

“INDIAN TOURISM AND HOSPITALITY INDUSTRY - CURRENT SCENARIO AND FUTURE OPPORTUNITIES”

MS. ZARIN LIYAKAT MULANI
ASSISTANT PROFESSOR
ALLANA INSTITUTE OF
MANAGEMENT SCIENCES, PUNE

DR. ATIK ASGAR SHAIKH
ASSOCIATE PROFESSOR
ALLANA INSTITUTE OF
MANAGEMENT SCIENCES, PUNE

INTRODUCTION

India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. The number of Foreign Tourist Arrivals (FTAs) has grown at a CAGR of 3.7% to 5.29 lakh year-on-year in May 2016. 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 % to the Gross Domestic Product (GDP) in 2015-16, while growing at 8.9 % year-on-year. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country.

The Government has also been making serious efforts to boost investments in tourism sector. Total contribution by travel and tourism sector to India's GDP is expected to increase from US\$ 136.3 billion in 2015 to US\$ 275.2 billion in 2025. In the hotel and tourism sector, 100 % FDI is allowed through the automatic route. A five-year tax holiday has been offered for 2, 3 and 4 star category hotels located around UNESCO World Heritage sites (except Delhi and Mumbai).

India's rising middle class and increasing disposable incomes has continued to support the growth of domestic and outbound tourism. Total outbound trips increased by 8.7 % to 19.9 million in 2015. Inbound tourist volume grew at a Compound Annual Growth Rate (CAGR) of 6.8 % during 2010-15.

The number of Foreign Tourist Arrivals (FTAs) has grown at a CAGR of 3.7 % to 5.29 lakh year-on-year in May 2016. Foreign Exchange Earnings (FEEs) during the month of May 2016 grew at a rate of 8.2 % year-on-year to Rs

10,285 crore (US\$ 1.52 billion).

The number of tourists arriving on e-Tourist Visa during June 2016 reached a total of 36,982 tourists registering a year-on-year growth of 137.7%.

Online hotel bookings in India are expected to double by 2016 due to the increasing penetration of the internet and smart phones.

RESEARCH OBJECTIVE

The objective of the study is to know the current business scenario and future budding opportunities in the field of Tourism and Hospitality of India.

RESEARCH METHODOLOGY

The data has been collected through secondary sources like journals, articles, reports, newspapers, magazines etc. The study is descriptive in nature.

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 realising 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 standardised accommodation options to train travellers through its convenient booking platform.
- Ctrip.com, China's largest travel portal, has bought a stake in India's largest travel portal Make My Trip for US\$ 180 million via convertible bonds, which allows Ctrip to increase its share in Make My Trip up to 26.6%.
- 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.
- A total of 68,809 foreign tourists have arrived in September 2016 on e-Tourist Visa as compared to 31,729 during the month of September 2015 registering a growth of 116.9%.
- 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.

GOVERNMENT INITIATIVES

The Indian government has realised 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 home stays 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 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.

TAX INCENTIVES

- An investment-linked deduction under Section 35 AD of the Income Tax Act is in place for establishing new hotels in the 2-star category and above across India, thus permitting a 100% deduction in respect of the whole or any expenditure of a capital nature excluding land, goodwill and financial instruments incurred during the year.

STATE INCENTIVES

- Incentives offered by state governments include subsidised land cost, relaxation in stamp duty, exemption on sale/lease of land, power tariff incentives, concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects.
- Incentives are provided for setting up projects in special areas - the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

ROAD AHEAD

India's travel and tourism industry has huge growth potential. The medical tourism market in India is projected to reach US\$ 3.9 billion in size having grown at a CAGR of 27 % over the last three years. The tourism industry is also looking forward to the expansion of E-visa scheme which is expected to double the tourist inflow to India. India is projected to be the fastest growing nation in the wellness tourism sector in the next five years, clocking over 20 % gains annually through 2017.

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.

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