

ECONOMIC IMPACT OF TOURISM FINANCE IN ANDAMAN AND NICOBAR ISLANDS

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Abstract

Tourism in Andaman and Nicobar Islands tourism grew to 721,000 visits in 2024, demonstrating its appeal. This study investigates tourist arrival trends, emphasising domestic tourists' dominance and overseas visitors' small but valuable contributions. Tourism has seasonal dynamics, peaking in winter and decreasing in monsoon months, with expected economic benefits of ₹18,449.75 crore in 2024. We also examine sustainability measures, the renaming of Port Blair to Sri Vijaya Puram, and the potential for overseas tourism. We examine environmental pressure, seasonal changes, and strategies for balancing growth with ecological protection and community involvement. This study offers Andaman Islands tourism framework recommendations for resilience and inclusivity. Over 721,000 tourists visited the A&N Islands in 2024, demonstrating its popularity. This study investigates tourist arrival trends, emphasising domestic tourists' dominance and overseas visitors' small but valuable contribution. Tourism has seasonal dynamics, peaking in winter and decreasing in monsoon months, with expected economic benefits of ₹18,449.75 crore in 2024. Sustainability measures, the renaming of Port Blair to Sri Vijaya Puram, and overseas tourism potential are also examined. We examine environmental pressure, seasonal changes, and strategies for balancing growth with ecological protection and community involvement. This study offers Andaman Islands tourism framework recommendations for resilience and inclusivity.

Keyword : Andaman Tourism, Sustainability , Economic Impact, Seasonal Trends.

1.Introduction

Tourism refers to the actions of people who go to and stay in areas other than their typical habitat. World tourism is expanding rapidly and exceeding expectations. Tourist arrivals increased by 6% to 989 million in 2007, up from 5.4 percent the previous year (UNWTO, 2008). Similarly, tourist receipts climbed by 8.3 percent in 2006, reaching US\$ 733 billion (UNWTO, 2010). Emerging markets and growing economies drive economic and tourism growth in the world. The tourism industry is gradually picking up in Andaman. More than 1.50 million individuals are believed to be working directly or indirectly in this business. This industry directly contributes roughly 3% of GDP (but unofficial numbers have it closer to 11.0 percent). It generates more than 15% of total foreign currency and 30% of overall income. is known as financing. In contrast, investing is the act of depositing money for it to generate interest and rise in value. Because tourist

financing is anticipated to cover both the investment and financing functions, determining its significance in economic growth and development is critical.

Tourism finance may come from a variety of sources. The most important are private, government, and foreign investments (UNESCAP, 2001). Loans from international and multilateral institutions/agencies, domestic banks, and financial institutions can be obtained in addition to these sources. As financing sources for tourist development, Oliver Bennett (1991) has identified government budget, multilateral and bilateral grants and loans, and investment from banks and financial institutions, state companies, the private sector, and overseas investors (including foreign direct investment). The funding sources combine the abovementioned sources and appear reasonably comparable to other industries' financing.

Tourism money may be obtained in a variety of ways. Private, government and foreign investments are the most important (UNESCAP, 2019). Loans from international and multilateral institutions/agencies, domestic banks, and financial institutions can be mobilized in addition to these sources. According to Oliver Bennett (1991), the funding sources for tourist development include government budgets, multilateral and bilateral grants and loans, and investment from banks and financial institutions, state companies, the private sector, and overseas investors (including foreign direct investments). The funding sources are a combination of the sources above and are comparable to the financing of other industries.

The expansion of the tourist sector raises demand for tourism products and services. The availability of such goods and services is heavily influenced by an economy's production capability, natural resources, product attractiveness, and supply circumstances (Goeldner, Ritchie, and McIntosh, 2019). Furthermore, it is linked to company entrepreneurship, the investment climate, government policy, and the financing method. As a result, funding functions as a lubricant in economic growth, and an appropriate supply boosts overall growth and development (Chand, 2000). Similarly, numerous institutions' investments in tourist accommodations, goods, and services generate revenues, employment, and economic and social transformation (Sharma, 2020).

Tourism in the Andaman and Nicobar Islands has been a double-edged sword. While it has significantly contributed to the local economy by generating revenue and employment opportunities, it has also posed challenges to the region's fragile ecosystem.

