Trends in Tourism Development of Kerala in India

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Abstract

Kerala has been regarded as a 'development model', and a number of internal and external issues can lead to performance. The government and bureaucracy now project tourism as a 'engine of growth', a good source of forex and employment to revive the local economy. Opposition to large-scale tourism by environmental and labor activists is often dealt with through undemocratic means. The current research question investigates the sustainability of responsible tourism and its contribution to the community at Kerala's famous tourist destinations.

Keywords: tourism, quality destinations, policies, tourism growth, foreign tourists.

Introduction

Kerala has a variety of geographic features, one of the most popular destinations in Asia. Tourism is a hallmark of Kerala's economic development and a major contributor to the national economy. Kerala is a major luxury tourist destination on the Indian subcontinent and has been rated by the National Geographic Channel (2004) as one of the 50 destinations to visit in a lifetime. Kerala has a thriving tourism industry with a variety of natural and cultural attractions with a mild climate, rich arts, colorful festivals and a physical quality of life similar to that of developed countries. (Netto, 2004). Tourism has emerged as a major sector of the Kerala economy, with its impact in terms of economic growth and job creation (GOK, 2002 a & b). The state regards tourism as one of the few alternatives available to economic development, especially with limited prospects in the manufacturing sector, as well as the problems of agriculture and traditional sectors, and the uncertainty faced by expatriates in the Pushpangadan. , 2003).

Kerala is currently considered a tourism model for other Indian states to imitate growth. Kerala's tourism industry has seen significant growth in the 90s and beyond, and is expected to grow further in the future. Kerala was one of the first Indian countries to announce the tourism industry in 1986 and to announce various incentives and subsidies to attract investment (Rao and Suresh, 2001). (2)
The State’s Tourism Policy Framework

As noted elsewhere, Kerala is one of the earliest states in India to announce industry status for tourism in 1986 and announce various incentives and subsidies to attract investment. These early efforts were aimed at creating the investment friendly atmosphere for tourism in the state needed for the industry to grow. This increased the investment opportunities for potential investors. Main lending institutions like KFC (Kerala Financial Corporation), TFCI (Travel Financial Corporation of India) and KSIDC (Kerala state industrial development corporation) played important role in funding the tourism projects. State also adopted many proactive measures to stimulate investment in tourism industry like a system for fast track clearance of tourism projects, subsidies, technical guidance, marketing assistance and support in availing loans (GOI, 1998). The shift in emphasis of tourism department to a more proactive role of tourism development and marketing and promotion of the destination started since early nineties (Kokkranikal and Baum, 2002). The first tourism policy that came out in 1995 spells out the major direction for growth in the industry(3). Priority areas identified were infrastructure development, human resource development for tourism, marketing and product development (GOK, 1995). Thereafter this tourism policy remained the basis for much of the states progress over the last 10 years whether in terms of infrastructure, product development or tourism performance (WTTC, 2002). The key role played by private sector in all these areas was identified in addition to defining the role of state as a facilitator creating the suitable condition for investment by creating the basic infrastructure for tourism to grow. For the first time the manner of growth needed was also envisioned in the first tourism policy, i.e. promoting destination more as quality destination, attracting high spending tourists than going for mass tourism chasing numbers (GOK, 1995). This conscious strategy of taking the destination Kerala away from mass tourism to a destination with a boutique image attracting tourists of a specific taste required developing new tourism products and new destination regions. Diversifying to new products was also a part of strategy of differentiation especially when other nearby states and nearby regions like Srilanka and Maldives offer same kind of products of superior value. So in addition to beaches, Kerala as a destination started developing and promoting varied tourist products like backwater with house boat attractions and Ayurveda rejuvenation holidays attractions. The first tourism policy also highlighted the need for creating human resources of good quality to serve the growing needs of the industry to promote quality tourism (GOK, 1995). The stated objective of the state government is to promote Kerala more as quality destination, attracting high spending tourists than going for mass tourism chasing numbers (GOK, 1995). This conscious strategy of taking the destination Kerala away from mass tourism to a destination with a boutique image attracting tourists of a specific taste required developing new tourism products and new destination regions. Varied tourism products like backwater attractions and ayurvedic rejuvenation based attractions have helped to acquire a unique image in the international and domestic markets. (4)
Despite setting the direction for growth in the tourism industry, the initial tourism policy framework of the state was not sound and it lacked in providing a detailed action plan for the destination to grow. The government came out with a new policy document titled “Vision 2020” in the year 2000 which was more comprehensive and stressed the sustainability concerns along with the tourism growth (Kerala Tourism, 2007). Among others, it reflected on the growing concern for environmental conservation, heritage and culture protection, lack of basic infrastructure surrounding major destinations, and the need for proper quality assurance systems and legislations to regulate and bring quality in tourism. It also stressed on the integrated development of infrastructure with special tourism zones based on master plans so that the pristine quality of the environment is preserved for making Kerala an up market high quality destination. The new policy aims to make tourism Kerala’s core competency sector and gives special emphasis on enhancing the employment potential of the sector for alleviating poverty thereby making tourism the most important sector for the socio-economic development and environment protection of the state. Apart from reiterating the role of the Government as a facilitator for the growth of tourism industry, it has also identified the need for the state to come up with regulations for directing the growth of tourism in the right direction (Netto, 2004).

