

TOURISM AND HOSPITALITY INDUSTRY IN INDIA: THE ROAD AHEAD

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ABSTRACT: *Tourism industry can act as a revenue generator and as a catalyst for development in a region. Tourism plays an important role in the development of the various sectors. These sectors further contribute to the development the country. Tourism leads to investment through FDI and various Government initiatives for tourisms and hospitality industry. These investment and initiative leads to the growth of the industry. Realizing the potential of the tourism and hospitality industry investments are increasing. The north east India is plagued by many problems from poverty to insurgency which have rendered it poorer and less connected than rest of the country. The hindrances must be overcome to realize its full potential in tourism. Determination of the multiplier effect of tourism is a key element in the economic field. The multiplier measures the impact of extra expenditure introduced into an economy. Multiplier helps in deciding the amount of additional investment to be made in the country in the particular sector. Medical Tourism is an upcoming industry and has got vast potential. Good health is a pre-requisite for human development and this has lead to the growing emphasis among the general public on the importance of healthcare.*

KEYWORDS: *Investment, government initiatives, multiplier effect, economy, medical tourism.*

INTRODUCTION

Tourism today is the most vibrant tertiary activity and a multi-billion industry in India. Traditionally known largely for its historical and cultural dimensions, tourism today is highlighted for its immense business opportunities. With its lucrative linkages with transport, hotel industry etc., the potential and performance of India's tourism industry needs to be gauged in terms of its socio-economic magnitudes. 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. 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. The Tourism Ministry has also played an important role in the development of the industry, initiating advertising campaigns such as the "Incredible India" campaign, which promoted India's culture and tourist attractions in a fresh and memorable way. Each part of India offers identifiable differences from rest of the nation.

TOURISMS AND HOSPITALITY AND VARIOUS SECTORS

The tourism industry has helped growth in other sectors as diverse as horticulture, handicrafts, agriculture, construction and even poultry. India's governmental bodies have also made a significant impact in tourism by requiring that each and every state of India have a corporation to administer support issues related to tourism. Tourism has been a major social phenomenon of societies all over the world. It is driven by the natural urge of every human being for new experiences, and the desire to be both educated and entertained. The motivation for tourism also include religious and business interests, the spread of education has fostered a desire to know more about the different parts of the globe. The basic human thirst for new experience and knowledge has been stronger, as communication barriers and getting overcome by technological advances.

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. The second-largest sub-segment of the services sector comprising trade, repair services, hotels and restaurants contributed nearly US\$ 295.7 billion or 19.2 per cent to the Gross Domestic Product (GDP) in 2015-16, while growing at 8.9 per cent year-on-year. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country. The industry is expected to generate 13.45 million jobs across sub-segments such as Restaurants (10.49 million jobs), Hotels (2.3 million jobs) and Travel Agents/Tour Operators (0.66 million). The Ministry of Tourism plans to help the industry meet the increasing demand of skilled and trained manpower by providing hospitality education to students as well as certifying and upgrading skills of existing service providers. India has moved up 13 positions to 52nd rank from 65th in Tourism & Travel competitive index.

Investments

The tourism and hospitality sector is among the top 10 sectors in India to attract the highest Foreign Direct Investment (FDI). During the period April 2000-March 2016, the hotel and tourism sector attracted around US\$ 9.23 billion of FDI, according to the data released by Department of Industrial Policy and Promotion (DIPP).

With the rise in the number of global tourists and realizing India's potential, many companies have invested in the tourism and hospitality sector. Some of the recent investments in this sector are as follows:

- Marriott International Inc, the US-based hotel chain, is now looking for expanding its operations in North India, including prominent cities in Uttar Pradesh like Kanpur, Varanasi and Agra.

