



IMPACT OF RECESSION ON TOURISM INDUSTRY

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ABSTRACT

Tourism industry has contributed enormously in the flourishing graph of India's economy by attracting a huge number of both foreign and domestic tourists travelling for professional as well as holiday purpose. Terror threat, swine flu scare and hike in air fares and above all the great economic depression hit the tourism sector hard in 2009 with number of foreigners visiting the country dropping by over six per cent. Foreign tourist arrivals continued to dip despite the *Visit India 2009* scheme launched by the government offering several concessions to woo tourists. This paper focusses on the impact of global economic meltdown on Tourism industry in India as a whole with the case study of Lucknow city. Tour operators, Hoteliers, and other government officials of tourism were interviewed and make out the problems and prospects of tourism industry. It also helps to analyse the remedial measures which could be taken at the time of recession.

Key words: Recession, Tourism, Medical Tourism, Economy, Rail Tourism

INTRODUCTION

Tourism, nowadays is one of the most popular way of spending free time. It is highly developed in almost all countries, mainly because of material profits it brings. But unfortunately, there is the other side of the coin too, especially if it comes about foreign tourism. From educational point of view, travelling lets people to see world, other peoples, culture and traditions. It is said, that "travelling broadens" and most people consider, it does. At the same time, tourists who has not wide knowledge about World, can "see the grass greener on the other side of the fence". It causes danger of discontent with country that person live in, what entail complaints and dissatisfaction. Also economical aspect plays huge role in domestic market economy. Lot of people works in tourist branch what is often their only source of income. What is more, there are some countries - like Malta for example - where tourism is basis of all its revenue. However, if all field are tourist-minded, prices are inflated what is huge drawback for natives. Travel has played a very important role in fulfilling the basic needs of human beings. Now-a-days Travel and Tourism has acquired the status of an industry. It is a dynamic and smokeless industry, not a static one. As a service sector, it can be used to enhance international understanding, communal harmony, global peace and cultural exchange. Travelling for pleasure is tourism. Tourism today requires instant transmission of information. As a result, it is closely associated with the modern techniques of communications like internet, satellite etc.

In India, Travel and Tourism has become the largest employment generating industry. On the one hand, it promotes income generating activities and on the other, it helps the nation to pocket some foreign currency without any export activities. Tourism is the industry of this century.

This smokeless industry's vast capacity to support the economy, generate employment opportunities and many other unique features makes it stand out from other industries. Countries all over the world have acknowledged the importance of tourism and its scope in the development of a nation. Tourism offers unlimited opportunities in career development. Travel & Tourism business employ an estimated 100 million people world wide. Studies show that job creation in tourism is one-and a-half times faster than any other industrial sector. International and domestic tourism combine to generate up to 10% of the World's Gross Domestic Product.

The world's leading travel and tourism journal, "Conde Nast Traveller", ranked India amongst top 4 preferred holiday destinations in the world. There has been a significant increase in the number of foreign tourist arrivals during 2006. Foreign tourist arrivals which were 3.92 million in 2005 rose to 4.43 million in 2006 showing an increase of 13 per cent. Foreign exchange earnings from tourism also showed a phenomenal growth from US\$ 5.73 billion in 2005 to US\$ 6.56 billion in 2006, achieving an increase of 14.6 per cent. During the first five months of 2007, the number of foreign tourist arrivals was 2.02 million, representing a growth rate of 12 per cent over the corresponding period last year. Foreign exchange earnings showed a growth rate of 17.4 per cent over the same period, earning US\$ 3.07 billion as against US\$ 2.61 billion last year.

Due to this surge of foreign tourists, India's share in world arrivals which was just 0.37 per cent in 2001 rose to be 0.53 per cent in 2006. The importance of tourism for the Indian economy is evident from the fact that it contributed to 5.9 per cent of the Gross Domestic Product and provided employment to 41.8 million people. Also, the cumulative FDI into the hotel and tourism sector from 1991 to March

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2007 has been US\$ 517.83 million, representing 1.18 per cent of the total FDI in to the country. The year 2006 was not only a record year for India's inbound tourism but was the fourth year showing a double-digit increase in arrivals. Moreover, arrivals recorded a double-digit growth in all 12 months of last year.

