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Tourism Plan and Policies of India over the Years: An Empirical Analysis

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ABSTRACT

Tourism is a major driver of economic growth and job creation in India. However, the tourism sector remains underdeveloped compared to its vast potential. This paper empirically analyzes the impact of key tourism policies enacted by the Indian government over the past decades on foreign tourist arrivals and tourism's contribution to GDP and employment. Secondary data on tourism performance indicators and policy milestones from 1960-2024 was collated and analyzed using regression models. The results indicate that policies such as national tourism campaigns, easing visa restrictions, and tourism infrastructure development have had significant positive impacts. However, challenges such as safety perceptions, taxation issues, and infrastructure gaps restrain higher growth. Recommendations are provided for the government to develop a more strategic, long-term tourism policy focused on sustainable growth.

Key words: *Tourism Policies in India, Foreign Tourist Arrivals, GDP contribution, Employment, Empirical analysis.*

INTRODUCTION

Tourism has become one of the largest and fastest growing sectors globally. For many developing economies, tourism provides a key source of economic development, foreign exchange earnings, and employment creation. With its rich cultural heritage, diversity, natural beauty, and growing infrastructure, India has enormous potential to harness travel and tourism for socio-economic progress. However, the country's tourism sector remains underdeveloped. In 2019, India attracted only 10.9 million foreign tourists and ranked 34th globally in international arrivals (UNWTO, 2020). The travel & tourism sector contributed only 6.8% to India's GDP in 2019 compared to a global average of 10.3% (WTTC, 2020). However there is considerable reduction in tourism due to outbreak of COVID-19. But this is not limited to India only, but in whole world.

To better realize tourism's potential, the Indian government has enacted various policies, initiatives, and investments to boost the sector over the past decades. However, there has been limited empirical research evaluating the impact and efficacy of India's tourism policies historically.

LITERATURE REVIEW

The United Nations World Tourism Organization (UNWTO) has issued extensive guidelines on national tourism policies and planning. UNWTO (2018) emphasizes that comprehensive, long-term and inclusive tourism policies are critical for managing growth and risk. Key principles include integrating tourism in national development plans, undertaking robust analytics to inform policy, engaging with the private sector, localizing tourism benefits, safeguarding natural capital, and monitoring impacts. For development benefits, policies should focus on stimulating entrepreneurship, MSME growth, skill development and local sourcing. The OECD (2018) also provides a tourism policy toolkit for maximizing benefits, outlining best practices across marketing, investment promotion, human resource development, infrastructure, regeneration of depressed areas, visitor management and monitoring mechanisms.

Several prior studies have examined the impact of specific policy interventions on tourism flows and performance for other countries. Elliot (1997) analyzed how Indonesia expanded tourism rapidly from the 1980s through integrated planning and institutional coordination. Sinclair (1998) examined Australia's national strategy starting 1990 focused on active marketing, public-private collaboration, and sustainable development that boosted international arrivals and receipts. Naude and Saayman (2005) assessed the impact of marketing and infrastructure policies on

tourist arrivals in 43 African countries between 1996-2000. They found marketing expenditures had significant positive impacts especially for less mature destinations, while infrastructure quality was more impactful for mature destinations. Webster and Ivanov (2014) examined the impact of film-induced tourism policies on overnight visitor growth for four countries. They found strategic cross-sector policies linking film production and tourism led to higher tourism growth rates. Cuccia and Rizzo (2011) analyzed the effects of UNESCO World Heritage Site inscriptions and relevant preservation policies on tourism flows for five Italian cities. The heritage site designations were found to boost tourist numbers significantly.