- Steigenberger Hotels, a German luxury hotel company, and MBD Group, a Delhi-based firm which runs 5-star Radisson Hotels in Noida and Ludhiana, have formed a joint venture to build five luxury hotels and manage another 15 luxury hotels in India by 2030.
- Keys Hotels, a premium brand of Berggruen Hotels, plans to launch three new hotels in India at Vishakhapatnam, Calicut and Jaipur, and further add up to 10 Keys Hotels in the country by the end of FY 2017.
- Stayzilla, a budget hotels and homestays aggregator, has raised over US\$ 13 million in Series C round of funding from Matrix Partners and Nexus Ventures, which will be used to improve product, technology and marketing initiatives for its alternate stay business.
- Travel Tripper, a US-based hotel technology firm, has entered the Indian market by setting up its second global delivery centre outside the US in Hyderabad, which will serve as a development and client service centre for the company's worldwide operations.
- Marriott International Incorporation, the global diversified hospitality industry major, has launched its first dual branded hotel in India, called the Courtyard and Fairfield, in Bengaluru, Karnataka with an investment of Rs 300 crore (US\$ 44.47 million) and thus increasing the number of Marriott hotels in India to 31.
- Indian Railway Catering and Tourism Corporation (IRCTC) has partnered with OYO Rooms, India's largest branded network of hotels, to provide standardized accommodation options to train travelers through its convenient booking platform.
- Ctrip.com, China's largest travel portal, has bought a stake in India's largest travel portal MakeMyTrip for US\$ 180 million via convertible bonds, which allows Ctrip to increase its share in MakeMyTrip up to 26.6 per cent.
- Global investment banking major Goldman Sachs has invested Rs 441 crore (US\$ 65.37 million) to acquire an equity stake in Gurgaon-based hotel development and investment start-up SAMHI Hotels which will help fund SAMHI's expansion plans.
- Fairfax-owned Thomas Cook has acquired Swiss tour operator Kuoni Group's business in India and Hong Kong for about Rs 535 crore (US\$ 79.31 million) in order to scale up inbound tour business
- US-based Vantage Hospitality Group has signed a franchise agreement with India-based Miraya Hotel Management to establish its mid-market brands in the country.
- Thai firm Onyx Hospitality and Kingsbridge India hotel asset management firm have set up a joint venture (JV) to open seven hotels in the country by 2018 for which the JV will raise US\$ 100 million.
- ITC is planning to invest about Rs 9,000 crore (US\$ 1.33 billion) in the next three to four years to expand its hotel portfolio to 150 hotels. ITC will launch five other hotels - in Mahabalipuram, Kolkata, Ahmedabad, Hyderabad and Colombo - by 2018.
- Goldman Sachs, New-York based multinational investment banking fund, has invested Rs 255 crore (US\$ 37.8 million) in Vatika Hotels.
- Japanese conglomerate SoftBank will lead the Rs 630 crore (US\$ 93.4 million) funding round in Gurgaon based OYO Rooms.
- MakeMyTrip will acquire the travel planning website Mygola and its assets for an undisclosed sum, and will together look to focus on innovating the online travel segment.

Government Initiatives

The Indian government has realized the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. Some of the major initiatives taken by the Government of India to give a boost to the tourism and hospitality sector of India are as follows:

- The Ministry of Tourism plans to revise its guidelines to exempt homestays from service tax or commercial levies and make their licensing process online, which is expected to encourage people to offer homestays to tourists.
- ITC Ltd has renewed its 40-year partnership with Starwood Hotels & Resorts to operate 11 luxury hotels in India, and three more luxury hotels in Hyderabad, Ahmedabad and Kolkata which will be completed in the next four years, thus increasing the total number of hotels to 15.
- The e-Tourist Visa (e-TV) scheme has been extended to 37 more countries thereby taking the total count of countries under the scheme to 150 countries.
- The Union Cabinet has approved the signing of Memorandum of Understanding between the Ministry of Tourism of India and the Ministry of Trade Industry and Tourism of Colombia in order to boost cooperation in the field of tourism between the two countries.
- The Central Government has given its approval for signing of a Memorandum of Understanding (MoU) between India and Cambodia for cooperation in the field of tourism with a view to promote bilateral tourism between the two countries.
- Ministry of Tourism has sanctioned Rs 844.96 crore (US\$ 125.26 million) to States and Union Territories for developing tourism destinations and circuits during FY 2014-15, which includes projects relating to Product/Infrastructure Development for Destinations and Circuits (PIDDC), Human Resource Development (HRD), Fairs and Festivals & Rural Tourism.
- The Heritage City Development and Augmentation Yojana (HRIDAY) action plans for eight missions cities including Varanasi, Mathura, Ajmer, Dwaraka, Badami, Vellankini, Warangal and Amaravati have been approved by HRIDAY National Empowered Committee for a total cost of Rs 431 crore (US\$ 63.89 million).
- Government of India plans to cover 150 countries under e-visa scheme by the end of the year besides opening an airport in the NCR region in order to ease the pressure on Delhi airport.
- Under 'Project Mausam' the Government of India has proposed to establish cross cultural linkages and to revive historic maritime cultural and economic ties with 39 Indian Ocean countries.