Objective of the study

- To find out the impact of recession on tourism particularly in the peak season in India as a whole.
- To highlight the economic significance of tourism with the sample case of Uttar Pradesh.
- To analyze the various factors affecting recession influencing tourism.

Literature review:

There are copious literature on recession but very few studies were held on recession and tourism. There is one study done by Sangeeth Kurian titled "Recession puts the brakes on student tour" where he concluded and discussed that many study tours were cancelled just because different corporate were not in a position for financial support. The international tours shifted to national tour. Another literature is taken by the report published in DNA (e paper) on Saturday, December 26, 2009 written by Jyoti Shelar. Under this report it has been mentioned that if there is any industry in India which has benefited from the global recession, it is the medical tourism industry, which has recorded a 20% hike in the annual turnover. The recession has played a vital role in getting more foreigners to India for affordable treatments. The report "**Indian Tourism Industry Analysis**" by RNCOS provides an insight into the Indian tourism market. It evaluates the past, present and future scenario of the Indian tourism market and discusses the key factors which are making India a potential tourism destination. With focuses on different parameters of tourism industry, including inbound tourism, outbound tourism, expenditure by inbound tourists, medical tourism, and hotel industry, the report gives a thorough analysis on the tourism industry in India.

According to the report by PTI posted to Kolkata.com on December 31,2009, India represents one of the most potential tourism markets in the world. It has expanded rapidly over the past few years and underpinned by the government support, rising income level and various international sports events, the Indian tourism industry will continue to grow at the fastest pace in the coming years. However, the industry may have to cope up with several challenges which will limit its growth. According to this report India is expected to see an invasion of 10 Million international tourists by 2010, up from just 5 Million in 2007. In India some states like Andhra Pradesh, Uttar Pradesh, Tamil Nadu, Karnataka and Rajasthan are the leading tourism destinations in terms of total tourist

arrivals. It has been found that India has been promoting its healthcare tourism by providing the visitors with private healthcare facilities. Therefore it is projected that the total medical tourism market will reach US\$ 2 Billion by 2012. Probably India's share in the global tourism is expected to reach 1.5% by 2010. The growth in India's tourism market is expected to serve as a boon, driving the growth of several associated industries, including hotel industry, medical tourism industry and aviation industry. Terror threat, swine flu scare and hike in air fares hit the tourism sector hard in 2009 with number of foreigners visiting the country dropping by over six per cent but the tourism ministry is now looking up to the Commonwealth Games to reverse the trend.

Scope of the study:

This paper focuses the impact of recession nov2008 on the tourism industry. Though everyone knows the ill effects of global meltdown but whether tourism is also affected in a negative manner? This study points out the major areas of tourism industry which is more affected in a positive and negative manner in India. This paper helps tourism industries in understanding factors that may influence recession and by taking corrective actions against these factors recession can be avoided. With the help of this paper tourist industries can understand when recession will come so that they can take corrective measures to control recession & all kind of losses that may occur due recession. How tourist industries can help in the development of country's economy during recession period, this can be easily understood by this paper.

Recession Tourism

Recession across the globe has hit the Indian tourism sector badly. The sector has suffered a considerable setback in the wake of global financial meltdown. Though no one likes or wants a recession, almost everyone appears (looking at WEF, Davos) reconciled to one in the United States. Meanwhile, politicians continue to downplay any fears of global repercussions, citing decoupling of the United States and other economies as a buffering factor. But what is the reality for countries like India? It would be naïve to imagine that a recession in the United States would have no impact on India. The United States accounts for one-fourth of the world GDP and any significant slowdown is bound to have reverberations elsewhere. On the other hand, interdependencies between the US economy and emerging economies like India and China has reduced considerably over the last two decades. Thus, the effect may not be as drastic as would have been the case in the 1980s. Ministry of Tourism has revealed the data of Foreign Tourist Arrivals (FTAs) and Foreign Exchange Earnings (FEEs) on the basis of data received from major airports.

FTAs during the month of **January 2009 stood at were 0.49 million** as compared to FTAs of **0.59 million** during the month of January 2008 and 0.52 million in December 2008. The decline in FTAs may be mainly due to ongoing global financial meltdown. FEE during the month of January 2009 stood at Rs 45.98 billion as against Rs 54.38 billion in 2008.