Recent trends in foreign tourist arrivals

Kerala, the lush green strip on the south west coast of India lies snuggled between the vast Arabian Sea on its west and the Western Ghats in the east. This tropical paradise with its spectacular and diverse natural attractions has long attracted holidaymakers from across the world. The centuries old holistic medicine of ayurveda, the unique boat race that is the largest team sport in the world, the ride through the winding waterways in a cozy houseboat or the colorful and exotic festivals, Kerala offers a multitude of experience to the tourists.

In 2016, the number of foreign tourist arrivals in India was 8.80 million as compared to 8.3 million in 2015, thus registering a growth of 9.68 per cent over 2015. Kerala’s share in country’s tourism in 2016 was 11.79 per cent against 12.18 per cent in 2015. Figure 1 portrays the trends in the arrival of foreign tourists in India and Kerala.
Source: Economic Survey 2017, Kerala State Planning Board, Govt. of Kerala

The growth rate in Kerala with respect to foreign tourists arrivals is higher than that of India. But the national average surpassed the State annual growth rate of foreign tourist arrivals in 2014 for the first time in a decade. Further the State has been witnessing a declining growth rate especially after 2010. In 2010, the growth rate was 18.31 per cent, which dropped to 8.12 per cent by 2013 and further to 5.86 per cent in 2015. In 2016, it is 6.23 per cent higher than previous year.

Economic Impact of Tourism

The foreign exchange earnings from tourism during the year 2016 was 7,749.51 crore and domestic tourist earnings was 15,438.64 crore. (6)

Total revenue including direct and indirect means was 29,658.56 crore showing an increase of 11.12 per cent over 2015. Figure 2 portrays total revenue generated from tourism in Kerala from 2007 to 2016.

Figure-2 Total Revenue generated from Tourism (2007-2016), in crore

Source: Economic Survey 2017, Kerala State Planning Board, Govt. of Kerala

State and Central Government Plan allocation

The details of State Plan allocation and Central Finance assistance for Kerala are given in Table 3 and Table 4 respectively.

Table-3-State Plan allocation 2012-13 to 2016-17, in crore

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation (including SDG)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>1805.53</td>
</tr>
<tr>
<td>2013-14</td>
<td>214.89</td>
</tr>
<tr>
<td>2014-15</td>
<td>245.36</td>
</tr>
<tr>
<td>2015-16</td>
<td>230.45</td>
</tr>
<tr>
<td>2016-17</td>
<td>314.32</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2017, Kerala State Planning Board, Govt. of Kerala
Table 4: Central Financial Assistance 2012-13 to 2016-17, in crore

<table>
<thead>
<tr>
<th>Year</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>78.26</td>
</tr>
<tr>
<td>2013-14</td>
<td>346.67</td>
</tr>
<tr>
<td>2014-15</td>
<td>-</td>
</tr>
<tr>
<td>2015-16</td>
<td>99.23</td>
</tr>
<tr>
<td>2016-17</td>
<td>194.43</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2017, Kerala State Planning Board, Govt. of Kerala

The performance of tourism in Kerala state in the Indian union has been impressive, both in absolute and relative terms. It fact, there has been a generally increasing trend in respect of foreign tourist arrivals to Kerala over the years and also the share of Kerala in the tourism revenue for the total of the Indian union. Still there is scope for further improvement in view of the enviable tourism potential of Kerala – the God’s own country vis-à-vis the rest of India. (7)

Table 5 noted that there has been an increasing trend in respect of both foreign tourists and domestic tourists to Kerala over the 14 years’ period from 2000 to 2013.