EFFECT ON THE ECONOMY

Expenditure on tourism induces a chain of transactions requiring supply of goods and services from the related sectors. The consumption demand, emanating from tourist expenditure also induces more employment and generates a multiplier effect on the economy. The rate of economic growth is measured in terms of increase in GDP. Multiplier helps the country to decide the additional investment expenditure that should be undertaken to achieve desired increase in GDP.

The multiplier effect is manifested in two forms:- The multiplier effect of earnings from tourism, and in terms of the tourism monetary expenditure effect, considering and creating new income in the national economy and the multiplier effect of foreign investment. A primary expense made by a tourist, for example, in a hotel, will be used for new investments (equipments, facilities etc) to pay staff, to pay for goods or services or payments of debts. In turn the recipients will use the money to cover the personal needs or to pay their own debts, so spending the money several times, by allocating it between different sectors of national economy and thus generating new revenue each time.

Example-

The multiplier process can be explained with the help of imaginary example. Suppose that in an economy an additional investment of Rs. 1,000 crores is made in the tourism and hospitality industry from the revenue from foreign visitors. As a result, more workers get employment and an additional income of Rs. 1000 crores is generated in the economy. This is called the immediate or first round effect of additional investment.

A part of this income will be spent on consumption and the remaining amount will be saved. Assuming MPC as 50% or 0.5, Rs. 500 crores will be spent on consumption and the remaining Rs. 500 crores will be saved.

Since one man's expenditure is another's income, consumption of Rs. 500 crores in the second round of which Rs. 250 crores is consumed and the remaining Rs. 250 crores is saved.

In the next round, out of an income of Rs. 250 crores, Rs. 125 crores will be spent on consumption and the remaining amount of Rs. 125 crores will be saved.

In fact, the multiplier process continues indefinitely. But, since the increase in consumption becomes progressively smaller, the total increase in income is finite. The multiplier process is shown in Table 1.

Round	Increase in Investment spending (ΔI) (Rs. Crores)	Change in Income (ΔY) (Rs. Crores)	Induced change in consumption spending (ΔC) (Rs. Crores)	Increment in Saving (ΔS) (Rs. Crores)
1	1,000	1,000	→ 500	→ 500
2	—	500	→ 250	→ 250
3	—	250	→ 125	→ 125
4	—	125	→ 62.5	→ 62.5
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Total	1,000	2,000	1,000	1,000

The total change in income can be calculated as –

$$\Delta Y = \Delta I \left[\frac{1}{1-b} \right]$$

$$\Delta Y = \Delta I \left[\frac{1}{1-0.5} \right] = \Delta I \left[\frac{1}{0.5} \right]$$

ΔI = Change in investment

ΔY = Change in income

Δb = Marginal propensity to consume

$$\Delta Y = \Delta I * 2$$

Since the additional investment is Rs. 1,000 crores, it will increase the level of income equal to Rs. 2,000 crores (i.e., $\Delta Y = \text{Rs. } 1000 \text{ crores} * 2 = \text{Rs. } 2,000 \text{ crores}$).

Table 1 also shows that an additional investment of Rs. 1,000 crores results into an increase of Rs. 2,000 in the income. As an additional income is created in a particular round, a part of it is spent on consumption which becomes income for the next round. The successive rounds generate more and more income. Consequently, the total income generated is more than the additional investment by the multiple of the value of multiplier ($K=2$).

Money coming from outside is circulating in the economy of the places visited by tourists, and are spent and spent several times until they disappear from the economic circuit, Keynes called the export of tourism associated with the consumption of material goods and the domestic spending “injection” for the economy. But if that money is immobilized in household savings or used to pay duty, import, and the money lose its incentive value, and is named by Keynes “leakage” to other destinations. The greater the volume of these leaks, the smaller is the multiplier effect of tourism.

TRAVEL AND TOURISM AND NORTHEAST

The number of tourists, both domestic and international heading for the northeast has gone up dramatically in the past year. Manipur, Tripura, and Nagaland have notched 20% - 29% more foreign tourist arrivals while Arunachal Pradesh and Nagaland are celebrating 36% - 41% increase in domestic travelers. These states are beautiful and unexplored. They were, rated low on tourist options. Concerned about security issues, the need for permits and limited flight options, travelers preferred to pick more tourist savvy destination like Goa and Kerela. But effective initiatives by local governments, travel companies and airlines have changed all that. Today, there are some attractive travel packages to the area in the market. There are many quest house and hotels run by locals where we can find the reflection of cultures of that particular area.

