



Tourism as a Catalyst in India's Journey Towards a \$5 Trillion Economy

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DOI : <https://doi.org/10.5281/zenodo.17307445>

ARTICLE DETAILS

Research Paper

Accepted: 22-08-2025

Published: 20-09-2025

Keywords:

Tourism-led growth, India, \$5-trillion economy, GDP contribution, Employment generation, Foreign Exchange Earnings, Tourism Satellite Account (TSA), Domestic tourism, Policy initiatives, Sustainable tourism etc.

ABSTRACT

This paper examines how tourism can accelerate India's progress toward a \$5-trillion economy, addressing three objectives: (i) analysing tourism's contribution to GDP and employment; (ii) reviewing government initiatives and policies that enable sectoral expansion; and (iii) assessing key challenges, opportunities, and practical steps to raise tourism's contribution. Using a descriptive-analytical approach and openly available secondary data (Ministry of Tourism, NCAER Tourism Satellite Accounts, MOSPI, RBI, UNWTO, WTTC), the study synthesizes trends over roughly the last decade. Results indicate a material, policy-responsive footprint: press indicators place tourism's economy-wide share near 5% of GDP in FY 2022–23, while India's TSA benchmark (2015–16) estimates 2.7% direct GDP and ~5.2% total (direct + indirect) with ~31.5 million direct jobs. Foreign exchange earnings rebounded to ₹231,927 crore in 2023 and rose further in 2024. The visitor economy is decisively domestic-led (2,509 million domestic visits in 2023 versus 18.89 million international arrivals and 9.52 million foreign tourist arrivals), while inbound travel provides high-value forex and soft power. Policy levers Swadesh Darshan 2.0, PRASHAD, PM Gati Shakti, UDAN, the National Digital Tourism



Mission, and a “50 destinations” pipeline target channels that raise per-visitor spend, length of stay, dispersion, and service quality. Addressing infrastructure, skills, sustainability, MSME finance, and data gaps (via annual TSA updates) can meaningfully expand tourism’s direct and indirect contributions.

1.1 Introduction

India has set itself the ambitious goal of becoming a \$5 trillion economy in the near future, a target that symbolizes not only rapid economic growth but also the aspiration to emerge as a leading global power. This milestone represents more than just a number; it reflects India’s determination to provide prosperity for its citizens, strengthen its global standing, and ensure long-term sustainable development. To achieve this vision, the country must look beyond traditional growth models and create an economic pathway that is inclusive, diverse, and resilient.

Multiple drivers are expected to fuel this journey. Manufacturing and services remain key pillars, supported by government initiatives like *Make in India* and the expansion of the digital economy. Agriculture, still employing a large portion of the population, requires modernization and integration with value-added industries. Infrastructure development, innovation, and foreign investment are also essential to creating a stronger foundation for growth. While these sectors continue to demand attention, there is also a need to identify areas that can generate rapid, widespread, and inclusive benefits with relatively modest investment. Tourism is one such sector, often overlooked but uniquely positioned to play a transformative role.

Tourism is not merely about leisure or travel; it is an industry that cuts across multiple layers of the economy. Its influence extends from large-scale hospitality and aviation to small and medium enterprises such as local restaurants, handicrafts, guides, and transport operators. Unlike heavy industries, tourism capitalizes on India’s natural, cultural, and historical strengths that already exist and can be showcased to the world. This makes it both resource-efficient and sustainable, offering high returns on comparatively lower investments. More importantly, it generates employment across diverse skill levels, creating opportunities for young professionals in cities as well as artisans and entrepreneurs in rural areas.

The significance of tourism also lies in its ability to enhance India’s global image. As visitors experience India’s heritage, spirituality, modern cities, and traditions, they carry impressions that strengthen cultural diplomacy and soft power. This dual role, economic and cultural, makes tourism a unique growth engine.



It can directly contribute to GDP through spending, while indirectly boosting sectors such as transportation, retail, food services, and handicrafts. By linking rural and urban economies, tourism fosters balanced development and ensures that growth is not confined to metropolitan regions alone.

In the context of India's \$5 trillion dream, tourism emerges as both an opportunity and a necessity. It has the capacity to stimulate growth in allied sectors, reduce regional disparities, and project India as a confident, attractive destination on the global stage. Furthermore, in an era where sustainability is critical, tourism offers avenues such as eco-tourism and wellness tourism that align with both economic and environmental priorities.

