

Impact of tourism and hospitality industry in growth of Indian economy

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ABSTRACT

It is a known fact that as the economy grows the demand for services increases. “The service sector is currently the fastest growing sector of the Indian economy”. Total contribution by travel and tourism sector to India’s GDP is expected to increase from Rs 15.24 trillion (US\$ 234.03 billion) in 2017 to Rs 32.05 trillion (US\$ 492.21 billion) in 2028. Hospitality and tourism is an important contributor to India’s service portfolio. The hospitality industry in India is changing at a very fast pace. Innovation is the buzzword in the industry. The Indian hospitality industry is witnessing a major shift wherein apart from traditional business or leisure travel, India’s hospitality sector has been witnessing interest from various segments like meetings, incentives, conferences and exhibitions (MICE), eco tourism, wellness tourism, spiritual and pilgrimage tourism. The Indian government has taken up various reforms to bring the pace in the industry growth with liberalization in the regulatory framework, investment friendly schemes, extensive support for creating a world class infrastructure, initiating better air and land connectivity, incentivizing regional set-up in tier III and IV cities, exploring the untapped geographical resources which has led to a comprehensive growth of the Indian hospitality industry. This paper focuses on impact of the hospitality industry in the development and growth of Indian economy which have transformed the scenario of the industry altogether. It also attempts to study the trends on the hospitality industry and the Indian economy at large.

KEYWORDS

Creativity, Hospitality Industry, Impact on India

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Innovation and creativity is the keys for survival of any business. Hospitality industry is no exception. The Indian hospitality industry is witnessing a major shift wherein apart from traditional business or leisure travel. India’s hospitality sector has been witnessing interest from various segments like meetings, incentives, conferences and exhibitions (MICE), eco tourism, wellness tourism, spiritual and pilgrimage tourism. Given the expected rapid growth of the hospitality industry across the globe, it is expected that the industry will be crowded with competing businesses, necessitating the introduction of innovative products and services in the market. In the Indian scenario the competition in the industry has become increasingly fierce due to the entry of more and more international players who provides

sophisticated services at affordable prices. This has led to a high degree of professionalism in the industry. The upcoming demand in new segments as meetings, incentives, conferences and exhibitions/events (MICE), eco tourism, wellness tourism, spiritual and pilgrimage tourism from both foreign as well as domestic tourists has created an environment conducive to innovation. The Indian tourism and hospitality industry is potentially large employment generator besides being a significant source of foreign exchange for the country. During 2018, FEEs from tourism increased 4.70 per cent year-on-year to US\$ 28.59 billion. The purpose of this research paper is to analyze the impact of the hospitality business through innovation and the effect of all these changes on the growth and development of the Indian economy at large.

Trends in the Indian Hospitality Industry

The hospitality industry in India is changing at a very fast pace. A few of these trends which have changed the face of the Indian hospitality industry have been discussed in graph 1. The Indian hospitality industry is experiencing innovative concept of MICE *i.e.* Meeting, Incentive, Conferences and Exhibitions. MICE are one of the

countless ways through which India can attract international tourists. Another aspect of MICE is the incentive tourism. Eco-tourism can be understood as a responsible travel wherein the tourists visit natural areas which helps in environment conservation and improvement in the well-being of native cultures, thus contributing to the diversity of our world's natural and cultural environments.



