakhs						
MakeMyTrip	15.1	14.2	11.1	6	23	14.1
Thomas Cook	7.1	7.67	8.1	9.9	11	10.05
Cox & Kings.	10.9	7.22	11.1	8.78	33.26	32.5
Yatra	7.8	6.06	11.5	7.31	13.89	12.3
Goibibo.	11.47	10.25	11.9	18.3	24	21.1
Spark Destinations	1.8	0.78	24	0.4	15.1	14.02
Expedia	22.25	14.21	23.15	17.44	38.45	38.23
Cleartrip	22	18	18.1	16.02	14.09	16.8

Travelguru	18	15	1.7	0.7	34	39
Travel Mint	11.6	9.89	21.1	35	11.1	6

Source: Collected through Questionnaires and Interview method

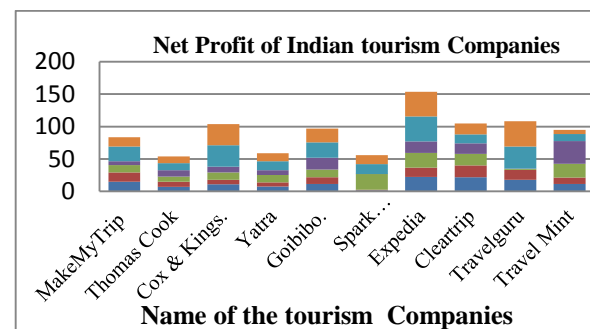
Interpretation

The Variation in the budget of the tourism is due to the present conditions in the market that afflicted the financial forecast of most of the tourism companies. The alterations in the legislature had an impact on forecast of budget.

Table 2 Net Profit of Indian tourism companies

Year-wise Net profit of the Indian tourism companies In lakhs	2008	2009	2010	2011	2012	2013
MakeMyTrip	15.1	14.2	11.1	6	23	14.1
Thomas Cook	7.1	7.67	8.1	9.9	11	10.05
Cox & Kings.	10.9	7.22	11.18	8.78	33.26	32.5
Yatra	7.8	6.06	11.57	7.31	13.89	12.3
Goibibo.	11.47	10.25	11.9	18.25	24	21.1
Spark Destinations	1.8	0.78	24	0.4	15.1	14.02
Expedia	22.25	14.21	23.15	17.44	38.45	38.23
Cleartrip	22	18	18.1	16.02	14.09	16.8
travelguru	18	15	1.7	0.7	34	39
Travel Mint	11.6	9.89	21.1	35	11.1	6

Figure 2 Net Profit of the Indian tourism Companies



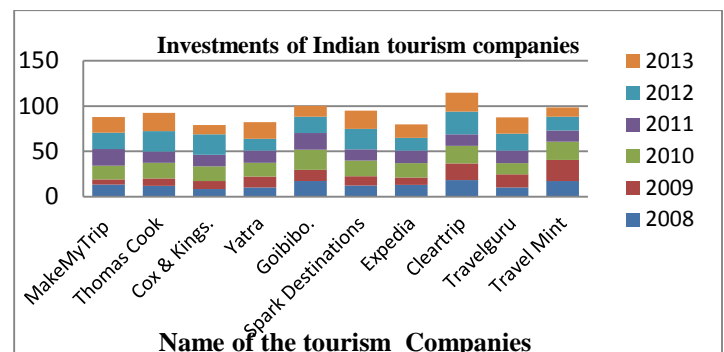
Interpretation: The net profit of tourism industries show variations due to the decrease in sales and discontinuation of operational activities

Table-3 Investments of Indian tourism companies

Year-wise Investments of Indian tourism companies In lakhs	2008	2009	2010	2011	2012	2013
MakeMyTrip	13.28	5.77	15.1	18.26	18.26	17.1
Thomas Cook	12	8	17.2	12.5	22.45	20.1
Cox & Kings.	8.4	9	16.2	12.52	22.52	10.2
Yatra	10.12	12	15.4	13.15	13.15	18.2
Goibibo.	17.26	12.4	22.2	18.17	18.17	12.1
Spark Destinations	12.2	10.2	17.4	12.5	22.25	20.2
Expedia	13.09	8.24	15.5	14	14	14.7
Cleartrip	18.23	18.48	19.4	12.5	25.25	20.6
Travelguru	10.16	14.5	12.5	13.5	18.8	17.9
Travel Mint	17.26	23.2	20.2	12.1	15.2	10.1