FEE in USD terms during the month of January 2009 were USD 941 million as compared to FEE of USD 1,382 million during the month of January 2008. The lower growth rate in January 2009 as compared to January 2008 may be mainly due to exchange rate variation and lower growth rate of FTAs.

Factors influencing Recession

There are various factors which may influence global recession. These factors are as follows:

1. **Crisis Theory:** It is concerned with explaining the business cycle, recession and crises in capitalism, drawing particularly on Karl Marx's achievement in articulating the Law of the Tendency for the Rate of Profit to Fall arising out of the consequences of value relations. Unless certain countermeasures are available to be taken, the exponential growth of capital out-paces the growth in labor productivity, so the profits of economic activity have to be shared out more thinly among capitals, i.e., at a lower profit rate. When countermeasures are unavailable or exhausted, the system requires the destruction of capital values in order to return to profitability.
2. **Tendency of the rate of profit to fall:** The tendency of the rate of profit to fall is a hypothesis in economics and political economy, generally accepted in the 19th century, but rejected by mainstream economists today. Economists as diverse as Adam Smith, John Stuart Mill and Stanley Jevons noticed a long-run empirical trend for the return on capital invested in industries to decline.
3. **Currency crisis:** A currency crisis occurs when the value of a currency changes quickly, undermining its ability to serve as a medium of exchange or a store of value. It is also known as balance-of-payments crisis. It is a type of financial crisis and is often associated with a real economic crisis.
4. **Energy crisis:** An energy crisis is any great price rise in the supply of energy resources to an economy. It usually refers to the shortage of oil and additionally to electricity or other natural resources. An energy crisis may be referred to as an oil crisis, petroleum crisis, energy shortage, electricity shortage or electricity crisis.
5. **Under consumption:** In **under consumption** theory, recessions and stagnation arise due to inadequate consumer demand relative to the amount produced. It

is an old concept in economics. One of the early under consumption theories says that because workers are paid a wage less than they produce, they cannot buy back as much as they produce. Thus, there will always be inadequate demand for the product.

6. **Overproduction:** In economics, **overproduction** refers to excess of supply over demand of products being offered to the market. This leads to lower prices and/or unsold goods.
7. **Financial crisis:** The term **financial crisis** is applied broadly to a variety of situations in which some financial institutions or assets suddenly lose a large part of their value. In the 19th and early 20th centuries, many financial crises were associated with banking panics, and many recessions coincided with these panics. Other situations that are often called financial crises include stock market crashes and the bursting of other financial bubbles, currency crises, and sovereign defaults. Many economists have offered theories about how financial crises develop and how they could be prevented. There is little consensus, however, and financial crises are still a regular occurrence around the world.

There are some more factors that **indicate recession**. These are as follows:

- General loss of confidence in the American economy.
- Stocks were regularly brought on margin & their values kept soaring. Stock market declines known as bear market and therefore investment decline.
- The rate of jobless people increases because companies in all sectors decide to keep their jobs vacant instead of hiring new staff.
- When companies start facing depression in sales and profit figure.
- When borrowers are unable to pay back their loans on home, two-wheeler, four-wheeler etc.
- When prices of essential commodities such as food, fuel & other utilities shoot up and government seems helpless to do anything.
- When GDP growth rate declines.
- When interest rates on deposits decrease.
- When demand of the commodity declines.
- Cutback in perks and salary is high.
- When capital inflows from FDI reduce which were invested in Indian market.

Impact of economic recession on tourism in India as a whole

A slowdown in the US economy is bad news for India. Indian companies have major outsourcing deals from the US. India's exports to the US have also grown substantially over the years. The India economy is likely to lose between 1 to 2 percentage points in GDP growth in the next fiscal year. Indian companies with big tickets deals in the US would see their profit margins shrinking. Economic recession has affected the tourism sector in Jammu and

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Kashmir, Kerala's tourism sector also affected by recession 2008/09 which just last year had grown by 25 per cent. Now, a wide spectrum of enterprises, ranging from home stay providers to high-end hotels and resorts, are reeling under a severe reversal of fortunes

Travel agents are reporting a 20-25% dip in leisure bookings for the coming holiday season. The epicenter of the trouble, it appears, is about 16,000 miles away. Travel agents are reporting a dip of around 25% in leisure travel

bookings into India for the winter season. Travel plans are usually finalized at least six months in advance and in the wake of the US slowdown, not many queries and bookings are coming in.