Fig 1. Factors affected the Indian Hospitality Industry

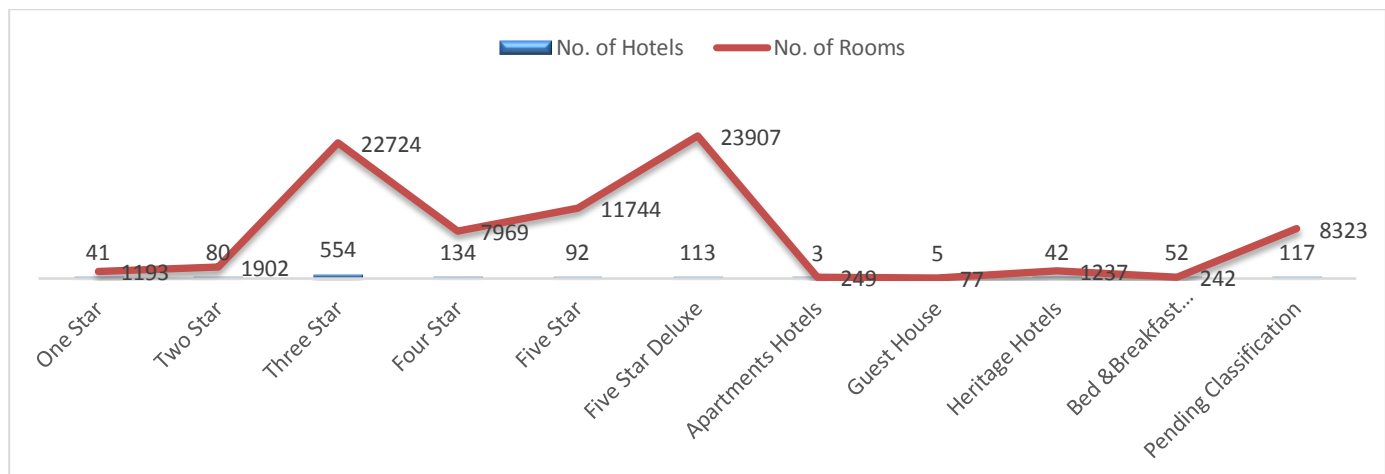


Fig 2. Number of approved hotels and availability of hotel rooms in the country (as on 31 December, 2014)

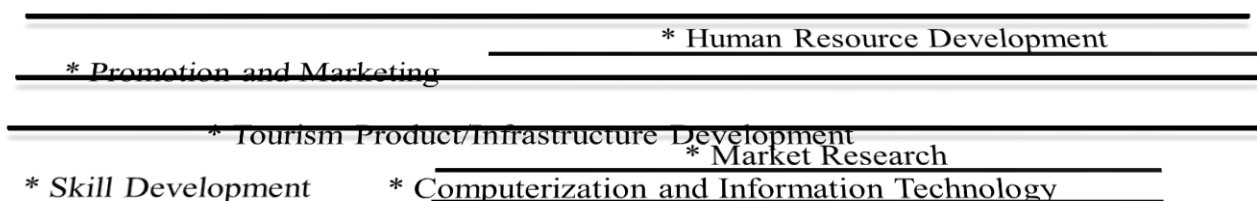


Fig 3. Plan Outlays of Ministry of Tourism

One of the finest examples in India for ecotourism is the state of Kerala, which is also termed as the God's own country. Agricultural tourism is an instrument for economic development

and employment invention above all in the remote and backward areas. International actions have a constructive force in enriching the shape of emerging markets for global tourists.

A few examples of these events are commonwealth games 2010 hosted by India. "Atithi Devo Bhava" is the longstanding tradition of India and the hoteliers here have embarked on this tradition as their USP. Tier II and Tier III cities are being recognized as the key drivers of our future growth and will be major beneficiaries of the current buoyancy in domestic tourism. Social media has proven to be a boon and a curse for the Indian hospitality industry. India is witnessing the organization of various super luxury hotels, some of which are located in the metro cities and others are situated somewhere close to the nature. The concept of bed and breakfast has been well accepted in India. It is a nascent market which has attracted even the big hospitality service providers. India is offering unconventional accommodation options to tourists in order to provide them with a wide and enriched experience.

Unconventional accommodations include religious centers, monasteries and ashrams. As an outcome of globalization India is witnessing a freer flow of goods across borders. As a result the Indian hospitality industry now has access to imported food items. This has led to an improvement in the dining experiences being provided to the tourists. Women might have fought long and tough for sameness, but now hotels are presenting floors entirely for female guests, which is the best innovative idea in the hospitality industry. Sustainability of operations has been readily accepted by the players in the hospitality industry. They have adopted a holistic approach to sustainability placing it at the heart of their business strategy.