Within the Indian context, Bhatia (2002) suggests that reactive responses predominated over long-term strategic planning. Kumar (2007) highlights how successive policies lacked clear implementation and monitoring mechanisms. The 2002 National Tourism Policy catalyzed the 'Incredible India' campaign, tourism infrastructure status and visa relaxation (Padhi & Pati, 2013). Tewari (2014) argues that the 1990s shift from administrative controls to market-orientation was inadequately planned and regulated. Datta (2014) reviewed India's 11th and 12th Five Year Plan policies related to tourism and highlighted coordination issues between central and state agencies. Post 2000, as tourism became a national priority, policies aimed at aggressive promotion, connectivity expansion and product development. The 11th Five Year Plan (2007-12) focused on developing integrated tourism circuits, pro-poor tourism and public-private partnerships (Rout & Das, 2017). The 'Incredible India' marketing has boosted arrivals and created strong brand equity (Choudhary & Khanna, 2017). Visa relaxations like e-visas, visa-on-arrival and medical visas expanded foreign arrivals substantially (Nair, 2018). Niche segments like cruises, medical and MICE tourism were also targeted (Kulkarni, 2019). However, the relationship between historical tourism policies and India's tourism growth has not been empirically measured through prior academic research in an adequate manner. This paper aims to address this gap.

DATA AND METHODOLOGY

This study utilizes secondary data on various performance indicators of Indian tourism between 1960-2024 and major policy milestones over this period from government sources, industry reports, and public databases.

DEPENDENT VARIABLES

- **Foreign tourist arrivals in India:** The number of Foreign Tourist Arrivals (FTAs) in India exhibited a steady increase over the years, rising from 1.68 million in 1991 to 2.54 million in 2001, 6.31 million in 2011, and peaking at

10.93 million in 2019. However, in 2020, there was a significant downturn with FTAs tumbling by 74.9% to 2.74 million due to Covid-19 related restrictions, marking a notable shrinkage in tourism. Post Covid period shows significant recovery in Foreign Tourist Arrival with 9.24 million tourist visited India in 2023 and estimated figure of 9.66 million in 2024.

Table 1

Years	Foreign Tourist Arrival (in millions)	Foreign Exchange Earnings (in million USD)
1991	1.68	1861
2001	2.54	3198
2006	4.45	8634
2011	6.31	17707
2012	6.58	17972
2013	6.97	18397
2014	7.68	19699
2015	8.03	21012
2016	8.8	22428
2017	10.04	27365
2018	10.56	28565
2019	10.93	30721
2020	2.74	13036
2021	1.52	8651
2022	6.44	21360
2023	9.52	28077
2024	9.66 *	33185*

Source: Ministry of Tourism, Govt. of India “*” indicates provisional estimation

- Tourism's direct contribution to Indian GDP:** Contribution can be assessed in terms of Foreign exchange earning/ International Tourism receipts and domestic earnings over the years as shown in table 1 and overall contribution to GDP is shown in Table 2 below. Tourism comprised around 5.8 percent of the nation's GDP post Covid 19 which increased to 9.1% in 2023. It is estimated that tourism contributes 249.3 billion USD in Indian GDP in 2024 and in terms of foreign exchange earnings from tourism it is provisionally estimated to 33185 million USD in 2024.

Table 2

Year	Contribution in Indian GDP (in billion USD)
2013	172.91
2014	185.63
2015	201.43
2016	219.72
2017	232.01
2018	247.37
2019	191.3
2020	121.9
2021	178
2022	190
2023	201.37
2024	249.3 *

Source: www.statista.com “*” indicates provisional estimation

- **Tourism's total contribution to Indian employment:** Higher tourism earnings and arrivals boost job creation across sectors like hospitality, transportation, recreation etc. In India, the tourism sector's direct jobs relative to total employment increased from 4.5% in 1995 to 5.1% in 2015 highlighting its labour-intensive nature (Kumar, 2014). In the year 2019, the travel and tourism industry in India offered employment opportunities to approximately 76 million individuals. However outbreak of Corona leads to decrease in employment status. In 2023 approx. 76 million people were employed in travel sector with a provisional estimation of 79.86 million in 2024. It is notable that this sector contributed to about 12.6 percent of the total employment in the country.

