

## Prospects and emerging challenges of tourism industry in India

Dr. Thyaga raju N

Lecturer in commerce, Dept. of Commerce, SRI A.B.R Government Degree College, Repalle, Guntur, Andhra Pradesh, India.

### Abstract

Hospitality Industry and travel & tourism industry is closely inter-linked. Hospitality sector plays a key role in the total economic growth of the country. Along with the speedy industrial growth and advancement of tourism, Hospitality sector in India has achieved new heights today. Foreign travellers are showing new interest in our country, which has led to an unprecedented growth in the hospitality sector. Tourism is not merely an activity for pastime and entertainment. It is an enriching and energizing activity. For a developing country like India which is on the path of modern economic growth through structural transformation of the economy. The value-added effect of tourism is increasing. Sustainable tourism has vast scope in India by convergence of landscapes with finance scapes, techno scapes, medias scapes and icescapes. In the vibrant tourism industry, there is now an almost assured channel of financial flow to the country. With its forward and backward linkages with a host of sectors like transport, hospitality, education, health, banking etc. India is all set to reap full potential of this vibrant sector. At the Post-globalization and under GATS many changes and challenges are confronted by the tourism industry in India. New issues and emerging challenges of tourism industry in India are liberalization and tourism, social and political concerns, *low-cost carriers outperform competition*, growth drivers, increased tourist movement, economic growth, changing consumer dynamics and ease of finance, *Indian tourism on a roll etc.*, A protocol to amend the memorandum of understanding (MoU) between ASEAN and India to strengthen tourism cooperation was also signed. Various policy measures undertaken by the Ministry of Tourism and tax incentives have also aided growth of the hospitality industry; some of them includes Allowance of 100% FDI in the hotel industry (including construction of hotels, resorts, and recreational facilities) through the automatic route, Introduction of 'Medical Visa' for tourists coming into the country for medical treatment, Issuance of visa-on-arrival for tourists from select countries,, Promotion of rural tourism by the Ministry of Tourism in collaboration with the United Nations Development Programme, Elimination of customs duty for import of raw materials, equipment, liquor etc., Capital subsidy programme for budget hotels, Exemption of Fringe Benefit Tax on crèches, employee sports, and guest house families,, Adequate importance should be given to inductive research on historical importance and contemporary relevance. Tour operators, guides must develop a good rapport with tourists. Edutainment is in vogue. We must circulate it faster. From touring to learn we should move to learning to tour.

**Keywords:** Sustaining high and inclusive growth, vibrant democratic setup, independent judicial system

### 1. Introduction

Hospitality Industry and travel & tourism industry is closely inter-linked. Hospitality sector plays a key role in the total economic growth of the country. Along with the speedy industrial growth and advancement of tourism, Hospitality sector in India has achieved new heights today. Foreign travelers are showing new interest in our country, which has led to an unprecedented growth in the hospitality sector. Tourism is not merely an activity for pastime and entertainment. It is an enriching and energizing activity. For a developing country like India which is on the path of modern economic growth through structural transformation of the economy. The value-added effect of tourism is increasing. Sustainable tourism has vast scope in India by convergence of landscapes with finance scapes, techno scapes, medias scapes and icescapes. India's tourism industry has witnessed upsurge in recent years, paying rich dividends to both consumers and producers. In the vibrant tourism industry, there is now an almost assured channel of financial flow to the country. With its forward and backward linkages with a host of sectors like transport, hospitality, education, health, banking etc. India is all set to reap full potential of this vibrant sector. Therefore, equipping efforts are made by the government under the five-year plans. The country needs to solve the problems and address the challenges surely and squarely not only to strengthen the tourism sector per se but also boost the tertiary

sector.

### 2. Objectives of the study

1. To examine the progress and problems of Indian tourism as it has entered the new millennium;
2. To analyze the emerging challenges, issues of Tourism industry in India.
3. To devise alternative strategies for tourism promotion in order to bridge the gulf between potential and performance.