1.2 Objective of the Study

This study aims to examine trends, difficulties, and opportunities in tourism within the Andaman and Nicobar Islands, emphasising the effects of domestic and international tourist arrivals. The study seeks to assess the region's seasonal tourism trends, economic impacts, and the significance of sustainability measures. Furthermore, it aims to explore measures to enhance international tourism, mitigate seasonal oscillations, and promote community engagement while safeguarding the islands' delicate nature. The primary objective is to deliver practical insights for developing a sustainable and inclusive tourism framework for the region.

1.3 Database and Methodology

This study uses secondary data from official reports released by Andaman and Nicobar Tourism and India Tourism Statistics. In addition, relevant papers and books were evaluated to support the research. Several qualitative research methods, such as tabulation and text analysis, were used to get a better understanding of how the tourism industry in the Andaman and Nicobar Islands has grown and how it can stay in business.

1.4. The Sustainability of Tourism in Andaman

Andaman and Nicobar Islands are a union territory of India. It consists of two island groups: Nicobar Islands and Andaman Islands. The islands have a combined land area of roughly 8,249 km². There are 572 islands. Port Blair serves as the capital of the union territory. It is located 1,255 kilometres from Kolkata, 1,200 kilometres from Visakhapatnam, and 1,190 kilometres from Chennai. Hindi and English are the official languages of the islands. The Andaman Islands, an archipelago in the Bay of Bengal, represent a compelling case study for examining the intricate dynamics of tourism sustainability in a fragile ecological environment. Small island nations often possess uniquely diverse and vulnerable ecosystems, supporting a significant portion of the global population whose livelihoods depend on the sustainable utilization of insular biodiversity. However, the pursuit of tourism-led growth, heavily reliant on natural resources, can inadvertently lead to resource depletion, thereby undermining the long-term viability of such strategies. This is particularly concerning for island destinations, which are ecologically sensitive and possess limited resources, making them susceptible to environmental degradation from high-intensity tourism.

1.5 Trends in the Growth of Tourism in Andaman and Nicobar

An extremely well-liked tourist resort, Andaman Nicobar is well-known for its untouched beaches, verdant vegetation, and abundant marine life. Over the course of several years, the tourism industry in Andaman Nicobar has experienced a substantial amount of considerable expansion. The opportunity to participate in a variety of leisure and adventure activities, including scuba diving, boating, creek cruises, sea walks, L&S Shows, heritage and patriotic sites, and other similar activities, has contributed to an increase in the number of tourists who have visited the Islands over the course of the past few years. In addition, the islands are home to a variety of indigenous species of birds, vegetation, and animals, as well as marine national parks, mangrove creeks, stunning beaches, a number of protected sanctuaries, and well-known ecotourism sites. Due to the British rule and importance of the islands during their time in India, there are relics of the old architecture that are now tourist attractions. The well-known Cellular Jail National Memorial is one of these structures. Other memorials include those honouring Param Vir Chakra, the hoisting of the Netaji flag, Ross Island, Viper Island, and Chatham Island, which are also included in this group. Due to its unique geology and unique location, the UT offers a wide variety of water and adventure activities that are rarely found in other parts of India. The area's rich biodiversity and the indigenous peoples who live there are two of the biggest attractions for travellers. The following is a list of information regarding the arrival of domestic as well as international tourists:

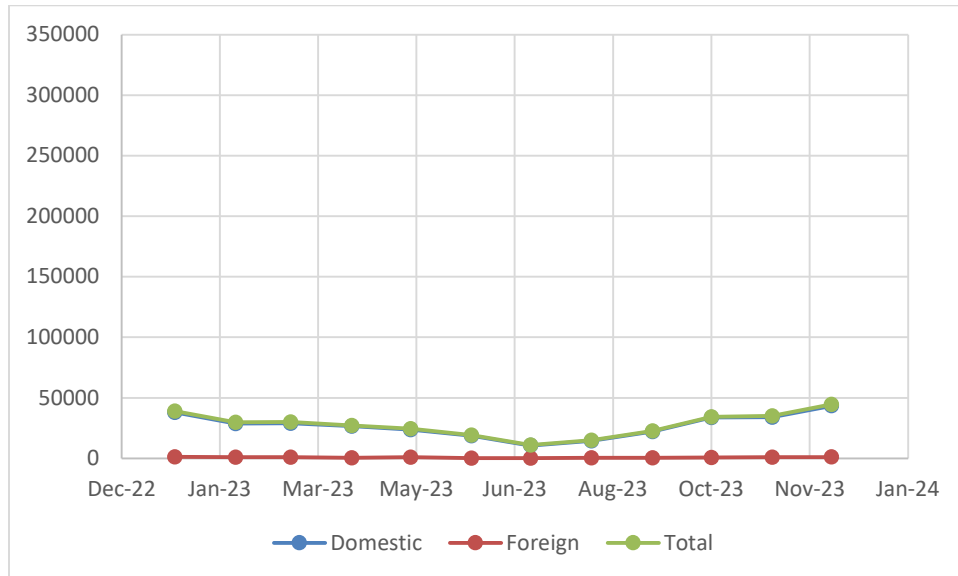
Serial No.	Month/Year	Domestic	Foreign	Total
1	January 2023	37943	1172	39115
2	February 2023	28827	1076	29903
3	March 2023	28992	978	29970
4	April 2023	26674	554	27228
5	May 2023	23601	862	24463
6	June 2023	18826	286	19112
7	July 2023	10760	311	11071
8	August 2023	14499	430	14929
9	September 2023	22240	382	22622
10	October 2023	33718	699	34417
11	November 2023	34074	1057	35131
12	December 2023	43465	1218	44683
Total		323619	9025	332644