Source: Collected through Questionnaires and Interview method

Figure-3 Investments of the Indian tourism Companies



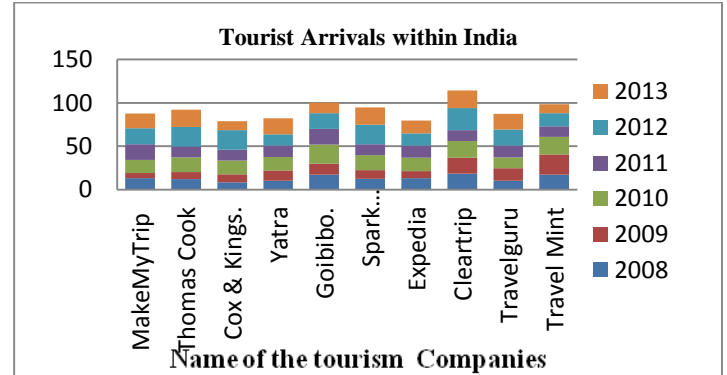
Interpretation: Most of the tourism companies have planned to either venture into strategic

alliance or for merger/ acquisition. The Thomas Cook's, Iky Group has planned to buy Hofincons Infotech and Industrial Services.

Table-4 Tourist Arrivals within India

Year-wise Tourist Arrivals within India In lakhs	2008	2009	2010	2011	2012	2013
MakeMyTrip	13.28	5.77	15.16	18.26	18.26	17.15
Thomas Cook	12	8	17.25	12.5	22.45	20.15
Cox & Kings.	8.4	9	16.23	12.52	22.52	10.25
Yatra	10.12	12	15.4	13.15	13.15	18.23
Goibibo.	17.26	12.4	22.23	18.17	18.17	12.15
Spark Destinations	12.25	10.2	17.44	12.5	22.25	20.21
Expedia	13.09	8.24	15.55	14	14	14.72
Cleartrip	18.23	18.48	19.44	12.5	25.25	20.6
Travelguru	10.16	14.5	12.5	13.5	18.8	17.9
Travel Mint	17.26	23.2	20.28	12.15	15.25	10.16

Figure-4 Tourist Arrivals within India



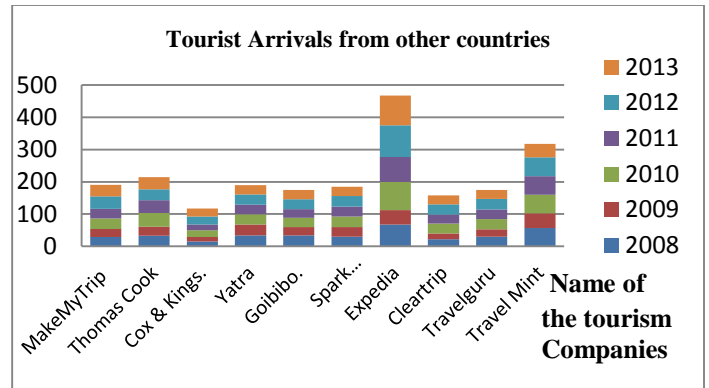
Interpretation- The Passenger traffic was declined by four per cent and cargo by fourteen per cent for the Year-wise two thousand nine. The foreigners visiting India declined from the Year 2009.