This study, therefore, focuses on tourism's role in India's economic journey. It seeks to explore how tourism can be strategically leveraged to support the nation's aspirations, while also identifying the challenges that must be overcome. By examining tourism's contributions, government initiatives, and prospects, this paper positions tourism as a vital pillar of India's growth story and its pathway to a \$5 trillion economy.

1.2 Review of Literature

Research on the economic role of tourism has developed around whether tourism drives growth, growth drives tourism, or both reinforce each other. Early country studies helped frame the tourism-led growth hypothesis (TLGH). For Spain, Balaguer and Cantavella-Jordá (2002) showed a stable long-run link in which tourism receipts support GDP, providing classic evidence for TLGH. For Greece, Dritsakis (2004) similarly found cointegration among GDP, the real exchange rate, and tourism earnings, with causality mainly running from tourism to growth. These results suggested that when destinations are competitive and policy is supportive, tourism can act as a macroeconomic engine.

Yet the relationship is not universal. Oh (2005) examined Korea and found no long-run equilibrium between tourism and output, with short-run causality running from GDP to tourism instead. This counterexample is important because it cautions against generalizing TLGH across contexts; industrial structure, openness, and institutions can flip the direction of causality. To move beyond single-country findings, Lee and Chang (2008) used heterogeneous panel cointegration for OECD and non-OECD economies and reported a long-run association between tourism development and GDP but with notable cross-country differences in causality patterns. Later reviews that synthesized many empirical papers concluded that results are method-sensitive (e.g., handling of non-stationarity and structural breaks) and



context-dependent, though the balance of evidence still leans toward tourism having a positive growth role in many settings (Pablo-Romero & Molina, 2013).

Alongside causal studies, a second stream of work focuses on measurement. Because tourism demand is distributed across hotels, transport, restaurants, retail, and culture, ordinary national accounts can understate tourism's size. The Tourism Satellite Account (TSA), standardized in the international TSA: RMF 2008, provides a consistent framework to estimate tourism's direct GDP, employment, and consumption while aligning with supply–use tables (United Nations, Eurostat, OECD, & UNWTO, 2008). TSA has become central for policy and research because it produces comparable, economy-wide estimates that can anchor econometric analysis.

Indian evidence broadly mirrors global patterns: findings are mixed but generally supportive of a positive tourism–growth link, with the magnitude depending on period, variables, and controls. Using data from 1978–2009, Mishra, Rout, and Mohapatra (2011) reported unidirectional long-run causality from tourism to GDP in India, supporting TLGH. Looking at an earlier window (1980–2006), Ghosh (2011) did not find a stable long-run relationship between international arrivals and output, suggesting that during that period tourism may not have been a core driver of growth. Incorporating financial development and information-communication variables, Ohlan (2017) found that inbound tourism promotes growth in both the long and short run, highlighting the importance of enabling conditions finance, connectivity, and technology, for tourism's macroeconomic impact. Taken together, these studies imply that tourism's growth payoff in India is policy-elastic: it tends to rise when complementary investments and reforms are in place.

Measurement advances also matter for India. The National Council of Applied Economic Research (NCAER) has produced national and state-level TSAs that estimate tourism's direct contribution to GDP and employment using the international framework (NCAER, 2018, 2019). These accounts show tourism's footprint across multiple industries and regions and provide a consistent baseline for analysis and planning. By aligning tourism indicators with national accounts, TSA data can improve future econometric work and help compare pre- and post-shock periods.

Several practical lessons emerge from this literature. First, tourism can contribute to growth, but the effect is heterogeneous: it is stronger when destinations are competitive, infrastructure is reliable, and institutions lower frictions for travel and investment. Second, studies with weaker findings often reflect measurement limits (e.g., narrow focus on international arrivals while under-measuring domestic



tourism) or missing channels (e.g., supply-chain effects, human capital, and digital platforms). Third, large, diverse economies like India need to account for regional heterogeneity; the aggregate signal can be muted unless state-level dynamics and structural breaks (such as policy shifts and shocks) are modeled.

In sum, the international and Indian evidence indicates that tourism can be an important component of a country's growth strategy, but its impact hinges on context, policy, and measurement. The present paper builds on this body of work to assess tourism's role in India's broader development goals and to identify interventions with the highest multipliers. However, despite progress in data and methods, there is still a lack of studies focusing specifically and comprehensively on tourism's contribution to the economy in India.

1.3 Objectives of the Study

The primary objective of the study is to assess the Tourism Sector's Potential in contributing to India's Vision of a 5 trillion economy. In this view following objectives have been drawn.

