



ANALYSIS OF FACTORS RESPONSIBLE FOR GROWTH OF HOSPITALITY AND TOURISM INDUSTRY IN INDIA

Ms. Bharti Shukla*

Prof. Awadhesh Kumar Tiwari**

* Research Scholar, Business Administration, Deen Dayal Upadhyay Gorakhpur University, Gorakhpur

**Professor, Commerce Department, Deen Dayal Upadhyay Gorakhpur University, Gorakhpur

Abstract

Hospitality is the relationship between the guest and the host, or the act or practice of being hospitable. Specifically, this includes the reception and entertainment of guests, visitors, or strangers. Hospitality industry includes hotels, travel & tourism, health clinic, spa, amusement parks and many more. The human curiosity to gain new knowledge, quest and entertainment, act as medium for the growth of this industry. This industry also has capability to attract other sectors in the economic owing to the cross synergistic benefits.

Tourism and hospitality industry is the leading service industry worldwide in terms of gross revenue and foreign exchange earnings. Also it is one of the among major employment generators across globe.

In Indian context, it is similar to other countries. Indian hospitality and tourism industry is poised for long term sustainable growth and looks to stabilize and grow further in future. It is clear by “The Travel and Tourism Competitiveness Report” of 2013, published by World Economic Forum, India, stated that the ranking of India is 11th in the Asia Pacific region and 65th in the World Travel and Tourism Competitiveness Index 2013. This research paper will reveal the factors which are responsible for growth of hospitality industry in India and also highlight their impact.

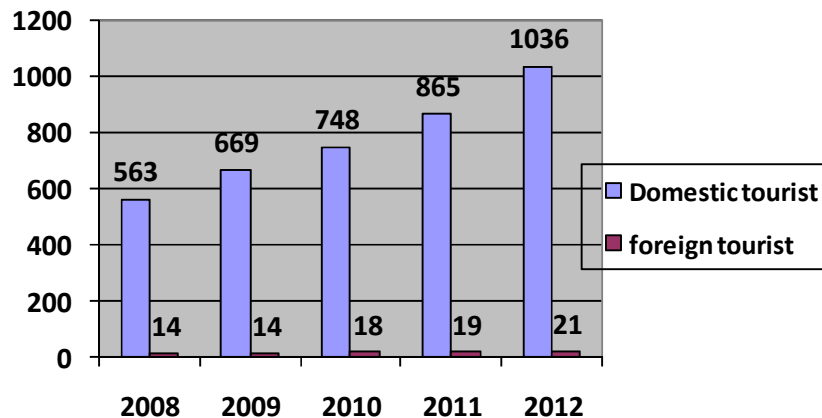
1. Introduction & Industry overview

In India, hospitality industry has emerged as one of the key industries driving growth of the services sector in India. There is strong interrelation between hospitality industry and tourism industry. One's fortune decides second prosperity and tourism is the foremost demand driver of the industry. The Indian hospitality industry has recorded very rapid growth fuelled by robust inflow of foreign tourists as well as increased tourist movement within the country and it has become one of the leading players in the global industry.

The Indian Hospitality and Tourism industry is highly disjointed with a large number of small and unorganized players accounting for a lion's share. The major players in the organized segment can be counted on fingertips. Instead of this the industry is likely to experience robust growth on the back of increasing disposable incomes and constructive industry statistics. The turnover is expected to reach US\$ 30 billion by end of 2015.

The travel and tourism has emerged one of the largest and fastest growing economic sectors globally. New tourist destinations, especially those in the emerging markets have started gaining prominence with traditional markets reaching maturity. Indian economy provides several socio economic benefits to Hospitality and Tourism industry. Employment, income and foreign exchange, development and expansion of related industries such as agriculture, construction, and handicrafts are some of them.

Figure 1.1: Tourist visits in India, million



Sources: India Tourism statistics 2008, 2009, 2010, 2011, 2012, Ministry of Tourism



World Economic Forum's Travel and Tourism competitiveness report 2013, express that India rank 11th in the Asia Pacific Region and have 65th place out of 140 economics ranked on travel and tourism competitiveness index.