Table-5 Tourist arrivals from other countries to India

Year-wise-wise Tourist arrivals from other countries to India In lakhs	2008	2009	2010	2011	2012	2013
MakeMyTrip	28.45	25.2	32.52	30.25	38.15	36.23
Thomas Cook	32.59	28.25	42.35	40.26	33.15	37.47
Cox & Kings.	15	13.67	21.19	18	24.09	25
Yatra	34.25	33.5	31.09	30.16	32.15	28.14
Goibibo.	33.55	26.45	28	27.26	30.28	29.28
Spark Destinations	30.25	29.74	31.9	31.47	32.59	28.25
Expedia	67.09	45.09	87.21	78.09	97.68	92.12
Cleartrip	22.16	17.12	30.9	28.22	31.18	28.78
Travelguru	29.74	23.18	31.47	30.25	31.9	28.25
Travel Mint	56.9	45.86	57.1	57.67	58.1	41.9

Source: Collected through Questionnaires and Interview method

Figure-5 Tourist arrivals from other countries to India



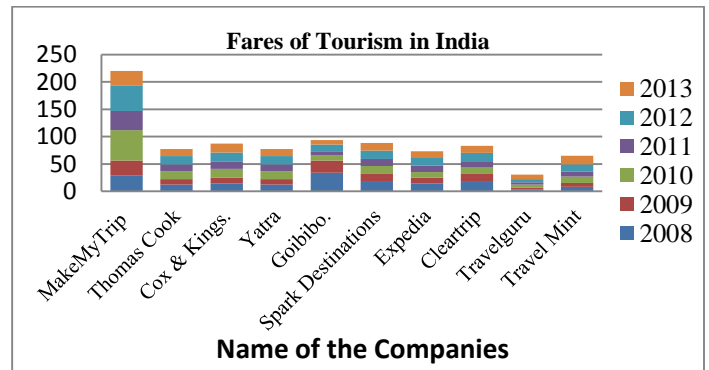
Interpretation- There used to be lots of tourists visiting India for business and for holidaying but after recession the visits have been decreased.

Table 6- Fares of Tourism in India

Year-wise	2008	2009	2010	2011	2012	2013
Fares of Tourism in Indian lakhs						
MakeMyTrip	29	27	56	35	47	26
Thomas Cook	12.24	10.1	13.78	13.0	15.0	12.78
Cox & Kings.	14	11	16	13	17	16
Yatra	12.24	10.1	13.78	13.0	15.0	12.78
Goibibo.	34	22	10.19	6.79	12.4	8.19
Spark Destinations	18.9	13.6	13.7	12.9	15.0	14.07
Expedia	14	11	10.19	11.8	13.9	12.19
Cleartrip	18.9	13.6	10.89	11.7	14.8	13.19
Travelguru	3.24	3.15	5.78	4.09	6.09	7.78
Travel Mint	8.24	7.15	11.78	9.09	13.0	15.78

Source: Collected through Questionnaires and Interview method

Figure 6- Fares of Tourism in India



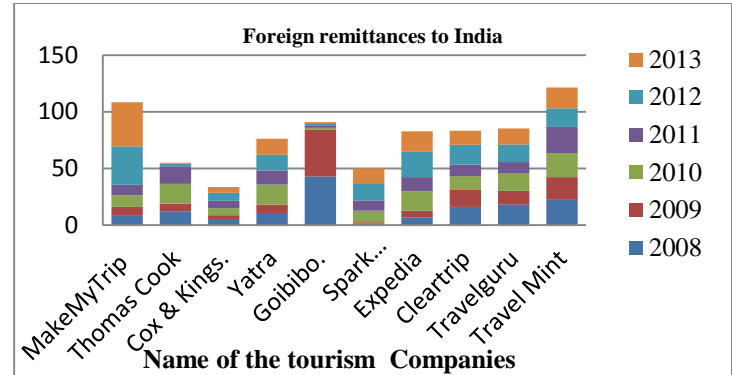
Interpretation -The Fares r tourism spots show variations because the tourism sector had to face challenges of hike in fuel price and less effective employee