1. To analyse the contribution of tourism to India's GDP and employment on the path to a \$5-trillion economy.
2. To examine government initiatives and policies that support tourism's growth toward the \$5-trillion goal.
3. To assess the key challenges and opportunities in tourism in contributing to \$5-trillion target.

1.4 Methodology

The present study is descriptive in nature and relies entirely on secondary data sources. Data has been collected from government publications, reports of the Ministry of Tourism, Reserve Bank of India, NITI Aayog, World Travel and Tourism Council (WTTC), and other reputed journals and websites. The study aims to analyze the contribution of tourism to India's GDP, employment, and foreign exchange earnings, while also examining related policies and initiatives. The analysis is qualitative in approach with a focus on trends and patterns.

1.5 Tourism Contribution in India

1.5.1 GDP share, foreign exchange earnings, and employment.



The Government of India's official data indicates that tourism accounted for about 5% of GDP in FY 2022–23 (Ministry of Tourism, 2024). For a methodological baseline grounded in national accounts, India's latest Tourism Satellite Account (TSA) for 2015–16 estimates Tourism Direct GDP (TDGDP) at 2.7% of GDP, while the total (direct + indirect) contribution is 5.2% of GDP; on the labour side, the TSA records 31.5 million jobs in tourism-characteristic industries and a 5.40% direct share of total employment (NCAER, 2018). These TSA figures, compiled to UN/UNWTO standards, are the most authoritative benchmark for contribution estimates, while newer administrative statements (e.g., FY 2022–23 \approx 5%) signal the sector's recovery and current scale (Ministry of Tourism, 2024; NCAER, 2018). Foreign exchange earnings underline the sector's hard-currency role: India earned ₹231,927 crore in 2023, and provisional 2024 FEEs reached ₹277,842 crore, reflecting continued post-pandemic momentum (Ministry of Tourism, 2024; Ministry of Tourism, 2025).

1.5.2 Domestic versus international tourism.

India's visitor economy is domestically led. In 2023, the country registered 2,509 million domestic tourist visits (DTVs) compared with 18.89 million international tourist arrivals (ITAs) and 9.52 million foreign tourist arrivals (FTAs), underscoring the importance of domestic demand for volumes and resilience (Ministry of Tourism, 2024). On the receipts side, foreign exchange earnings of ₹231,927 crore in 2023 highlight the high value of inbound travel (Ministry of Tourism, 2024). Private-sector modelling complements the official picture: the World Travel & Tourism Council (WTTC) reports that international visitor spending reached a record ₹3.1 trillion in 2024, while domestic visitor spending remained the larger component of total spending, an expected pattern for a large, diverse economy (WTTC, 2025). Together, these indicators suggest that policy should continue to cultivate domestic travel while removing frictions to higher-value international segments.

1.5.3 Related sectors and spillovers (hospitality, transport, handicrafts).

Tourism's footprint extends across tourism-characteristic industries including accommodation and food services; passenger transport by rail, road, air and water; travel agencies and reservation services; cultural, religious, sports and recreational services and into tourism-connected products such as ready-made garments, processed foods, leather goods, gems and jewellery, books and crafts (NCAER, 2018; UN, Eurostat, OECD, & UNWTO, 2008). India's TSA documents strong inter-industry multipliers: beyond direct value added and jobs, tourism stimulates upstream suppliers in hospitality, transport, and creative/handicraft value chains (NCAER, 2018). Methodologically, these linkages are captured by TSA supply–use integration and input–output multipliers, which provide a consistent basis to attribute



spillovers and to avoid double-counting when quantifying tourism's economy-wide effects (UN et al., 2008; NCAER, 2018).

1.5.4 5 trillion Dream and Tourism

Taken together, the evidence above shows that tourism is a practical engine to help India reach the \$5-trillion economy target. It adds to output both directly (through tourism-characteristic industries such as accommodation, transport, food services and travel intermediation) and indirectly via wide supply chains that pull in handicrafts, retail, agriculture, and construction. It generates foreign exchange earnings through inbound travel while India's very large domestic tourism base anchors volumes and resilience across cycles. It also creates employment at multiple skill levels and spreads income to smaller towns and rural districts, supporting balanced regional development. Because these effects are measurable through the Tourism Satellite Account, policy can be tied to clear contribution metrics, GDP share, jobs, and visitor spending rather than broad claims. If India now focuses on a few high-multiplier levers, last-mile and green infrastructure, destination management, skills and MSME support, seamless digital journeys and e-visas, safety and cleanliness standards, and targeted global marketing, tourism can lift its share of GDP, deepen spillovers to related sectors, and raise foreign exchange earnings. With disciplined use of TSA-based tracking at national and state levels, scaling tourism becomes not only a growth strategy but also a transparent, inclusive pathway to accelerate progress toward the \$5-trillion economy.