Performance Indicators of the Indian Hotel Industry

The ministry of tourism has adopted a system of approving and classifying the hotels on the basis of the facilities and services provided by them. The ministry of tourism launched a web based Public Service Delivery System for approval of hotel projects and classification/re-classification of hotels with a view to bring in transparency in granting approvals for hotel projects and classification status to functioning hotels. The above graph shows that the highest number of hotels (*i.e.* 554) belongs to three star categories whereas the Apartments Hotels have least number (*i.e.* 3) of Hotels. In case of number of rooms, five star deluxe has a maximum

numbers of rooms (*i.e.* 23907) whereas, guest house has minimum number of rooms. Maharashtra has the maximum (14483) number of hotel rooms followed by Kerala (11936) and Delhi (7506). Therefore the number of approved hotels and rooms vary from year to year as the classification/reclassification of hotels is a voluntary scheme of the Ministry of Tourism.

Important Highlights of Indian Hotel Industry

- Most of the rooms in all categories of hotels were air-conditioned.
- Average employee per room for all categories of hotels taken together was 1.5. Among the classified categories, 1.1 in 1-Star & 2-Star and 2.1 in 5-Star Deluxe category.
- 80.6% of the employees were trained in all categories highest being 91.5% under 5-Star category and lowest 75.7% under 2-Star category.
- UK and USA dominate the overall visitations with a share of 11.5% and 10.8% respectively.
- Share of tourists from UK was the highest in the Heritage Hotel (17.8%) followed by 2 star (12.6%) 1star (12.2%) and 4 star (10.5%).
- Share of tourists from France and other European countries was the highest in Heritage and 5 Star category hotels.
- Share of domestic guests was 75.6% for all the hotels taken together.
- Leisure tourists constituted about 41.4% of the total guests and the remaining 58.6% were business guests.
- While the average stay of foreign guests was 3.1 days, it was 2.7 days for domestic guests.
- Average stay of business and leisure guests was 2.6 days and 2.3 days, respectively.
- The Indian government has taken several steps to make India a global tourism hub.
- Statue of Sardar Vallabhbhai Patel, also known as 'State of Unity', was inaugurated in October 2018. It is the highest standing statue in the world at a height of 182 metre.
- It is expected to boost the tourism sector in the country and put India on the world tourism map.
- The Government of India is working to achieve 1 per cent share in world's international tourist arrivals by 2020 and 2 per cent share by 2025.
- Under Budget 2019-20, the government allotted

Rs 1,160 crore (US\$ 160.78 million) for development of tourist circuits under Swadesh Darshan.

- Under Budget 2019-20, the government allotted Rs 160.50 crore (US\$ 22.25 million) for development of tourist circuits under Swadesh Darshan.

In order to provide quality services to tourists, the ministry of tourism grants recognition to inbound tour operators, travel agents, tourist transport operators, adventure tour operators and domestic tour operators in the country. As on 31st December 2014, 464 inbound tour operators, 270 travel agents, 125 tourist transport operators, 87 domestic tour operators and 31 adventure tour operators were registered with the ministry. To meet the demand for trained manpower in the hospitality industries, the ministry of tourism continues to actively pursue its endeavour to create institutional infrastructure in the form of Indian Institute of Tourism and Travel Management (IITTM), Institutes of Hotel Management (IHM) and Food Craft Institutes (FCIs).

Plan Outlays of Ministry of Tourism

The Govt. aims at positioning tourism as a major engine of economic growth and harnessing its direct and multiplier effects for employment and poverty eradication in an environmentally sustainable manner. The below graph shows the various aspects which is essentially relate to the plan schemes of the ministry of tourism. The government has decided to invest Rs.20 Crore in Centrally Sponsored Schemes (CSS) and Rs.1483.21 (in Crore) in Central Sector Schemes (CS) during the annual plan outlay of ministry of tourism for-2015-16. The Central Sector Schemes also includes the Swadesh Darshan– Integrated Development of Tourist Circuits on Specific Themes and National Mission for Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD).