Table 1: Tourist Arrival (Source : Indian Tourist Statistics)

1.5.1 Interpretation

It is abundantly clear that Indian tourists are a substantial contribution to the tourism business in the region. According to estimates, domestic travellers account for approximately 97.28% of the total number of tourists. As a result of the Andaman Islands' low cost in contrast to travel to other parts of the world and the fact that it provides a vast range of attractions that cannot be found anywhere else, this is a reflection of the Andaman Islands' popularity as a domestic vacation destination. Only about 2.72 percent of the total comprise tourists who are from foreign nations. This may be an indication of challenges such as inadequate international connectivity, a deficiency in focused marketing in other countries, or a niche appeal that is mostly among individuals who are interested in ecotourism or adventure tourism. All of these factors could be contributing factors. The number of tourists is at its highest during the months that are less hot and humid, such as December (44,683 visitors), when more people are travelling. On the other hand, the number of tourists significantly decreases during the monsoon season, which generally occurs between the months of June and July. The fact that tourism in the Andaman Islands is seasonal is something that should be taken into consideration in light of this fact. This may have an effect on the region's economic dependence on the revenue generated by tourists during peak months. It is clear that there is untapped potential to market the Andaman Islands as a destination for tourists from all over the world, as evidenced by the relatively low number of visitors which come from other nations. Through the implementation of direct

international flights, the reduction of entrance requirements, or the launch of marketing initiatives, it may be feasible to attract tourists from all over the world.



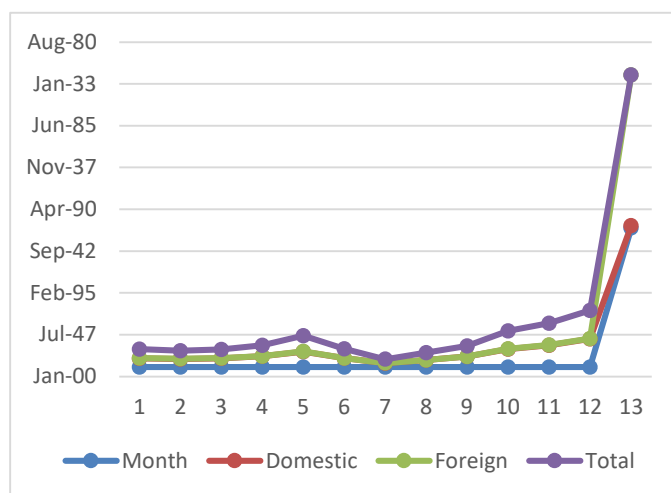
Graph: Tourist Arrival

1.5.2 Interpretation

When it comes to the tourism industry in the Andaman and Nicobar Islands, the revenue data for 2024 provides numerous important information. A total of ₹17,759.93 crore was earned by domestic tourists, which accounted for approximately 96.26% of the total revenue. Consequently, this highlights the enormous dependency of the islands on Indian tourists for the generation of revenue from tourism. As a domestic destination, Andaman is a popular choice among Indian tourists because of the fact that it is both affordable and easily accessible when traveling within India. The revenue generated by foreign tourists accounted for around 3.74% of the total revenue, which is equivalent to ₹689.82 crore. Despite its modest size, this contribution is significant since tourists from other countries often spend more money during each trip, which allows them to have a disproportionately positive impact on the economy of the host country. One can see that tourism plays a key part in fuelling the economy of the islands, as seen by the expected total revenue of ₹18,449.75 crore. In order to ensure sustained expansion, it is essential to ensure that this revenue is managed appropriately, including reinvestment in infrastructure and sustainability.