Table 5: Trends in Domestic and Foreign Tourist Arrivals into Kerala (2000-2013)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Tourists</th>
<th>Percentage Change</th>
<th>Foreign Tourists</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>5013221</td>
<td>2.6</td>
<td>209533</td>
<td>3.8</td>
</tr>
<tr>
<td>2001</td>
<td>5239692</td>
<td>4.5</td>
<td>208830</td>
<td>-0.5</td>
</tr>
<tr>
<td>2002</td>
<td>5568256</td>
<td>6.3</td>
<td>232564</td>
<td>11.3</td>
</tr>
<tr>
<td>2003</td>
<td>5871228</td>
<td>5.4</td>
<td>294621</td>
<td>26.7</td>
</tr>
<tr>
<td>2004</td>
<td>5972182</td>
<td>1.7</td>
<td>345546</td>
<td>17.3</td>
</tr>
<tr>
<td>2005</td>
<td>5946423</td>
<td>-4.3</td>
<td>346499</td>
<td>27</td>
</tr>
<tr>
<td>2006</td>
<td>6271724</td>
<td>5.47</td>
<td>428534</td>
<td>23.7</td>
</tr>
<tr>
<td>2007</td>
<td>6642941</td>
<td>5.92</td>
<td>515808</td>
<td>20.37</td>
</tr>
<tr>
<td>2008</td>
<td>7591250</td>
<td>14.28</td>
<td>598928</td>
<td>16.11</td>
</tr>
<tr>
<td>2009</td>
<td>7913537</td>
<td>4.25</td>
<td>557258</td>
<td>-6.96</td>
</tr>
<tr>
<td>2010</td>
<td>8595075</td>
<td>8.61</td>
<td>659265</td>
<td>18.31</td>
</tr>
<tr>
<td>2011</td>
<td>9381455</td>
<td>9.15</td>
<td>732985</td>
<td>11.18</td>
</tr>
<tr>
<td>2012</td>
<td>10076854</td>
<td>7.41</td>
<td>793696</td>
<td>8.28</td>
</tr>
<tr>
<td>2013</td>
<td>10857811</td>
<td>7.75</td>
<td>858143</td>
<td>8.12</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2013, Kerala State Planning Board, Govt. of Kerala.

Literature review

A brief review of the relevant literature on tourism-growth nexus for the world at large, link between tourism and financial development, and applicability of tourism-led growth hypothesis in India is in order.

Tourism-growth nexus in the world

To the best of our knowledge, Castro-Nuno, Molina-Touced, and Pablo-Romero (2013), Pablo-Romero and Molina (2013), Brida, Cortes-Jimenez, and Pulina (2016), Kumar, Loganathan, Patel, and Kumar (2015) and Tang and Abosedra (2016) have compiled comprehensive survey of literature for the TLGH. To avoid repetition, different strands of the
literature on tourism-growth nexus are provided here. First, on the dynamics of tourism and economic growth nexus, Brida, Carrera, and Risso (2008), Katircioglu (2011), Belloumi (2010), Almulali, Fereidouni, Lee, and Mohammed (2014), Jalil, Mahmood, and Idrees (2013), Brida, Lanzilotta, Pereyra, and Pizzolo´n (2015), Bassil, Hamadeh, and Samara (2015), Ertugrul and Mangir (2015), and Tang and Tan (2015) found support for the legitimacy of the tourism-led growth hypothesis. However, among others, Oh (2005), Parrilla, Font, and Nadal (2007), Payne and Mervar (2010), Matarrita-Cascante (2010), Lee (2012), Ivanov and Webster (2012) and Bouzahzah and Menyari (2013) maintained its antithesis: economic growth promotes tourism, and not vice-versa(8). This strand of literature holds the existence of the growth-led tourism hypothesis. Whilst, there are additionally a few studies which propose either a feedback type link between tourism and growth (e.g., Katircioglu, 2009a; Seetanah, 2011; YazdiSalehi, &Soheilzad, 2017) or no relationship at all (e.g., Tang & Jang, 2009; Katircioglu, 2009b). (9)

In regard to the influence of the size of a country on the link between tourism and growth, Lanza and Pigliaru (2000) and Singh (2008) empirically observed that only small countries were highly specialized in tourism. On the other hand, Sequeira and Nunes(2008) conclude that country size does not influence the link between tourism and economic growth.

On the issue of the effect of the level of economic development of a country on the dynamics of tourism and growth, Figini and Vici (2010) and Ekanayake and Long (2012) find that tourism does not boost growth in developing countries, while the link between tourism and economic growth occurs in more developed countries (Cárdenas-García et al., 2015). In sharp contrast, Seetanah (2011) and Salmani, Panahi, and Razzaghi (2014) observed that tourism positively affected the growth in both developed and developing countries with comparatively higher growth effects in developing countries. (10)

Tourism and financial development

Some select studies investigating the relationship between tourism and financial development are briefly reviewed below.