Table-7 Foreign remittances to India

Year-wise	2008	2009	2010	2011	2012	2013
Foreign remittances to India In lakhs						
MakeMyTrip	8.26	7.7	10.3	9.1	34	39
Thomas Cook	12.2	6.7	17.4	15.	2.19	0.7
Cox & Kings.	5.45	3.2	6.23	6.5	7.09	5.1
Yatra	9.9	8.2	17.7	12.	13.9	14
Goibibo.	43	41.	1.33	1.5	1.8	1.7
Spark Destinations	1.35	1.1	10.1	9.1	15.15	13.
Expedia	6.78	6	17.2	12.	22.23	18.
Cleartrip	16	15	12.2	10	17.44	12
Travelguru	18.1	12.	15.2	10.	15.55	14
Travel Mint	22.2	20.	21.1	23.	16.44	18.

Source: Collected through Questionnaires and Interview method

Figure-7 foreign remittances to India



Interpretation: There were changes in number of employees and measures for cost cutting directly had an impact on foreign remittances as number of tourists declined due to recession.

H01- Performance of Tourism companies has not been affected by Global Financial Crisis

Parametric test

Table-8.1 Hypothesis Results of Parametric T test Statistics- Performance of Tourism companies has not been affected by Global Financial Crisis

Particulars	Table Value-10		
	df	Calculated Statistic T value at 95% confidence level	Tabulated T Value at 95%confidence level
Budget	9	0.130	1.833
Net Profit	9	0.130	1.833
Investments	9	0.162	1.833
Tourist Arrivals	9	0.095	1.833
Tourist Arrivals from other countries	9	0.019	1.833
Fares of tourism	9	0.056	1.833
Foreign remittances	9	0.208	1.833

Source: Collected through Questionnaires and Interview method

Interpretation: The hypothesis results of Parametric T Test of these Tourism industries are as follows: Since the calculated statistic T value at 5% level of significance is less than the Tabulated T value 1.833 for all the parameters- We accept H0 and conclude Performance of Tourism companies has not been affected by Global Financial Crisis.

Chi square test

Table-8.1.1 Hypothesis Results of Non Parametric Test- Chi-Square Test Statistics- Performance of Tourism companies has not been affected by Global Financial Crisis

Particulars	Table Value-10		
	df	Calculated Statistic Chi square value at 95% confidence level	Tabulated Statistic Chi square value at 95% confidence level
Budget	9	0.275	16.919
Net Profit	9	0.275	16.919
Investments	9	0.028	16.919
Tourist Arrivals	9	0.029	16.919
Tourist Arrivals from other countries	9	0.475	16.919
Fares of tourism	9	0.069	16.919
Foreign remittances	9	0.502	16.919

Source: Collected through Questionnaires and Interview method

Interpretation: The hypothesis results of Non parametric Chi Square Test of these Tourism industries are as follows: Since the calculated statistic chi square value at 5% level of significance is less than the Tabulated Chi square value 16.919 for all the parameters-We accept H0 and conclude Performance of Tourism companies has not been affected by Global Financial Crisis

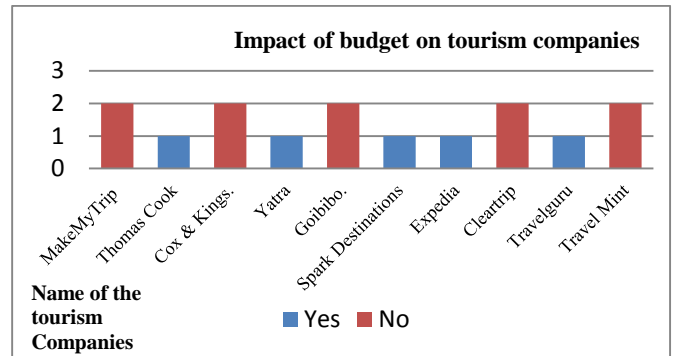
2. To construe the policies or initiatives taken by Indian government to curb the financial crisis that befell on Indian tourism companies.