Serial Number	Month	Domestic	Foreign	Total
1	Jan-24	41241	1578	42819
2	Feb-24	37145	1636	38781
3	Mar-24	40660	1537	42197
4	Apr-24	50939	739	51678
5	May-24	73222	1279	74501
6	Jun-24	42679	349	43028
7	Jul-24	18273	370	18643
8	Aug-24	33254	513	33767
9	Sep-24	49932	383	50315
10	Oct-24	85290	804	86094
11	Nov-24	103601	955	104556
12	Dec-24	134161	1354	135515
	710397	11497	721894	

Table 2 : Tourist arrival (2024) (Source : Indian Tourist Statistics)



Graph : Tourist Arrival (2024)

1.5.3 Interpretation

There was a considerable increase in the number of tourists that arrived during the months of November and December, with December having the greatest numbers with 135,515 visitors in total (134,161 domestic and 1,354 foreign). This suggests that the location is most popular in winter, likely due to the nice weather and holidays. In addition, the month of October saw a significant influx of 86,094 visitors, which marked the beginning of the peak shopping season.

The month of July saw the fewest number of tourists arrive, with only 18,643 people coming through. It is possible that the travel difficulties that are linked with heavy rains and stormy seas were the cause of the substantial decrease in the number of tourists that occurred during the monsoon season, which lasted from June to August. The number of tourists who visited during months such as March, April, and September ranged from 42,197 to 50,678. These months were seeing moderate levels of tourist activity. These periods suggest that there is a consistent interest among visitors from both the United States and other countries.

1.5 Conclusion

The examination of tourist data for 2023 and 2024 reveals notable trends and prospects for the tourism sector in the Andaman and Nicobar Islands. *Robust Expansion in 2024:* Tourist arrivals had a significant surge, with total visitors escalating from 332,644 in 2023 to 721,894 in 2024—a gain exceeding 117%. This considerable increase highlights the Andaman Islands' rising appeal as a tourism destination. *Prevalence of Domestic Tourism:* In both years, domestic tourists significantly surpassed foreign visitors in number. In 2023, domestic tourists comprised 97.28% of the total, increasing to 98.41% in 2024. This indicates a sustained dependence on Indian tourists as the principal source of tourism revenue. *Minor Proportion of International Tourism:* Foreign tourist arrivals are limited, accounting for only 2.72% in 2023 and 1.59% in 2024. However, the influx of international tourists, if amplified, presents substantial opportunities for economic benefits due to their higher income per visitor. *Seasonal Dependency:* Tourism in the Andaman Islands exhibits significant seasonality, peaking in the winter months (e.g., December recorded 44,683 visitors in 2023 and 135,515 visitors in 2024) and experiencing large drops during the monsoon season (e.g., July recorded 11,071 visitors in 2023 and 18,643 visitors in 2024). *Economic Consequences:* The projected revenue for 2024 is roughly ₹18,449.75 crore, predominantly fuelled by domestic tourists (~96.26%). This underscores the crucial importance of tourism in the islands' economy while stressing the necessity for sustainable methods to save natural resources and guarantee long-term survival. *Prospects for Advancement:* The Andaman Islands possess considerable unexploited potential to draw a greater number of international tourists. Enhanced connection, strategic marketing, and varied tourism options (e.g., eco-tourism, adventure tourism) may mitigate this deficiency. Alleviating seasonal declines through off-season initiatives or climate-resistant attractions helps sustain steady revenue.

Future research on Andaman tourism may concentrate on augmenting foreign tourist inflows by examining obstacles like connectivity and deficiencies in global marketing. Investigating sustainable practices and their enduring effects on the delicate ecology is essential for reconciling development and conservation. Mitigating seasonal declines by off-season initiatives and robust attractions can ensure steady revenue. Research on community engagement and equitable benefit allocation, together with the economic influence of tourism on GDP, is crucial. Highlighting the incorporation of technology, including virtual reality and data-driven planning, could enhance Andaman's attractiveness. These domains can develop a sustainable and inclusive tourism strategy

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