Song and Lin (2010) estimated the impact of financial crisis of 2007 on tourism in Asia using autoregressive distributed lag model. It was found that the financial crisis had a negative impact on both inbound and outbound tourism in Asia.(11)

Ridderstaat and Croes (2015) investigated whether money supply cycles in Canada, United Kingdom, and United States affected tourism demand cycles for Aruba and Barbados applying unit root, cointegration and causality testing. They found that money supply cycles could impact the cyclical movements of tourism demand and that the impacts were asymmetric, depending on the stage of development of the cycles.

Başarir and Çakir (2015) investigated the casual relationship between tourism, financial development, energy consumptions and carbon emissions in Turkey and four European Union countries, France, Spain, Italy and Greece, over the period 1995–2010. They found the existence of a feedback type causal
relationship between the tourist arrivals and financial development. (12)

Shahbaz et al. (2016) examined the tourism-growth nexus for Malaysia by incorporating financial development and trade openness over the period 1975–2013. Their results show the presence of bidirectional causation between tourism and output per capita, financial development and tourism and trade openness and tourism demand, duly indicating the feedback or mutually reinforcing impact between the variables and providing evidence that tourism was central to enhancing the key sectors and the overall income level.

Ngoasong and Kimbu (2016) used a micro-ethnographic approach to analyze the role of informal microfinance institutions in development-led tourism entrepreneurship in Cameroon. They found that collective action in informal microfinance institutions enabled entrepreneurial members to create small tourism firms. (13)

Kumar and Kumar (2013) investigated the contribution of tourism with other contemporary drivers such as financial development and urbanization in economic growth in Fiji over the periods 1981–2009 using the ARDL bounds approach. They found that tourism accounted for 0.13 per cent to per worker output, whereas financial development had the largest contributory power of 0.71 per cent per every 1 per cent increase in the long-run.

Kumar (2014) explored the dynamics of the relationship between information commutation technology (ICT), tourism and financial development on economic growth in Vietnam over the period 1980–2010 using the ARDL bounds testing model.

It was found that a bi-directional causation existed between tourism and output per worker indicating that both tourism and output per worker were mutually reinforcing each other. In addition, tourism has a short-run effect only, whereas ICT and financial development has a long-run effect on output per worker. From these studies it appear that financial development affects tourism and economic growth. (14)

**Strengths of Kerala Tourism**

(i) Excellent geographical features, extremely serene environments that attract tourists the world over – lakes, hillocks, vast coastal areas, network of 44 rivers, waterfalls, lush green paddy fields, sprawling plantations, exotic wildlife etc. Well known destination for medical tourism; both “Ayurvedic” centres and world class health care (modern medicine) at cheap rates. Above all, the world famous brand, “God’s own Country” also. (15)

(ii) Recognitions and awards, both from National and International agencies. Six times winner of Best Tourism state from Govt. of India.

(iii) Consistent increase in the number of tourist arrivals, both domestic and foreign.

(iv) In respect of foreign tourist arrivals, Kerala in one among the best 10 states in India.

(v) One of the highest growth rates in tourist arrivals. The number of tourist arrived in Kerala in 2006 is 4.28 lakhs
in 2006 as against 3.46 in 2005. (13.14 % increase)

(vi) About 10% share of Kerala in Indian tourism.

Weaknesses of Kerala Tourism

(i) The share of Kerala in Indian tourism is wavering at about 10%, not increasing over the years. In 2003, it was 10.81% which declined to 8.85% in 2005 and slightly improved to 9.67% in 2006.

(ii) Not among the best ten states in India in tourist arrivals (domestic), though one among the ten in foreign tourist arrival and that too eight.

(iii) Gross underutilization of the excellent tourism potentialities of the state, hence there is an urgent need for scaling up of tourism initiatives for optimal results. (16)

(iv) Kerala lags behind all the three south Indian states in tourist arrivals, Andhra Pradesh, Tamil Nadu and Karnataka.

(v) Under-utilization of immense tourism potential, like the classic tourist attractions like House Boats, Tree Houses etc.

Concluding Observations

Of late, there has been increased thrust on tourism development in India and so also in Kerala.

While tourism has got excellent prospects for promotion of rapid economic development of India, particularly in a resourceful state like Kerala, the sustainability aspect of tourism needs more attention in government policies. That is, there is the need for adoption of ecotourism in its true letter and spirit. This in turn necessitates a concerted action from the part of all concerned, for the cause of sustainable tourism development. (17)

In view of the resource constraints of the government for developing countries like in India private sector participation seems imminent, thus underlining the need for a PPP approach towards a holistic, integrated and sustainable tourism development. As the full potential of tourism of India in general and Kerala in particular are yet to be tapped, eco-friendly strategies as suggested assume cardinal significance for rapid and sustainable economic development of the region.

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