MICE (meetings, incentive, exhibitions and conferences) travel and corporate traffic have also been impacted by the US recession. Occupancies in hotels in metro cities, which cater to business tourists, are expected to dip by 8-10% in May and June. (According to Arjun Sharma, MD, Le Passage to India. Business India, November)

For **Indo-Asia**, there has been a 20-25% dip in bookings from the US and UK for the coming winter season. Student trip bookings from the US for this summer and Christmas time are down by at least 50%.

It was **Kerala's** sunrise sector until just a few months ago, but the thickening clouds of the global economic recession have cast a pall over the state's tourism industry, which just last year had grown by 25 per cent. Now, a wide spectrum of enterprises, ranging from home stay providers to high-end hotels and resorts, are reeling under a severe reversal of fortunes.

Kerala's hotels and resorts had already reported 30 per cent cancellations at a time when the state had been hoping to maintain at least last year's growth rate. The revenue from tourism, which employs around 12 lakh people, had touched Rs 11,433 crore then. The travel advisories against the country after the Mumbai attacks have also prompted many cancellations while corporate houses have stopped booking rooms for company getaways and conferences.

According to **industry sources**, the worst affected is **backwater tourism** in **Alappuzha**, which has 460 houseboats and 3,000-odd direct employees. Even the famous Kovalam beach has not been spared. Houseboat Owners' Association president V C Zachariah said operators had been struggling to keep afloat as business had come down by more than 30 per cent. The flow of domestic tourists from north India is down to a trickle.

Even **Kovalam**, a favourite destination for both foreign and domestic tourists now bears a deserted look. Last year, the peak season spilled over to April and it fared well even during the off season. This time, reservations are very few after January. (source: Rajagopal Iyyer, director, Uday

Samudra Resorts, Kovalam.) During this season, Kovalam property has full booking only from December 20 to January 6. But e-mail box is flooded with cancellations (said Thomas Paul, director, Thomas Holidays and Resorts.)

On a positive note, the recession would slow down investment in the tourism sector that many destinations in the state had reached a saturation point vis-à-vis resorts. The **Government had been working on a strategy to promote domestic tourism in a big way to overcome the crisis.** The industry had already sought several incentives and tax cuts from the Government, he added.

Rail tourism appears to have been adversely impacted by the ongoing economic crisis as Indian Railway Catering and Tourism Corporation (**IRCTC**) has seen 30-40 per cent decline in passenger traffic to tourist and pilgrim destinations. It has been found a dip in the range of 30 to 40 per cent in passenger traffic mainly originating from Mumbai, Kolkata and other major places for tourist and religious places of the northern region because of the economic meltdown. The Chandigarh region of IRCTC handles Punjab, Jammu and Kashmir, Uttarakhand, Himachal Pradesh, Western Uttar Pradesh and some parts of Haryana. Dulat said after the economic slowdown started, the passenger traffic strength has declined, although it is difficult to arrive at a figure.

Business delegations from America and travel by IT companies too have slowed down. Even the few travellers coming in from the US are planning to spend less. Mid-segment travel will get affected the most. The government claims tourism is growing at over 12% in 2008 but actually it is 7-8% maximum. (According to Himmat Anand, co-chairman of the Ficci Tourism Committee). Even in the peak months of November and February, he says, rooms were available easily. For the coming season, hotels in most leisure locations are offering deals, though discreetly, trying to convey that things are not as bad as they look.