1.6 Government initiatives and policies that support tourism's growth toward the \$5-trillion goal

India's policy mix for tourism combines destination development, better connectivity, digital public infrastructure, and domestic-demand promotion. Together, these levers aim to raise tourism's direct value added, deepen spillovers into related industries, and improve visitor experience, key conditions for lifting tourism's contribution on the path to a \$5-trillion economy.

1.6.1 Swadesh Darshan 2.0 (destination development).

The revamped Swadesh Darshan 2.0 reorients central support from isolated projects to **holistic, sustainable destination development**, integrating last-mile access, amenities, experiences, and carrying-capacity management. It positions sustainability and responsible tourism as design principles and provides an implementation playbook for states and UTs

1.6.2 PRASHAD (pilgrimage and spiritual circuits).



The PRASHAD scheme finances **end-to-end infrastructure at key pilgrimage and spiritual sites** access roads, wayfinding, sanitation, visitor facilities, and destination management, helping states convert high footfall into quality experiences and local incomes.

1.6.3 “Dekho Apna Desh” (domestic-demand push).

Launched in 2020, this initiative promotes **domestic travel** through campaigns, webinars, quizzes, familiarization trips and citizen engagement, anchoring year-round demand and smoothing seasonality critical in a visitor economy dominated by domestic tourists.

1.6.4 PM Gati Shakti (multi-modal connectivity).

The national master plan digitally **integrates 16 ministries** to plan and deliver multi-modal connectivity reducing travel times, improving last-mile access to destinations, and aligning roads, rail, airports and ports with tourism circuits. This whole-of-government approach is central to scaling dispersed tourism clusters.

1.6.5 UDAN / Regional Connectivity Scheme (tier-2/3 access).

UDAN expands **affordable air connectivity** to underserved airports, opening up tier-2 and tier-3 destinations to leisure and MICE flows. Fare caps and viability-gap funding lower entry barriers for new routes and carriers, strengthening regional tourism ecosystems

1.6.6 National Digital Tourism Mission (open digital ecosystem).

NDTM aims to build an **interoperable, open digital network** linking travelers, enterprises, and governments covering discovery, bookings, credentials, and data exchanges. By reducing friction and boosting MSME visibility, it can raise conversion, formalization, and productivity across the tourism value chain.

1.6.7 “50 destinations” pipeline (challenge mode).

Budget 2023 announced the **selection and development of at least 50 destinations** as complete packages (infrastructure, experiences, branding), using a challenge-mode approach. This creates a clear pipeline for investment crowd-in and faster on-ground execution.

\$5-Trillion Goal:



Destination quality (Swadesh Darshan 2.0, PRASHAD) raises per-visitor spend; connectivity (Gati Shakti, UDAN) expands the market and lowers logistics costs; digital rails (NDTM) increase conversion and formalization; and domestic-demand programs sustain volume and resilience. Together, they increase tourism's direct GDP, employment, and foreign-exchange earnings while amplifying spillovers to hospitality, transport, handicrafts and local services—exactly the multipliers India needs to accelerate toward \$5 trillion. Complementary levers—visa facilitation (multi-year e-visas, faster clearances), targeted source-market marketing and a national MICE strategy—further lift high-value arrivals. Professional destination management organizations, annual TSA/state-TSA updates, and green infrastructure standards keep investments accountable and sustainable. Finally, large-scale skilling and MSME finance raise service quality and formalization, ensuring inclusivity by spreading tourism incomes to rural clusters and crafts, thereby reinforcing growth multipliers.

1.7 Key Challenges and Opportunities in Tourism to contribute to the goal of

\$5 trillion economy

1.7.1 Key challenges

- **Infrastructure & last-mile gaps**

Many destinations still lack reliable roads, wayfinding, public toilets, EV/parking bays, and accessible transit. Weak last-mile links cap visitor volumes and reduce average spend.

- **Destination management & sustainability**

Overcrowding at a few hotspots and poor carrying-capacity planning strain ecosystems. Litter, waste, and water stress damage brand value and community support.