Indian Travel and Tourism industry is showing rapid growth in last few years. *Total tourist visit have increased at a rate of 16.3 percent per Annum from 577 million in 2008 to 1057 million in 2012.* (Sources: Indian Tourism Statistics 2008 and 2012, Ministry of Tourism)

2. Recent trends in the Hospitality and Tourism Industry

Because of the growth maturity of these industry in metros and big cities, recent trend is shifting focus to Tier II and Tier III cities, which has higher growth rate. Budget Hotels are the next destination by companies as there is emergence of higher middle and lower middle class, which shows huge interest in these sectors. India is famous for its rich history in "Aayurveda" and "Yoga", besides this many metros has excellent medical facilities in today's modern and developed technology related to medical science, which makes Medical & Health Tourism a new urge for these sector. New avenues having growth potential are also finding out by these industry owners to attract previous as well potential customers. Emergence of Mixed Land Usage and huge spurt of international brands also make Indian industry aware to find new ways to get competitive edge.

3. Methodology

Methodology includes:

3.1- Objective of the study

- To analyze factors responsible for growth of Hospitality and Tourism Industry in India.

3.2- Research design

- It is a descriptive type of study that describes something such as factors responsible for growth of Hospitality and Tourism Industry in India.

3.3- Research method and Tools for data collection

- Research is based on secondary data. Various tools for data collection are mentioned below:
 - 1- Literature review
 - 2- Various publications
 - 3- Journals
 - 4- Periodicals

3.4- Limitation of study

- Data collected is not necessary to be 100% accurate as there are always chances of biasness.

4. Growth Drivers

There are many factors which are responsible for the growth of hospitality and tourism industry in India. Government initiatives not only in infrastructural facility enhancement but making various flexible regulatory frameworks for smooth working of these sectors make a new history of success of hospitality and tourism industry in India. 100 percent Foreign Direct investment is allowed by Indian government and this declared as high priority industry in India. Tourism and hospitality sector attracted second highest FDI i.e. US \$3.2 billion in the year 2013 and 100 percent FDI allowed through automatic route in hotel and tourism sector.

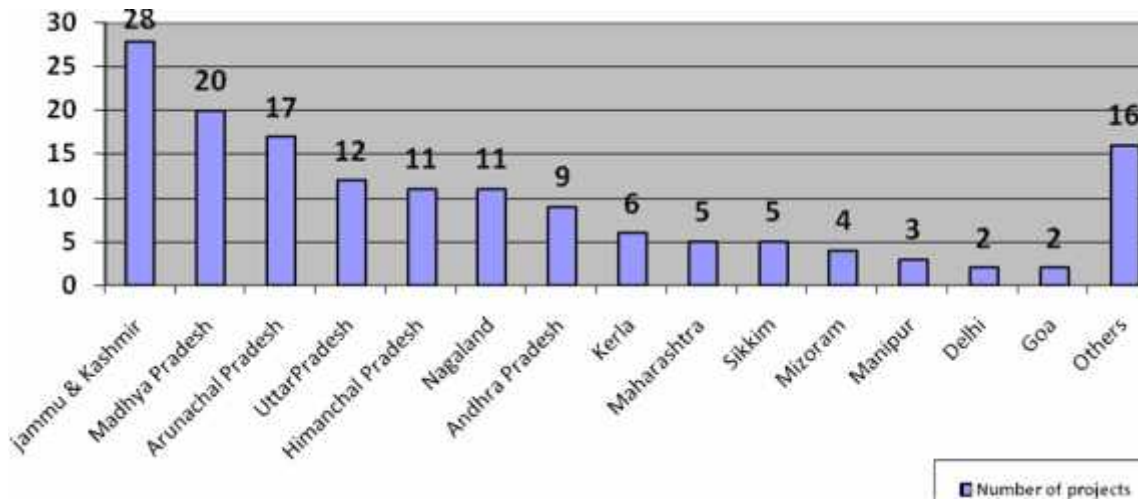
Diversity factor of the country attracts an ever increasing number of tourists every year. Also government initiatives in improvement of infrastructure like airports, highways, ports and railways plays important role in growth of hospitality sector in India.

India has been ranked as the fourth most preferred travel destination by Lonely Planet selecting the country among the top five destinations from 167 countries.

An amount of Rs.1826 Crores has been sanctioned so for the development and promotion of tourism related infrastructure (Sources: 12th five year plan and amount sanctioned for the year 2012-13 and 2013-14).