Air charters from the UK are expected to be affected and so will be the student groups. Around 35% of the Goa charter market is the lower end of the UK market which is going to be hit during the coming season. (According to Sunirmol Ghosh, MD, Indo-Asia Tours). For Indo-Asia, there has been a 20-25% dip in bookings from the US and UK for the coming winter season. Student trip bookings from the US for this summer and Christmas time for many of the company are down by at least 50%. Travels are also about the 20% fall in bookings from the UK and the US for his company. Overall, international agents indicate that bookings for the coming leisure season are down by at least 25%, on the back of lesser bookings from the US and UK, especially. In many cases, India's perception as an expensive destination could also be the reason for it not figuring in the

travel plans of many a traveller, especially in the long-haul markets.

India is certainly looking more expensive on the brochures. It's significant to note that the two most affected countries, UK and the US, make about 20-22% of India's inbound numbers. Sharma feels that though there is certainly some concern with bookings down by at least 15-18%, this trend can be arrested in the near future. Though some travel majors continue to refute the slowdown's negative impact on inbound tourism, reality is that for now not all's hunky dory in the travel space. Despite the global meltdown, India's oldest travel and tourism mart is seeing a 20 per cent increase in overseas buyers, interested in promoting the rich heritage of incredible India abroad. Also, for the first time at the travel and tourism mart SATTE, New Zealand and Jordan will showcase the beauty of their nation to lure Indian tourists, in Delhi's Pragati Maidan. A total of 31 countries with 280 foreign buyers of the Indian Tourism Product have pre-fixed appointments with 300 sellers of the rich and unique products of Destination India which over the years has grown to become a leading travel exchange platform in Asia.

SATTE 2009 would reinforce that there is a plethora of opportunities in the Indian tourism space and that it has emerged as a serious business in the country. Travel has played a very important role in fulfilling the basic needs of

human beings. Now-a-days Travel and Tourism has acquired the status of an industry. It is a dynamic and smokeless industry, not a static one. As a service sector, it can be used to enhance international understanding, communal harmony, global peace and cultural exchange. Travelling for pleasure is tourism. Tourism today requires instant transmission of information. As a result, it is closely associated with the modern techniques of communications like internet, satellite etc. New Zealand is participating at an Indian trade show for the first time, while Jordan has entered the Indian market, promoting their products. The Singapore Tourism Board would also be making its debut in SATTE, Dubai, Malaysia, Egypt, Thailand and Scandinavia are among the other countries at the mart.

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Impact on Medical Tourism

The economic slowdown is turning to be a boon for Indian health care industry as more and more people are opting to come to India for expensive medical procedures. There has been an increase of about 30 percent in the number of patients coming to India in the last few months. People are

coming to India not only because the cost of procedures is much less, but the health care facilities are as good as what they would get in their home country. Coupled with the favorable exchange rate and slashed air fares, both patients and health care providers are in a win-win situation (Acc. to Dr Ruchika Malhotra of Indi cure, the health care facilitation or medical tourism company).

People often choose to come through a medical tourism company because they are provided with various options, give bundles services and with Indicure we offer them a discounted package on various procedures. The process of Medical tourism is not new, but has recently accelerated because of the recession. The ongoing economic recession is giving positive signs of development for the India medical tourism industry as more and more people are coming to India for expensive medical procedures. These medical procedures has turned much higher after the economic recession has hit the market. According to reports there has been a 30 percent in the number of medical tourists who are coming to India in the last few months. Most of the people who are coming to India for medical treatments are recommended by people who has already under undergone a treatment in India. In a situation where people in western countries are losing their jobs and their medical coverage got reduced, they can't afford medical treatments like knee replacement surgery in western countries. Obviously they are looking to India to get it done at an affordable cost. All those who have undergone medical treatments in India has returned happily in cost wise and with respect to the services offered by the Indian hospitals. People are coming to India not only because the cost of procedures is much less, but the health care facilities are as good as what they would get in their home country.

The tourism industry of India is reported be suffering badly owing to global recession. Despite the fact that the tourism season has been in full swing in the country, the tourism industry of Agra is unable to attract many tourists. According to Business today(Leading Magazine of India), in this season there has been a decline in foreign tourists' visit to Taj Mahal. The tour operators in India have informed that tourists' visit to India has decreased by 20 to 30 percent in this year. Earlier, Goa's tourism industry had also experience similar decrease in foreign tourists' visit. The costal state has recorded almost 20 per cent fall in tourist arrival.