Impact of Tourism and Hospitality Industry on Indian Economy

India is a large market for travel and tourism. It offers a diverse portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, MICE, eco-tourism, film, rural and religious tourism. India has been recognized as a destination for spiritual tourism for domestic and international

tourists. In March 2019, Rs 720 crore had been allocated by Uttar Pradesh towards strengthening the infrastructure for tourism. Total contribution by travel and tourism sector to India's GDP is expected to increase from Rs 15.24 trillion (US\$ 234.03 billion) in 2017 to Rs 32.05 trillion (US\$ 492.21 billion) in 2028. India was ranked 7th among 184 countries in terms of travel and tourism's total contribution to GDP in 2017.

Travel and tourism is the third largest foreign exchange earner for India. During 2018, FEEs from tourism increased 4.70 per cent year-on-year to US\$ 28.59 billion. Foreign Tourist Arrivals (FTAs) increased 5.20 per cent year-on-year to 10.56 million in the same period. Foreign tourist arrivals for medical purpose increased from 427,014 in 2016 to 495,056 in 2017(P). During 2018, arrivals through e-tourist visa increased 39.60 per cent year-on-year to 2.37 million. During January 2019, arrivals through e-tourist visa increased by 21.10 per cent year-on-year to 0.29 million. As of 2017-18, 81.1 million people are employed in the tourism sector in India which was 12.38 per cent of total employment in the country.

The Government of India has set a target of 20 million foreign tourist arrivals (FTAs) by 2020 and double the foreign exchange earnings as well. The launch of several branding and marketing initiatives by the Government of India such as 'Incredible India!' and 'Athiti Devo Bhava' has provided a focused impetus to growth. The Indian government has also released a fresh category of visa - the medical visa or M visa, to encourage medical tourism in the country. Incredible India 2.0 campaign was launched in September 2017. In September 2018, the Indian government launched the 'Incredible India Mobile App' to assist the traveller to India and showcase major experiences for travelling. The Government of India is working to achieve one per cent share in world's international tourist arrivals by 2020 and two per cent share by 2025. In October 2018, Statue of Sardar Vallabhbhai Patel, also known as 'Statue of Unity', was inaugurated as a tourist attraction. It is the tallest statue in the World standing at a height of 182 metre. It is expected to boost the tourism sector in the country and put India on the world tourism map. In February 2019, the visiting hours has been increased by two more hours and has been equipped with e-bike tours.

The Government has also been making serious efforts to boost investments in tourism sector. In the hotel and tourism sector, 100 per cent 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). Total FDI received by Indian hotel and tourism sector was US\$ 12 billion between April 2000 and December 2018. India is a large market for travel and tourism. It offers a diverse portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, MICE, eco-tourism, film, rural and religious tourism. India has been recognized as a destination for spiritual tourism for domestic and international tourists.

Conclusion

On the basis of above discussion it can say that tourism industry in India has vast potential for generating employment and earning large amount of foreign exchange. Many innovations are currently being used as the entrepreneurs are well aware of the fact that in the absence of innovative products and services they may become obsolete ultimately driving them out of business. Eco-tourism is the form of innovation that needs to be promotes tourism in India also helps in preserving and sustaining the diversity of the India's natural and cultural environments.

Tourism in India also developed in such form which accommodates and entertains visitors in a way that is optimum intrusive or destructive to the environment and sustains and supports the native cultures in the locations it is operating in. The government wishes to further eradicate systemic impediment so that the huge potential of this sector can be efficiently utilized in the concern of the nation. For better competitive advantages and business performance, firms must have learning capabilities to innovate the products and services to meet the varying demands in the market place. Tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organizations become active partners in the endeavour to attain sustainable growth in tourism if India is to become a world player in the tourism industry.

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