Figure 1.2: State-wise sanction of projects for the year 2012-13 total no. of projects: 151



Sources: Project Monitoring Information System, Ministry of Tourism

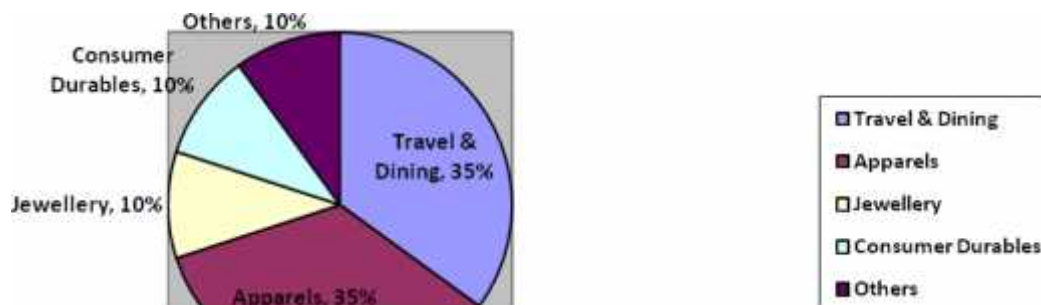
Also central and state level initiatives like “365 day destination” which offers from peaceful beaches of Kerala to snow clad mountains of Sikkim. The second is “incredible India International Campaigns” introduced by Ministry of Tourism to promote foreign tourists in India and the next is “visa on arrival” in which now 11 countries are allowed for this but the ministry of tourism is in process to add 3 more countries (France, Germany and Russia) in this process. Rising income or disposable income also increases in India due to an increase in per capita income, changing lifestyle because of individual factors as well as global factors also occurred and diverse tourism offerings by sectors are also very important factors which affected the growth pattern of the Hospitality and Tourism sectors positively. There are many more factors which directly or indirectly drive the success of these sectors. Broadly these factors can be classified in three ways: *External factors (related to consumers, economic situation and other environmental factors), internal factors and factors related to regulatory/government initiatives.*

4.1- External growth drivers includes changing consumer dynamics, pattern of consumption of disposable income and schemes for easy finance (Examples many banks which provide credit card and other short term personal loans) makes it easy to grow these new sectors in India.

Players such as Thomas Cook, Cox & Kings and SOTC have tie-ups with Kotak Mahindra, ICICI Bank and Citibank to offer “Holiday now.....Pay later” schemes.

Even India is the second largest plastic cards base in the Asia-Pacific region. *The plastic card user rises more than 50 percent from 130 Million in 2007 to 296 Million cards in 2012. 35% of those who use plastic cards belong to Travel & Dining.*

Figure 1.3 Sector diversification of ATM cum Debit and credit card users in 2012



Source: RBI and CCI Technopak Report



In addition with above mention factor, FDI inflow also a responsible factor for growth in this sector. The hospitality sectors have 3% contribution of the total inflow of FDI in last decade, which attracted government to take initiatives regarding revised FDI policies in India.

The ministry of Tourism's vision is to achieve 3.22 Billion Travel visits by 2022 with a compounded annual growth rate of 12%. Increase in Domestic Travel visits over last decade by 14.41% and Foreign Travel Arrivals also shows same increment.

4.2 Internal factors like increase in new entrants make this industry more competent and gap between demand & supply boost up organization to join this growth.

Also increase in niche tourism such as eco-tourism, luxury tourism and medical tourism evolve new destination for those, who have reached saturation. Internal diversifications also make an impact which enhances this niche tourism.

4.3 Government initiative and regulatory factors contributed extensively to the growth and improvement of the industry by providing various policy measures, tax incentives and infrastructural support such as Promotion of rural tourism by Ministry of Tourism in collaboration with the United Nations Development Program, availability of Medical Visa for tourists coming into the country for medical treatment 100 percent FDI allowed through automatic route in hotel and tourism sector Insurance of visa on arrival for tourists from select countries like Finland, Japan and New Zealand Capital subsidy program for budget hotels Elimination of customs duty for import of raw materials, equipment, liquor etc. Five-year income tax holidays for 2-4 star hotels established in specified districts having UNESCO-declared 'World Heritage Sites. Further, the tourism policy of the government aims at development of integrated tourism circuits, speedy implementation of tourism projects, special capacity building in the hospitality sector and new marketing strategies.

5. Conclusion

The finding of study reveals that there are broadly three factors which are responsible to growth of hospitality industry in India. These are External, Internal and Government Initiative. This industry also poses various other factors which are directly and indirectly support it and making this a fastest growing sector in service sector economy. It contributed in form of local employment, also maintaining Demand & supply where it is applicable. The growing rate also depends on various opportunities which lie in this sector like rising in per capita income, Indian labor market and resources. Government also shows lots of interest towards this sector not for just of revenue but it directly affect the international face and reputation of India. So it is highlighted and actually monitored that hospitality and tourism industry has excellent growth percentage and future of this sector is magnificent in India.

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