### 3. Growth and progress of tourism industry in India

Tourism development has always has been an integral part of the country's five year plans. Initially allocations were meager: Rs.3.36 crore in the Second Plan and Rs.36 crore in the Fourth Plan. It doubled in the Fifth Plan. The National Tourism Policy in 1982 gave a momentum to this sector. Expenditure rose from about Rs.187 crore in the Seventh Plan to Rs.595 crore in the Ninth Plan and further to Rs.2900 crore in the Tenth five-year Plan. The Tourism Development Corporation, Tourism Finance Corporation, Hotel Management and Catering Technology Institutes, Food Craft Institutes, Indian Institute Tourism and Travel Management, India Tourism Development Corporation, Indian Association of Tour Operators, Travel Agents Association of India and a large number of hotel management colleges, sports and adventure clubs, beach

resorts etc. have also contributed to the growth and development of this industry. Emphasis laid on HRD is clear. The first major effort to promote the industry was launched with the announcement of 1991 as the 'Visit India Year'. The next decade saw the restructuring of the schemes of Integrated Development of Tourist Circuits, and Product/Infrastructure Destination Development. Additional schemes/incentives were announced for service providers. Upgrading of beaches, airports, tax incentives were also introduced. Besides creating an official website for the Tourism Ministry, now the calendar of events is planned.

Even the new initiatives to encourage the NRIs and PIOs, through visit India programmes, Pravasi Bharatiya Divas celebration, Dual Citizenship to certain categories of diasporas Indians have given much fillip to tourism in India. Booming IT and outsourcing industry a growing number of business trips are made by foreigners to India, who will often add a weekend break or longer holiday to their trip. Foreign tourists, generally spend more in India than almost any other country worldwide. Tourist arrivals are projected to increase by over 41 per cent per year through till 2013, with a 47 per cent increase in foreign exchange earnings recorded in 2012.

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. 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.

- **Costly travel** – soaring fuel surcharges, poor flight management etc.
- **Poor organization** – fragmented market, poor advertising, stringent rules for service providers etc.
- **Lack of supportive infrastructure** – bad roads, improper health and hygiene, communication gaps, etc.

#### **Gap between demand and supply of manpower**

- **Lapses in security and safety** – incidents of tout and harassment of tourists in some places
- **Uneven progress** – slow growth of village tourism, lack of information about tourist profile etc.

#### **4. New issues and emerging challenges of tourism industry in India**

Post- globalization and under GATS many changes and challenges are confronted by the tourism industry in India.

##### **i) Liberalization and Tourism**

GATS came into existence as a result of the Uruguay Round of negotiations and entered into force on 1 January 1995, with the establishment of the WTO. India also signed all the WTO agreements under the single undertaking rule and GATS is a part of this whole package. More and more services like transport, banking and insurance, tourism etc. became "tradable services". Under GATS, tourism and travel related services – hotels and restaurants (including catering), travel agencies and tour operators' services, tourist guide services etc. are covered for open market access and liberal FDI. With this,

tourism has become "consumption abroad" and travel of tourists, "movement of natural persons". The principle of "National Treatment" by GATS suggests that 'each member shall accord to services and service suppliers of any other member, in respect of all measures affecting the supply of services, treatment no less favorable than that it accords to its own like services and service suppliers'. Shortage of skilled and trained manpower is another obstacle in benefiting from the opportunities thrown open by GATS to tourism. There has been increasing pressure from powerful blocks like European Community (EC) also.

##### **ii) Social and Political Concerns**

Globalization – like in most other fields – has raised socio-cultural issues in tourism too. These relate to the developmental, cultural and environmental effects liberalization of tourism can have on local communities and sensitive locales. From going global we have arrived to the need for "thinking globally and acting locally". The nexus of globalism and tourism is so sensitive that it is a real challenge to development of environmentalism. New parameters at the micro, macro and micro levels have to be identified for developing tourism keeping in view the incidents of communalism, terrorism, natural disasters, climate change, global warming, deforestation, pollution etc. These are a few aspects of the new paradigm of "Geo-politics of tourism" today. Technological improvements are likely to lead to increased destination alternatives to physical tourism (e.g. cyber tourism). Our tourism industry must prepare itself to meet these and other emerging challenges.

##### **iii) Infrastructural Bottlenecks**

A sector that is expected to increase forex by rupees 5000-12434 crore by 2014, cannot go on and on with the mediocre infrastructural facilities. Lack of integration between domestic and international tourism, lack of coordination between modes of transport and communication is eating up people's time and money, unproductively. Success of tourism depends to a large extent on better access to infrastructure, with a consumer-centric approach.