Table 9: Impact of budget on Tourism companies

Name of the Tourism Companies	Yes	No
MakeMyTrip	0	2
Thomas Cook	1	0
Cox & Kings.	0	2
Yatra	1	0
Goibibo.	0	2
Spark Destinations	1	0
Expedia	1	0
Cleartrip	0	2
Travelguru	1	0
Travel Mint	0	2

Source: Collected through Questionnaires and Interview method

Figure 9: Impact of budget on tourism Companies



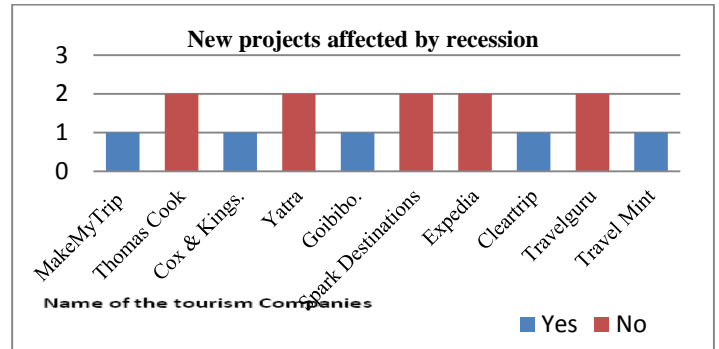
Interpretation: The policies of budget that were announced after the recession provided a great relief to few of the tourism companies as per the data and graphs.

Table: 10 New projects affected by recession

Name of the Tourism Companies	Yes	No
MakeMyTrip	1	0
Thomas Cook	0	2
Cox & Kings.	1	0
Yatra	0	2
Goibibo.	1	0
Spark Destinations	0	2
Expedia	0	2
Cleartrip	1	0
Travel guru	0	2
Travel Mint	1	0

Source: Collected through Questionnaires and Interview method

Figure: 10 New projects affected by recession



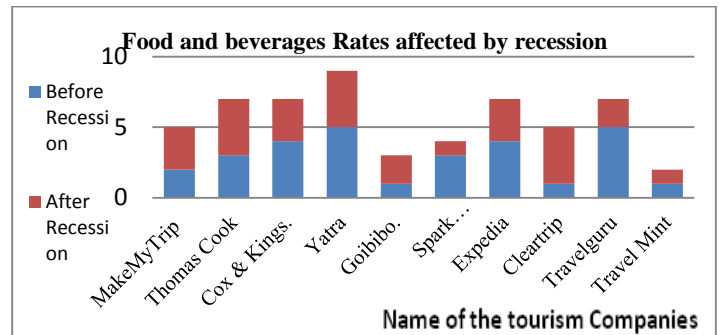
Interpretation: Due to the shortage of funds and unemployment, the new projects of the tourism companies had to be postponed.

Table: 11 Food and beverages rates affected by recession

Name of the Tourism companies	Before Recession	After Recession
MakeMyTrip	2	3
Thomas Cook	3	4
Cox & Kings.	4	3
Yatra	5	4
Goibibo.	1	2
Spark Destinations	3	1
Expedia	4	3
Clear trip	1	4
Travel guru	5	2
Travel Mint	1	1

Source: Collected through Questionnaires and Interview method

Figure: 11 Food and beverages rates affected by recession



Interpretation:

The food and beverages rates before recession were high and also the suppliers were giving Discounts but after recession the prices got declined and suppliers stopped discounts and commissions.

Table: 12 Fuel rates affected by recession

Name of the Tourism companies	Before Recession n	After Recession n
MakeMyTrip	1	3
Thomas Cook	3	4
Cox & Kings.	2	2
Yatra	2	1
Goibibo.	3	4
Spark Destinations	4	5
Expedia	2	5
Clear trip	1	3
Travel guru	5	1
Travel Mint	1	2

Source: Collected through Questionnaires and Interview method

Interpretation: Most of the tourism companies had their fuel rates affected.

Table: 13 Risk of recurring recession

Name of the Tourism Companies	Yes	No
MakeMyTrip	0	2
Thomas Cook	1	0
Cox & Kings.	0	2
Yatra	1	0
Goibibo.	0	2
Spark Destinations	1	0
Expedia	1	0
Clear trip	0	2
Travel guru	1	0
Travel Mint	0	2

Source: Collected through Questionnaires and Interview method

Interpretation: The above data and graph give a picture of risk of having recurring recession on these tourism companies which might wash out many companies of tourism sector. Among these few disagree that recession will not affect the tourism industries.