According to the president of Goa's Travel and Tourism Association, Ralf D'Souza, there has been massive reduction in scheduled and chartered flights arriving from international and national destinations which has affected the tourism industry of the state. It is worth mentioning that the reduction in airfares by major carriers of the country also could not improve the health of tourism industry. Apart from global recession, the increase of terrorism has also contributed to the fall of tourism industry. Regular terror

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attacks in various parts of the country discourage the foreign visitors to tour India. After the Mumbai incidents where several foreigners lost their lives, the country's tourism industry is expected to deteriorate further.

With long haul destinations like US and UK impacted by the global meltdown, the tourism ministry has focused attention on short-haul destinations like Singapore, Malaysia and Thailand. (Source: The Times of India, 24 Dec.2008) Not only is the government considering a proposal for giving long-term, multiple entry visas to visitors from ASEAN countries but special promotions are being planned before Union tourism minister Ambika Soni's visit to Vietnam in January 2009. Overall, the tourism sector in India witnessed great buoyancy till the middle of this year with the growth between India and the ASEAN countries being high. During 2002-2007, foreign tourist arrivals to the country increased from 2.38 million to 5.08 million, growing at 16.37%. During this period, the tourist arrivals from the ASEAN region to India grew at 15.24%. Foreign tourist arrivals from the ASEAN region to India during 2002 was 1.49 lakh and in 2007 it was 3.03 lakh.

ASEAN is an important source market for India. India has been actively promoted in this market through promotional and marketing events. India sees immense potential for tourism generation from ASEAN region due to geographical proximity and good connectivity with most of the ASEAN member countries. (http://timesofindia.indiatimes.com/india/india_eyes_to_asia_n_ease_recession-hit_tourism_sector)

Amongst the biggest draws in the region is Buddhist tourism and cruise tourism. The ministry is already working at promoting India as a port of call for those cruises that originate in Singapore and Malaysia. According to officials, the Mahaparinirvan train that showcases Buddhist sites in India is a major attraction. The tourism ministry has also proposed issuance of multiple-entry, long-term visas for ASEAN countries. The home ministry is in the process of examining the proposal. According to officials, the tourism ministry has suggested that the advanced passenger system, which has begun for Air India flights at Mumbai and Delhi, be extended to all international flights and then eventually to all metro cities.

As the recession takes hold, it would be natural to think that medical tourism would see a decline in the number of foreign patients. This however, does not appear to be the case. Already popular in countries such as Thailand, Hungary, Mexico, Poland, and Turkey where accredited and affordable health care is available for many westerners, India is fast becoming the preferred destination for medical tourism. Low priced gastric bypass surgery, affordable Botox, and cheap dental work are saving thousands of

dollars for millions of Americans. In an article in The Times of India, 2002 saw earnings of \$300 million as a result of medical tourism which has been increasing 25% each year.

According to a CII-McKinsey report, medical tourism will see earnings reach the \$2 billion mark by 2012, making India the next best tourist destination for medical treatment.(Source: www.healism.com/destinations)

In India, the fallout on the tourism industry has been greater as the crisis has come at the beginning of the tourist season. Though the reaction to the current crisis is understandable, the industry seems to be over-reacting, the months of December and January could see a spurt of arrivals which will offset the current cancellations. In the last 50 years, tourism has never seen a single year of decline, despite a number of conflicts all over the world. (Source: Confederation of Indian Industry). While the cancellations, that began after the terror strikes in September will continue through October, CII is confident that the tourists will return once the situation stabilises. The last couple of years have seen an impressive growth in tourism globally. International tourist arrivals touched 699 million in 2000, almost 50 million more than in 1999, representing a 7.4 per cent growth. Though foreign tourist arrivals into the country has increased over the last few years, India's share was a mere 0.37 per cent in 1999, with just 0.66 per cent of world tourism receipts. **India ranks 153rd out of 160 countries as a favoured tourist destination.** Visitors from the US (10.15 per cent) and the UK (13.90 per cent) comprised 24 per cent of the 2.6 million tourists who arrived in India last year. This segment could continue to be affected significantly, as tourists from these countries are likely to postpone their travel plans.