##### **iv) Alternatives**

A major breakthrough is taking place in international tourism. That is alternative tourism, a new option for India too. This includes health tourism, village tourism (in the vintage of global village!), sports and games tourism etc. Kerala has done innovative thinking in "monsoon tourism". This is really a rich and attractive avenue that not only helps reduce seasonality of tourism but also ensure optimum use of tourist facilities and services. India's challenge is illuminating because of its vast rural areas and rural-urban continuum.

#### **5. Guidelines/ suggestions for promoting tourism industry in India**

##### **i) Strengthens the Medical tourism**

Medical tourism, of all forms of niche tourism, grew at a rapid pace and is expected to maintain double-digit growth over the forecast period. With qualified Indian doctors and advanced equipment, India also benefited from offering cheaper medical services compared with other competing destinations including Singapore, Malaysia, and the Philippines. Indian medical tourism attracts many tourists from US, Europe and Middle

Eastern regions where medical treatment remains more costly. Medical tourism in India is likely to be one of the key niche tourism growth areas for in India throughout 2011 and 2012.

**ii) Travel accommodation players increase capacity at a faster rate**

In anticipation of huge demand driven by inbound and domestic travel, and current scarcity of rooms, hotels continued to add capacity at a fast rate. In 2013, travel accommodation witnessed the entry of many foreign players who foresaw huge demand for budget hotels, and subsequently planned to launch their brands in India. A few leading foreign chains and domestic players including Starwood Capital and Carlson Hotels are adding capacity to increase supply in the budget segment. Addition of huge capacity is likely to create a supply demand mismatch resulting in intensive competition in the near future. However, a few regions including Maharashtra and Karnataka are likely to absorb capacity due the increasing demand driven by business and luxury travellers. Luxury hotels also added capacity and have launched new outlets in 2013 and quite a few hotels are in pipeline.

**iii) Low-cost carriers outperform competition**

Indian aviation underwent intense competition throughout 2011 and share of throat continued to gradually shift hands towards low-cost carriers. Low-cost carriers including Spice Jet and Indigo witnessed growth at a much faster rate than scheduled airlines, and continued to gradually eat into the share of other major players. With such growth, low-cost airlines are expected to account for the major share over the forecast period. Low cost leaders including Indigo and Spice jet have launched international flights and are offering value fares. The move would create even stiffer competition for other international and Indian players which operate international flights. With budget airlines offering international flights, outbound travel is going to get cheaper to further drive Indian tourists to make international trips.

**iv) Growth drivers**

The fortunes of the hospitality industry are closely linked to the tourism industry and hence tourism is one of the most important growth drivers. In addition, all factors that aid growth in the tourism industry also apply to the hospitality industry. The Indian hospitality industry has recorded healthy growth in recent years owing to a number of factors.

**v) Increased tourist movement**

Increased FTAs and tourist movement within the country has aided growth in the hospitality industry. Healthy corporate profits and higher disposable incomes with easier access to finance have driven the rise in leisure and business tourism, thus having a positive impact on the hospitality industry.

**vi) Economic growth**

India is one of the fastest growing economies in the world. It recorded healthy growth in the past few years, at more than 9% each during FY06-FY08. Despite the global economic slowdown, the Indian economy clocked growth of 6.7% and 7.4% in FY09 and FY10 respectively. Attractiveness of India has encouraged foreign players to set up their operational facilities in the country. Domestic industries have also made heavy investments to expand their facilities through Greenfield

and Brownfield projects.

**vii) Changing consumer dynamics and ease of finance**

The country has experienced a change in consumption patterns. The middle class population with higher disposable incomes has caused the shift in spending pattern, with discretionary purchases forming a substantial part of total consumer spending. Increased affordability and affinity for leisure travel are driving tourism in India and in turn aiding growth of the hospitality industry. Emergence of credit culture and easier availability of personal loans have also driven growth in the travel and tourism and hospitality industries in the country.

**viii) Indian tourism on a roll**

With increasing disposable incomes and a flourishing economy, holidaying remained a popular trend driving travel and tourism. Indian travellers continued to spend lavishly on travel and were keen to explore newer destinations. Travel is further promoted by addition of capacity by airlines which are offering value fares to the booming population of Indian travellers. Domestic tourism also grew in a big way with increased holidaying.