The government has eased, over the last few years, the protected area permit (PAP) that was required by foreign tourists heading for Manipur, Nagaland and Mizoram. Northeast is still virgin territory for most travelers. The northeastern states may be sparse on luxury accommodation but they offer a lot of budget accommodation. The tourism ministry officially added that cultural festivals and events in the northeast are pulling a lot of foreign and Indian travelers. The Hornbill festival in Nagaland is very popular and draws people across the country and overseas. Similarly the northeast states are known for western music festivals and events. There are wider scopes in terms of tourism for northeastern states and have a higher potentiality to be a tourism spot. As compared to previous years the total number of tourists to the north eastern states has increased and the road ahead is a brighter ones. Even though there are certain hindrances the scenic beauties, the people over there, their hospitality, their warmth attracts people to that place.

MEDICAL TOURISMS IN INDIA

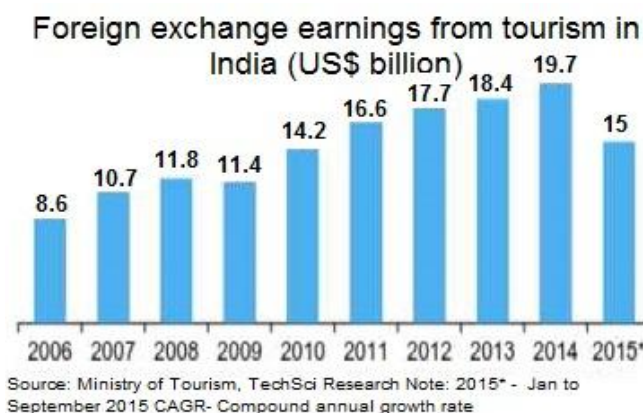
India offers various tourism options due to its vastness and diversity, attracting tourists from all over the world. The country boast of natural treasures like mountains, oceans, seas, deserts, valleys etc on one hand, world – class healthcare infrastructure on the other. India is one of the most lucrative medical tourism markets in the world. The presence of world-class hospitals and skilled medical professionals make India a preferred destination for medical tourism. The sector is witnessing remarkable growth on the back of Government support through policies and initiatives, low cost and healthcare infrastructure. The growth in India's medical tourism market will be a boon for several associated industries including hospital industry, medical equipments industry and pharmaceutical industry. The medical tourism market in India is projected to reach US\$ 3.9 billion in size having grown at a CAGR of 27 per cent over the last three years. Also, inflow of medical tourists is expected to cross 320 million by 2015 compared with 85 million in 2012. The tourism industry is also looking forward to the expansion of E-visa scheme which is expected to double the tourist inflow to India. Rating agency ICRA Ltd estimates the revenue growth of Indian hotel industry strengthening to 9-11 per cent in 2015-16. India is projected to be the fastest growing nation in the wellness tourism sector in the next five years, clocking over 20 per cent gains annually through 2017.

CONCLUSION

India's travel and tourism industry has huge growth potential. India fares much better as a business destination due to its economic growth. It still remains a highly price-competitive destination. The recent changes in its visa regime with the introduction of visa on arrival can lead to a great boost in the international arrivals. This sector has emerged as one of the key drivers of growth in India. The tourism industry in India is an important employment generator and an important source of foreign exchange for the country. It has a huge growth potential. India has great potential to benefit from the reforms and infrastructural growth initiatives undertaken by the new government. The major concerned areas like as health and hygiene, security and safety of tourists should be given more emphasis in the coming years. India is projected to be number one for growth in the wellness tourism sector in the next five years. There are large areas which need to be tapped from the tourist point of view. The growth and development of the tourism industry should be made more and more environmental friendly. According to the World Travel and Tourism Council (WTTC), Indian tourism will be one of the most rapidly growing industries in the next few years. A growing recognition of tourism's contribution to employment and economic growth, the availability of better infrastructure, focused marketing and promotion efforts, liberalization of air transport, the growth of online travel portals, growing intra-regional cooperation and more effective PPPs are seen as key drivers for tourism in the next decade. The centrally funded scheme of Swadesh Darshan and PRASAD provide for introducing suitable Public Private Partnership (PPP) for improved sustainability of the projects. The Viability Gap Funding may be provided under the schemes in accordance with the relevant guidelines/instructions of the Government.

Foreign arrivals are rising in India

- During January - September 2015, foreign exchange earnings from tourism were US\$ 15 billion as compared to US\$ 19.7 billion in 2014.
- Foreign exchange earnings increased at a CAGR of 10.9 percent during 2006–14.



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