- **Service quality & skills**

Inconsistent service standards, language skills, and digital readiness—especially in MSMEs—lower satisfaction and repeat visits.

- **Safety, hygiene & perception**

Concerns about personal safety, health standards, and women's security deter higher-value travelers and families.



- **Seasonality & demand concentration**

Peaks around holidays and a few marquee sites lead to congestion, while many regions remain under-visited most of the year.

- **Regulatory complexity**

Multiple licenses, taxes, and local permissions raise entry costs for small operators and slow new product development.

- **Visa frictions & air connectivity**

Limited visa waivers/multi-year options and constrained direct air links from key source markets curb high-spend arrivals.

- **Data gaps & outdated benchmarks**

Infrequent TSA updates and fragmented administrative data make it hard to target investments and track ROI credibly.

- **MSME fragmentation & finance**

Small, informal providers struggle with working capital, digital distribution, and compliance—limiting scale and quality.

- **Climate risks & resilience**

Extreme weather and coastal/riverine vulnerabilities threaten destinations without adaptation measures.

1.7.2 Key opportunities

- **Large, rising domestic market**

India's growing middle class sustains volume and resilience; better packaging can lift per-trip spend.

- **High-value niches (medical, wellness, MICE, luxury)**

Yoga/Ayurveda, top-tier hospitals, and global event business can raise average receipts and create skilled jobs.

- **Spiritual & heritage circuits**

Upgraded pilgrim and heritage routes convert footfall into local incomes through curated experiences and crafts.



- **Nature, eco- and adventure tourism**
National parks, trekking, and biodiversity hotspots can grow with low-impact models and community ownership.
- **Cruise, river & coastal tourism**
River cruises, island circuits, and marinas diversify products and connect second-tier cities to global routes.
- **Rural homestays & experiential travel**
Community-run stays and farm/handicraft experiences spread benefits to villages and preserve living heritage.
- **Film & creative economy links**
Film shoots and festivals catalyze place branding, jobs, and year-round events.
- **Digital rails (UPI, NDTM, e-marketplaces)**
India's digital stack can cut friction in discovery, booking, payments, and compliance—especially for MSMEs.
- **Connectivity programs (Gati Shakti, UDAN)**
Multi-modal and regional air links unlock new circuits and even out tourist flows.
- **G20 legacy & soft power**
Recent global visibility can be converted into targeted marketing in high-spend source markets.

1.8 Conclusion

This study's objective was to analyze tourism's contribution to India's GDP and employment; to examine policy initiatives shaping sectoral growth; and to assess challenges and opportunities with actionable steps toward the \$5-trillion goal. The evidence points to a sector with unusually strong multiplier effects: tourism generates direct value added in accommodation, transport, food services, and cultural activities while catalyzing extensive supply chains in handicrafts, retail, agriculture, and construction. Measured through the Tourism Satellite Account (TSA), this footprint is both sizeable and policy-responsive, making tourism a pragmatic lever for inclusive, employment-intensive growth. India's vast domestic market supplies depth and resilience; inbound travel adds foreign exchange and soft power together forming a balanced growth engine.



On the policy front, India's instrument set is directionally sound. Swadesh Darshan 2.0 and PRASHAD reorient investment toward complete, sustainable destinations; PM Gati Shakti and UDAN expand multimodal access; and the National Digital Tourism Mission extends digital rails to MSMEs and travelers alike. These initiatives operate on the precise channels per-visitor spend, length of stay, dispersion of flows, formalization, and service quality—that raise tourism's GDP and jobs share. The policy challenge now is less about design than execution and coordination: pipeline discipline for “complete destinations,” frictionless compliance for MSMEs, scaled skill standards, seamless digital journeys, and targeted visa/connectivity reforms for high-spend segments.

Persistent constraints remain. Infrastructure and last-mile gaps, seasonality, fragmentation among small providers, safety and sustainability concerns, and data lags—notably infrequent TSA updates—dampen realized multipliers. Yet these are tractable. Destination Management Organizations with clear mandates, green infrastructure and carrying-capacity plans, one-stop digital onboarding and finance for MSMEs, and annual (national and state) TSA updates would tighten the loop between investment, measurement, and outcomes.

In sum, aligning tourism strategy with TSA-based metrics and executing a handful of high-multiplier, accountability-anchored reforms can lift tourism's direct and indirect contributions meaningfully. By doing so, India can convert its cultural capital, domestic demand, and digital public infrastructure into sustained gains in output, employment, and foreign exchange moving decisively and transparently toward the \$5-trillion economy.

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