**ix) Ministry of tourism engages in further promotional activity**

Ministry of Tourism, in efforts to tap the potential markets, extended the facility for Visa on Arrival (VoA) to a further six countries, in addition to the existing five in 2011. On top of the Incredible India campaigns, the government continued to raise interest in India by conducting trade shows in many countries including Cambodia, Vietnam, Bangkok, Los Angeles, New York, and Port of Spain. State governments are planning to promote each state as a destination for different form of niche tourism. In line with this, the North-east region would be promoted as a destination for adventure tourism and Jammu and Kashmir would be promoted as a destination for pilgrimage tourism.

**x) Others**

With upsurge in automobile, travel, hotel and other industrial/service activities the country is poised for a further growth of tourism. A win-win strategy is at its disposal. The increased spending by tourists has generated substantial income earnings for both public and private sectors. When the income from tourism tends to increase at a higher rate than merchandise export, it augers well for the tourism industry as a whole. The employment, investment and taxes from manufacturing and transport services, banking, basic infrastructure are all enhancing tourism's potential and performance. A number of new tourism products are entering into the attractive list. India's tourism industry is experiencing a strong period of growth, driven by the burgeoning Indian middle class, growth in high spending foreign tourists, and coordinated government campaigns to promote 'Incredible India'.

The sector is reaping the economies of scale too. For instance, health and medical tourism in India is flourishing. As a result of higher and very expensive medical costs in the western countries, patients from other countries including Africa, Gulf and various Asian countries have started exploring medical treatment in hospitals located in various well-to do places in India. Tourism is incredible and inclusive in India's new

growth. Bourgeoning Business and Economies of Scale India has significant potential for becoming a major global tourist destination. It has always attracted people from all over the globe through supreme and sublime hospitality, viz. athithi devobhava (Guest is equal to God). The World Tourism Organization (WTO) has reckoned India as the most favored destination among the countries of South Asia receiving more than 50 per cent of the total foreign tourist traffic in the area. The number of domestic tourists rose from 63 million in 1990 to 109.2 million in 1993 and to 334 million in 2011, The Travel and Tourism in India market research report includes Analysis of key supply-side and demand trends, Detailed segmentation, Historic volumes and values, company and brand market shares, Five year forecasts (of market share, market trends, market growth), Robust and transparent market research methodology, conducted in-country.

- For everything we need a policy – a sound policy at that. Let me now put forward a few policy suggestions to develop sustainable tourism in India
- India should make the most of its topography, natural resources and labor to develop not only traditional products but also nontraditional products of tourism.
- There is a need to showcasing rural tourism as a byproduct of Indian tourism. At the same time eco-tourism for sustainable livelihoods must be encouraged.
- Stepping up investment and boosting (world class) infrastructural activities, and enhancing security should be on the top of the agenda. Service quality – in hotels, airports, railway stations etc. – needs to be upgraded.
- Proper market segmentation should be done on the basis of criteria like demographic, socioeconomic and geographic variables. Yet a holistic approach should be the objective to project an Incredible and Inclusive India. Commercialization should not result in dehumanizing tour.

#### **6. Initiatives taken by the government of India to promoting tourism industry in India**

*The Ministry of Tourism, Government of India, has consistently been working on improving India as a prime destination for tourists. It further aims at promoting various Indian tourism products vis-à-vis competition faced from various destinations and to increase India's share of the global tourism market.* The Government of India allows 100 per cent foreign direct investment (FDI) in the hotel sector on automated basis. The allocation for Ministry of Tourism in the Union Budget 2013-14 has been increased by Rs 87.66 crore (US\$ 16.03 million) to Rs 1,297.66 crore (US\$ 237.23 million).

Moreover, the Indian companies in the hotel sector, with a total project cost of Rs 250 crore (US\$ 45.70 million) or more, irrespective of their geographical location, have been allowed to tap the external commercial borrowing (ECB) route. The maximum ECB by an individual company or group, as a whole, has been restricted to US\$ 3 billion. The fourth meeting of ASEAN and India Tourism Ministers was held in Vientiane, Lao People's Democratic Republic (PDR). A protocol to amend the memorandum of understanding (MoU) between ASEAN and India to strengthen tourism cooperation was also signed. Mr. Chiranjeevi, Union Minister for Tourism, Government of India, has complimented the Government of Madhya Pradesh for becoming the first State in the country to fully utilize plan funds released to them by the Ministry of Tourism, Government of India for the development of tourism

infrastructure at various tourist sites in the State. In a bid to give a boost to tourism in Uttarakhand, the State Government has identified 21 places endowed with natural beauty to develop them into major tourist destinations. The Ministry of Tourism has also sanctioned central finance assistance (CFA) worth Rs 43.87 crore (US\$ 8.02 million) for the development of Solapur mega circuit in Maharashtra.