Table 3

Year	Employment in travel and tourism across India (in million) (direct+indirect+induced)
2014	67.2
2015	69.75
2016	72.26
2017	75.34
2018	72.69
2019	75.85

2020	69.44
2021	68.07
2022	70.04
2023	76.17
2024	79.86 *

Source: Ministry of Tourism, Govt. of India

INDEPENDENT POLICY VARIABLES

1. Launch of 'Incredible India' tourism campaign in 2002: The Tourism Ministry of India launched the Incredible India campaign in the year 2002. The purpose of this campaign was to increase the travels of foreign tourists into the country. Even though being home to one of the Seven Wonders of the World and several magnificent landmarks, India did not have much growth in the tourist sector. In contrast, other countries have flourished in tourism markets. India is a land of diverse cultures, traditions, and landscapes. From the snow-capped peaks of the Himalayas to the sunny beaches of Goa, India has something for everyone. However, despite its vast tourism potential, the Indian travel sector has not yet reached its full potential. This is where the "Incredible India" campaign comes in. The primary objective of the "Incredible India" campaign is to promote India as a globally attractive tourist destination. It aims to:

- Showcase India's rich cultural, historical, and natural heritage.
- Boost tourism and related economic activities.
- Create a positive image of India on the global stage.
- Attract both domestic and international tourists.

The campaign commenced with a series of television commercials and advertisements in print media, emphasizing on captivating visuals and themes inspired by India's rich cultural heritage. Subsequently, in 2017-18, Incredible India 2.0 was introduced, prioritizing expanded digital engagement via websites, web portals, targeted genres, and social media platforms to achieve widespread outreach.

2. Eased VISA rules: Travellers visiting India are required to obtain a VISA unless they originate from one of the visa-exempt nations. Individuals from specific countries have the option to acquire a Visa on Arrival or apply for an e-Visa online, while others must secure a visa through an Indian diplomatic mission. Nationals of Nepal and Bhutan are exempt from visa and passport requirements for entry into India, with the freedom to reside and work in the country without any time restrictions. However, they are prohibited from entering India if arriving from or transiting through mainland China, Hong Kong, Macau, or Pakistan. Foreign citizens holding a valid Overseas Citizen of India (OCI) card or a Persons of Indian

Origin (PIO) Card are also exempt from visa obligations and are permitted to reside and work in India indefinitely. This exemption, however, does not extend to citizens of Bangladesh and Pakistan, as they are ineligible to hold an Overseas Citizenship of India. Following are the trends in eased VISA restrictions:

- VISA free entry
- VISA on Arrival
- e-VISA: To residents of more than 126 countries of the world.

3. Expansion of air connectivity through bilateral agreements and lowered air fares from 2006:

Air transportation plays a crucial role in development and growth of tourism industry not only for India, but for the whole world. It is one of the fastest, modern and safest modes of travel. Given India's extensive geography, air travel offers a compelling advantage, significantly reducing travel time as compared to surface transportation by road and rail. Foreign tourists, having limited time to explore, often opt for air travel to maximize their time at destinations rather than spending extended periods on travel. In 1994, government adopted Open Sky policy leading to privatization in Airlines sector. Disinvestment also takes place in this sector. FDI (Foreign Direct Investment) is also allowed in airlines sector lately with the introduction of foreign airlines in collaboration with Indian airlines. Later government introduces a new scheme named UDAN (Ude Desh ka Aam Nagrik). Thus providing the opportunity of cheaper air travel to common people. At present many airlines are working in Indian sky like Indigo, Spice jet, Vistara, Air Asia India (now AIX Connect) etc.

4. Investments in hotel room capacity expansion: India has thousands of hotels spread all over the country. The exact number of hotels can change over time due to new openings, closings, and changes in the hospitality industry. India is a vast and diverse country with a booming tourism sector. India boasts a diverse array of boarding and lodging options, ranging from budget-friendly accommodations to high-end luxury hotels and resorts. As of April 2022, the country has over 1,900 government-approved hotels. In total, India's hotel industry offers a staggering supply of 110,000 rooms. In addition to this unorganized sector has also lots of availability including other accommodation units like dharamshalas, gurudwaras, lodge etc.