During the Gulf War in 1991 too, visitors from the U.S. had dropped 9.2 per cent as compared to the previous year. This shows a reluctance on the part of Americans to travel in times of uncertainty as people choose to travel to areas which are perceived to be safe. Therefore, efforts must be made to project India as a **'safe' destination**"As many Indian tourists may have to cancel their holiday's abroad, they will look for destinations within the country. By tapping the domestic market, the industry can overcome the present crisis."

Over the last decade, domestic tourism has grown by over 100 million travellers from 63.8 million travellers in 1990 to over 176 million in 1999.

(Source: *Indo-Asian News Service*)

Table No. 1

Tourist arrivals in India and in Uttar Pradesh(In Lakh)

Year	India	Uttar Pradesh
2000	2649378	848000
2001	2537282	795000
2002	2384364	710000
2003	2726214	817000
2004	3457477	1037243
2005	3918610	1174597
2006	4447167	1328974
2007	5081504	1524451
2008	5366966	1610089

(Source:U.P.Tourism department, Lucknow)

Table No. 2

Earnings from foreign Tourists (Rs. In crore)

Year	India	U.P.
2000	14238	2847.6
2001	14344	2868.8
2002	14195	2839
2003	16429	3285.8
2004	27944	5588.8
2005	33123	6624.6
2006	39025	7805
2007	44360	8872
2008	50730	10146

(Source:U.P.Tourism department, Lucknow)

Case analysis of the Impact of economic recession on Lucknow

To find out the realities of the outcome of recession on tourism industry questionnaires were prepared in three pattern. One for the travel agents or tour operators of

Lucknow, secondly for hoteliers of Lucknow and thirdly for tourist. The researchers personally visited and discussed their view points about the current issue.

Table No. 3

Responses of the Travel Agencies of Lucknow

(Sample size: 10)

	Responses		
	Increase	Decrease	No Change
Air Fare Rate (2009) international sector	02	07	01
Air Fare Rate (2009) domestic sector	05	02	03
Rail Fare Rate (2009)	02	0	08
Taxi Fare Rate (2009)	08	0	02
No. of Domestic Tourist in 2009	05	03	02
No. of Domestic Tourist in 2008	06	04	0
No. of Domestic Tourist in 2007	06	03	01
No. of International Tourist Arrival in 2009	03	06	01
No. of International Tourist Arrival in 2008	04	05	01
No. of International Tourist Arrival in 2007	04	05	01

(Source: Field survey)

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Table No. 4

For Hoteliers (10 hotels)

	Increase	Decrease	No Change
No. of Domestic Tourist Arrival	07	03	0
No. of International Tourist Arrival	05	05	0
No. of Days Spent	04	05	01
No. of Conference, Meetings and Exhibitions held	03	05	02
No. of Domestic Tourist Arrival	07	03	0

(Source: Field survey)

Table No. 5

Responses of the tourists

		2008	2009
How many times you travel in a year?	Half yearly	58%	42%
	Yearly	21%	25%
	No fix time	21%	33%
Which mode of transport would you like to choose	Railways	72%	72%
	By air	10%	10%
	By Road	18%	18%
At which place would you like to go	Hill Station	45%	50%
	Religious Places	25%	20%
	Business/ Metro cities	30%	35%
How many days you would like to stay at your destination place?	one day	15%	18%
	one-five day	75%	62%
	more than 5 days	10%	20%
What kind of accommodation you would like to avail?	Star category hotels	45%	40%
	Dharamshalas	8%	10%
	Budget hotels	47%	50%
How much money you would like to spend on shopping?	Less than Rs.1000	35%	30%
	Rs.1000-5000	55%	55%
	More than Rs.5000	10%	15%

(Source: Field survey)

FINDINGS THROUGH SURVEY:

- Despite the major world economic degradation, Tourism is a one of the major industry in India which has minimum negative impact.
- Though airline industry suffers few losses but railways and other transport industry gets a boom during this season.
- Foreign travellers decreased in number but domestic tourism increased as a whole.
- During global meltdown medical tourism gets a favourable boom in India. A large number of people comes to India just for medical reasons.
- International MICE decreased in number as different corporate sectors were not in a position to place their meetings and conferences abroad so Indian star hotels and resorts welcomes mostly Indian guests.
- Impact of recession was mostly seen in USA and UK Tourism. Indian tourists were untouched with this economic depression.