Figure 12: Fuel rates affected by recession

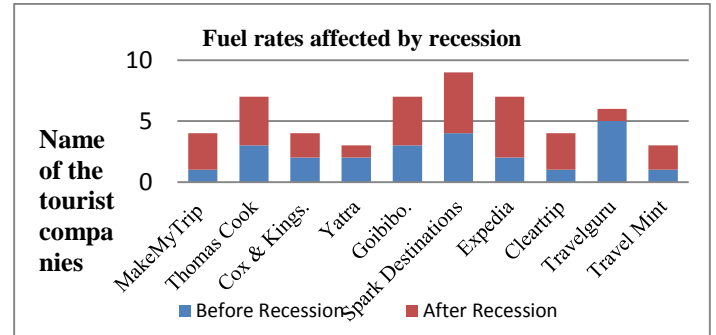
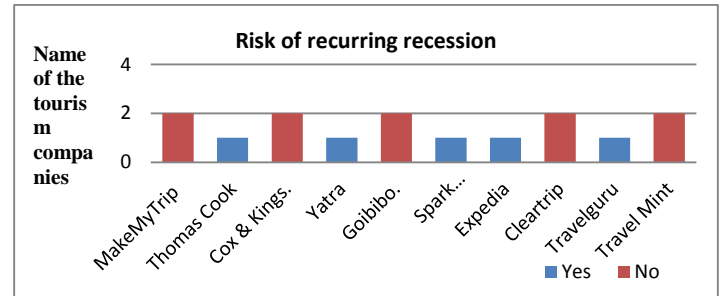


Figure: 13 Risk of recurring recession



H₀₂- There is no affect of Government policies on tourism companies.
Parametric test

Table-14.1 Hypothesis Results of Parametric T test Statistics- There is no affect of Government policies on tourism companies

Particulars	Table Value-10		
	df	Calculated Statistic T value at 95% confidence level	Tabulated T Value at 95% confidence level
Impact of budget on Tourism companies	9	-5	1.833
New projects affected by recession	9	-5	1.833
Food and beverages rates affected by recession	9	3.66	1.833
Fuel rates affected by recession	9	-0.9	1.833
Risk of recurring recession	9	-5	1.833

Source: Collected through Questionnaires and Interview method

Interpretation: The hypothesis results of Parametric T Test of these Tourism industries are as follows: Since the calculated statistic T value at 5% level of significance is less than the Tabulated T value 1.833 for all the parameters- We accept H₀ and conclude there is no affect of Government policies on tourism companies.

Chi square test:

Table-14.1.1 Hypothesis Results of Non Parametric Test- Chi-Square Test Statistics- There is no affect of Government policies on tourism companies

Particulars	df	Calculated Statistic Chi square value at 95% confidence level	Tabulated Statistic Chi square value at 95%confidence level
Impact of budget on Tourism companies	9	5	16.919
New projects affected by recession	9	5	16.919
Food and beverages rates affected by recession	9	6	16.919
Fuel rates affected by recession	9	6	16.919
Risk of recurring recession	9	5	16.919

Source: Collected through Questionnaires and Interview method

Interpretation: The hypothesis results of Non parametric Chi Square Test of these Tourism industries are as follows: Since the calculated statistic chi square value at 5% level of significance is less than the Tabulated Chi square value 16.919 for all the parameters-We accept H₀ and conclude there is no affect of Government policies on tourism companies

Findings

- The Lemon Tree Hotels have made rough decisions to invest Rs 1,000 crore to increase the room capacity from 2,800 to 8,000 across the country by 2017. The Oberoi Realty plans to fetch the standard representative of luxury brand Ritz-Carlton to Mumbai which is expected to come up by 2016 at a cost of Rs 750 crore. The Move and pick Hotels and Resorts have

signed a management agreement to operate a new hotel in Kochi, which will be owned by ITMA Hotels India Pvt Ltd, an associate company of Jomer Properties and Investments.