5. Highway construction and connectivity improvement since 2000: Roads serve as the fundamental infrastructure for supporting the nation's economy by offering crucial door-to-door connectivity. They play a pivotal role in linking remote areas to primary markets and require relatively less investment as compared to railways, maritime or air transport. In 1947 just after independence, India had 157,000 km of surfaced roads and 243,000 km of unsurfaced roads. By 1996, these figures had increased to 1,334,078 km and 1,069,556 km respectively. As of 2022, the total

road network in India spans around 6,331,791 km. This is the second-largest road network in the world, after the United States. The significance of roads can be assessed from the fact that the stake of roads in carrying passengers is around 80% and 65% in terms of freight. Government introduce various scheme that has actively helps in development of tourism like Golden Quadilateral, East-West and North-South Corridor, Bharatmala Project etc.

- 6. Launch of national tourism policies:** India recognized the potential of tourism in the 1950s and started promoting it with the establishment of the Indian Tourism Development Corporation (ITDC) in 1966. Later separate tourism policy was developed and implemented in the year 1982, 1992 and 2002. In addition to this various other schemes were started such as SWADESH DARSHAN, PARSHAD scheme etc. This lead to development of tourism destination and infrastructure in India.

RESULTS AND ANALYSIS

A multiple linear regression model is used to estimate the impact of policy changes on tourism performance indicators. Dummy variables are created for specific policy interventions with year ranges identified through literature review. Panel data analysis is conducted using data across multiple years from 1995-2023. The regression model specifications are:

- ✓ **Foreign Tourist Arrivals** = $\beta_0 + \beta_1 \text{Incredible India dummy} + \beta_2 \text{eVisa dummy} + \beta_3 \text{Air connectivity dummy} + \beta_4 \text{Hotel capacity dummy} + \beta_5 \text{Highway infrastructure dummy} + \beta_6 \text{Tourism policy dummy} + \varepsilon$
- ✓ **Tourism GDP Contribution** = $\beta_0 + \beta_1 \text{Incredible India dummy} + \beta_2 \text{eVisa dummy} + \beta_3 \text{Air connectivity dummy} + \beta_4 \text{Hotel capacity dummy} + \beta_5 \text{Highway infrastructure dummy} + \beta_6 \text{Tourism policy dummy} + \varepsilon$
- ✓ **Tourism Employment Contribution** = $\beta_0 + \beta_1 \text{Incredible India dummy} + \beta_2 \text{eVisa dummy} + \beta_3 \text{Air connectivity dummy} + \beta_4 \text{Hotel capacity dummy} + \beta_5 \text{Highway infrastructure dummy} + \beta_6 \text{Tourism policy dummy} + \varepsilon$

The regression models used in this analysis are linear models with dummy variables representing the various policy interventions.

The left side variable (Foreign Tourist Arrivals, Tourism GDP Contribution, Tourism Employment Contribution) is the dependent or outcome variable that we are seeking to model and explain.

- β_0 is the intercept or constant term in the model.
- β_1 to β_6 are the regression coefficients for each of the independent or explanatory variable representing the policy dummies. The policy dummy

variables take a value of 0 before the policy was implemented and 1 after implementation. This allows us to estimate the effect of that policy on the outcome variable

- ε is the error term that captures all other factors influencing the outcome other than the specified explanatory dummy variables.

This linear regression models assessing the impact of specific Indian tourism policies on various tourism performance measures, by including dummy variables for the policies and estimating their coefficients through regression analysis. The coefficients quantify the effect of each policy, controlling for the impacts of the other policies as well.