SUGGESTIONS:

A key message from our research is therefore that a critical contributor to global job creation and poverty alleviation is going into reverse – a fact that policy-makers would do well to recognise. Travel & Tourism investment and corporate travel are expected to be the hardest hit, with the credit crunch causing firms to scrutinise all deferrable costs. Real investment spending is forecast to decline by 5¼% in 2009 and a further 1¼% in 2010. Even greater falls are expected in corporate travel over the next two years (of 7¼% and 4¼% respectively). Residents' Travel & Tourism spending is likely to be least affected, but even here a decline of 3% is projected for 2009, despite the substitution of domestic travel for some foreign trips. Currency shifts will aid some destinations but the impact of the recession on household and corporate budgets is set to dominate in the short term. The global meltdown has engulfed the travel and tourism business, but still the opportunities are immense. This is an opportune time to develop and promote domestic tourism.

To attract more tourists, it has been suggested a change in strategy by

- Tapping markets other than the US and the UK, and instead look to emerging markets like China, South East Asia and the Middle East over the medium term so as to hedge itself from the risks of catering to a single market.
- Tour operators and hotels must design innovative, attractive packages to lure Indians into visiting destinations within the country.
- One of the principal reasons that are keeping the domestic market from growing to its potential is the high cost of travel within India.
- Proper destination branding is required to attract more Indian and international tourists.
- Different promotional strategies should be developed by the State and Central Government to lure more tourists within India.
- Yoga and meditation is one sector which is very popular among foreign visitors.

CONCLUSION:

After completing our research work on this topic we have concluded that hit by the negative events of 2008, which resulted in a sharp downturn in consumer and business confidence and spending globally, Travel & Tourism lost momentum in the second half of last year and has now fallen into recession. Timely data shows that international travel demand fell by 1% globally from July through

December 2008 compared with the same period in 2007, while preliminary estimates suggest that visitor spending barely matched its 2007 level. As a result, the growth in Travel & Tourism Economy GDP slowed in 2008 to 1.0%. This followed four consecutive years of increases, averaging 3.6% in real terms, and in which 27 million jobs were created.

Foreign visitor arrivals still increased globally by 2.3% in 2008, with the Americas benefiting from currency trends and the Middle East and Africa continuing to prove their growing attraction as tourism destinations. However, real investment spending in Travel & Tourism contracted globally for the first time since 2002 and real corporate travel spending growth halved. As a result, the economic contribution of Travel & Tourism declined fractionally, to 9.6% of world GDP. Given the significant deterioration through the second half of 2008 in Travel & Tourism activity and the bleak macroeconomic picture forecast for 2009, But the global economic recession is so widespread and deep that it is totally unreasonable to expect Travel & Tourism to escape the impact. Indeed, as a relatively cyclical industry, its contribution to world GDP is predicted to fall further in the next two years to just over 9%. Job losses are also likely to be significant, with employment falling by around 10 million over the next two years – to around 215 million in 2010 – before subsequently recovering.

Foreign tourist arrivals continued to dip despite the Visit India 2009 scheme launched by the government offering several concessions to encourage tourists. While 45.41 lakh foreigners visited the country during January to November, 2009, the number was 48.45 lakh in the same period last year 2008. In the month of November alone, the number of foreign tourists was 5.18 lakh as against 5.32 lakh last year. Indian outbound tourist flow is expected to increase at a CAGR of 13.30% over the five-year period spanning from 2008 to 2012. Foreign exchange earnings from tourism sector increased, however, with the country earning Rs 5,523 crore last month as compared to Rs 4,935 crore in November 2008.

The total forex earning during January–November was Rs 47,918 crore compared to Rs 45,647 crore in the same period last year as tourism continued to play an important role as a revenue earner for the country with the US and the UK being the major source market for the industry. Ahead of the Games, the Tourism Ministry has made all-out efforts to cater to the requirement of 30,000 additional hotel rooms and a task force has been set up to monitor the accommodation facilities during the mega event. It is expected that about one lakh visitors would be coming during the Games to be held in October.

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