- There is a need to evolve a long term policy. The Disinvestment of Government stake in Indian Airlines, Air India and ITDC in the long term will help the privatized hotels to open up a new level of affordable hotels.
- In India, there is absence of 'open sky' policy.
- The total market size of the tourism and hospitality industry in India for 2011 is \$ 117.7 billion and which is expected to touch \$ 418.9 billion by 2022. Free to Air during the period January-June 2014 was \$3.54 million as compared to Free to Air \$3.36 million during the corresponding period of 2013.
- Foreign exchange earnings during January-June 2014 was Rs 56,760 crore as compared to Foreign exchange earnings of Rs 51,587 crore during the same period 2013.

Government Policies

- The Indian government has provided a bunch of go-aheads which includes an execution of electronic visas, a drive on heritage and pilgrim tourism and creation of new tourist laps.
- For the issue of connectivity, the Indian government has taken up of up grading the existing airports and building new ones and improving infrastructure.
- The government has brought in reforms of finding out the bill for tour operators who promote the domestic and medical tourism and providing concession in income tax for hoteliers if they invest fifty percent of profits into infrastructure.
- The government has extended the benefits of section 10(23G) of the Income Tax Act, 1961 to institutions who finance the hotels of three-star category and above.
- The Ministry of Tourism has brought in reforms like it has launched a web-based Public Delivery System in order to ease the process of filing applications by the travel trade service providers that has to seek recognition from the Ministry. It has launched a travel planning engine called as The Tripigator.com. It has brought in campaign called Clean India to keep sanitation in the places of importance like monuments and tourist centre. It has sanctioned Rs 4090 crores for developing quality tourism projects like development of product/infrastructure, Fairs and Festivals, and Adventure and Rural Tourism for infrastructure step-up.

Suggestions

- The Tourism sector needs to have a grant of export industry status so that the businesses can benefit from industrial policies of State and taxes on foreign exchange earnings.
- The Tourism needs a of infrastructure status to hotels so that they can help the players for in availing funding support.
- The service tax on room rent, food and beverages needs to be abolished.
- There is need of Funds to conduct marketing campaign.
- There is a need to set up of a tourist police force.
- There is a need to increase the subsidy cap.
- The implementation of various policies and schemes need to be announced swiftly and effectively.

- Efforts need to be done to adopt the technological advances in the tourism sector in order to provide better facilities to tourists and to market the tourism product.
- In order to increase the foreign exchange revenue's for our country, The Central Government must bring in a modern interpretation centre to cater to various needs of travelers both foreign as well as domestic and to offer various facilities to them.

Conclusions

Despite the Indian economy had slowed down due to recession, it has started growing quicker than the rest of the world. The Indian economy is growing at 5% per annum and due to rise in disposable incomes of Indians, most of them are going on vacation to abroad and within the country. This provides wings to tourism in India and this industry is the second-largest foreign exchange provider for India. It contributes to six point six percent of India's GDP and has created employment of 39.5 million in 2012. The total number of domestic tourists has grown to sixteen percent in the period of 2009-2014 and is expected to grow at 12% in coming years. As per the report from World Travel and Tourism Council the India's economic contribution from tourism in the country is expected to grow by 7.3% in 2014 which will outperform the general economy by 2.5%. The Indian tourism sector is estimated to generate \$42.8 billion by 2017. The Indian economy continues to pioneer in an effort to incorporate with the world economy. The Medical tourism has poised for speedy development in the future and India is busy developing first-class facilities to attract this multi-billion dollar niche market. India has become a well known center for Omanis who are seeking advance medical care. The Factors for the medical tourism to India is proximity, direct air connectivity, cultural connects and quality health care.

To conclude the Indian tourism has got vast potency for generating employment and earning from of foreign exchange besides giving a pitch to the country's total development of economic and social.

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