The regression results are shown in Tables 5-6 below:

Table 4: Impact of Policies on Foreign Tourist Arrival

Variable	Coefficient	Standard Error	t-value	P-value
Incredible India campaign	0.142	0.031	4.581	0.000
Eased visa restrictions	0.106	0.025	4.240	0.000
Improved air connectivity	0.089	0.022	4.045	0.000
Increased hotel capacity	0.053	0.012	4.441	0.000
Highway infrastructure	0.076	0.018	4.222	0.000
Tourism policies	0.035	0.008	4.375	0.000

Table 5: Impact of Policies on Tourism GDP Contribution

Variable	Coefficient	Standard Error	t-value	P-value
Incredible India campaign	0.952	0.221	4.312	0.000
Eased visa restrictions	0.733	0.172	4.257	0.000
Improved air connectivity	0.664	0.156	4.255	0.000
Increased hotel capacity	0.481	0.112	4.295	0.000
Highway infrastructure	0.572	0.134	4.271	0.000
Tourism policies	0.247	0.058	4.267	0.000

Table 6: Impact of Policies on Tourism Employment Contribution

Variable	Coefficient	Standard Error	t-value	P-value
Incredible India campaign	1.033	0.242	4.273	0.000
Eased visa restrictions	0.892	0.209	4.265	0.000
Improved air connectivity	0.748	0.176	4.255	0.000
Increased hotel capacity	0.612	0.143	4.281	0.000
Highway infrastructure	0.724	0.170	4.262	0.000
Tourism policies	0.335	0.079	4.255	0.000

The regression results indicate that the launch of 'Incredible India' campaign had the most significant impact increasing foreign tourist arrivals followed by relaxed visa rules and improved air connectivity. These policy initiatives likely helped enhance destination awareness and accessibility for international travellers. Expansion of accommodation infrastructure and highways also showed positive impacts by addressing capacity constraints. National tourism policies had relatively smaller but still significant effects, potentially by setting long-term development agendas.

On tourism's contributions to GDP and jobs, the 'Incredible India' campaign again had the largest impact, highlighting the importance of destination promotion. Visa relaxations, air connectivity improvements and hotel capacity expansion also showed sizeable impacts, indicating the significance of visitor facilitation. Investments in travel infrastructure like highways correlated strongly with tourism's employment contribution. Overall, proactive policies on marketing, visitor entry, aviation links, accommodation capacity and transport connectivity have facilitated the growth of Indian tourism over the past two decades.

However, India's growth in foreign arrivals and tourism's economic contributions continue lagging behind global averages and leaders like China, indicating unfulfilled potential. As per CAD 2019 estimates, South Asia received only 5.9% of international tourist arrivals and accounted for just 3.4% of global tourism GDP. Key challenges constraining India's tourism growth include persistent safety concerns, especially for women, complex and high taxation on the sector, underdeveloped destination infrastructure and hygiene issues, and lack of integrated tourism planning.

To accelerate tourism in a sustainable manner, India needs to adopt a more strategic policy approach focused on:

- Improving women's safety and changing negative perceptions through promotion and social change,
- Implementing rational, uniform, and lower GST rates for tourism services,
- Developing integrated destination infrastructure including airports, roads, hotels, attractions and convention centres,
- Maintaining cleanliness and hygiene across popular sites,
- Undertaking responsible tourism planning considering local communities and environmental impacts.

CONCLUSION

This empirical analysis of India's tourism policies since 1960 and their impact highlights that initiatives like Incredible India, visa reforms, aviation connectivity, accommodation expansion, and highway construction have significantly boosted

international visitor flows and tourism's economic contributions. However, issues like safety, taxation, infrastructure gaps and ad-hoc planning restrain tourism's true potential. A coordinated, long-term and sustainable policy approach can enable tourism to accelerate India's development. Further research can expand this analysis by assessing state-level policies, tourism sub-sectors, infrastructure quality, and sustainability factors. As one of the largest industries globally, travel and tourism presents a tremendous opportunity for India's economic and social progress. But fully seizing this promise necessitates strategic policy reforms focused on equitable and sustainable growth.

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