#### **7. Major developments & investments in tourism industry in India**

India is among the top five tourism source markets for South Africa. The country has received 79,306 Indian tourists during January-September 2012, according to the data released by South African Tourism. Mumbai is among the 10 most affordable destinations in the world, according to a cost comparison study done by Trip Advisor on common incidental items and services that travelers purchase while staying at a hotel.

- The International Tourism Mart organized by the Ministry of Tourism was inaugurated at Guwahati by Mr. Janaki Ballav Patnaik, Governor of Assam. It is the first international tourism event to be organized in the North Eastern region of India.
- India and Canada plan to strengthen cooperation in tourism sector. Both the countries will identify areas for working together and explore new opportunities in tourism sector
- India and Japan plan to strengthen cooperation in tourism sector. Both the countries will identify areas for working together and explore new opportunities in tourism sector especially in the field of human resource development and investment in the tourism sector.

Various policy measures undertaken by the Ministry of Tourism and tax incentives have also aided growth of the hospitality industry; some of them include:

- Allowance of 100% FDI in the hotel industry (including construction of hotels, resorts, and recreational facilities) through the automatic route
- Introduction of 'Medical Visa' for tourists coming into the country for medical treatment
- Issuance of visa-on-arrival for tourists from select countries, which include Japan, New Zealand, and Finland
- Promotion of rural tourism by the Ministry of Tourism in collaboration with the United Nations Development Programme
- Elimination of customs duty for import of raw materials, equipment, liquor etc
- Capital subsidy programme for budget hotels
- Exemption of Fringe Benefit Tax on crèches, employee sports, and guest house facilities
- Five-year income tax holidays for 2-4 star hotels established in specified districts having UNESCO-declared 'World Heritage Sites'.

#### **8. Conclusion**

The scenario of globalization and tourism are interrelated as both are crossing the national boundaries, making interconnectivity in world on an unprecedented scale and unimaginable speed. GATS has indeed opened new vistas of growth for the tourism industry and fresh challenges are in the offing. India needs a long term plan for this industry with periodic evaluation and revision. A one size fits all approach to tertiary activities including tourism, will not help. Tourism's

uniqueness should be clearly understood. Our preparedness for new challenges can be tested by growth coupled with qualitative changes. Education, research and training are crucial cogs in the wheel of tourism. HRD should be given priority. Adequate importance should be given to inductive research on historical importance and contemporary relevance. Tour operators, guides must develop a good rapport with tourists. Edutainment is in vogue. We must circulate it faster. From touring to learn we should move to learning to tour.

15. GoI. Director General Tourism. Tourism Development in India, 2006.

## 9. References

1. Anwar Sajid, Hamilton John. Tourism into the Future – Towards 2020, and Beyond, *Tourism Recreation Research* 2005; 30(3):77-85.
2. RNCOS Report. Media Reports, Ministry of Tourism, Press Releases, Department of Industrial Policy and Promotion (DIPP).
3. Chand Mohinder, Kumar Ravi Bhushan. Rural Tourism: a New Approach to Sustainability. *South Asian Journal of Socio-Political Studies (Sajosps)*. 2005, 99-103.
4. Edward Manoj. Segmentation of International Tourists to an Emerging Tourist Destination – the Case of Kerala, *Erudition* 2008; 2(1):68-73.
5. Mohanty Deepak Kumar. Tourism the next driving factor of Indian Economy', *News Track India*, Available at, 2008.
6. Harisha N, Jayasheela, Hans V Basil. Tourism Industry in India: An Impact Study, National Level Seminar on Eco-tourism – Problems and Prospects, jointly organized by the Department of Post-Graduate Studies and Research in Tourism Administration, Kuvempu University, Janasahyadri, Shankaraghatta and Tourism Department, Sahyadri Science College, Shimoga, December 1. N. Harisha, Jayasheela and Hans, V. Basil, (2008). "Tourism Industry in Karnataka: An Overview", *Southern Economist* 2007; 46(20): 33-36.
7. Hans V Basil. Tourism Development in India – Challenges in the New Millennium. *Journal of Global Economy*. 2006; 2(1):55-71.
8. Hans V Basil. Communalism and Economic Development – Some Reflections, *Deeksha* 2007; 5(1):28-36.
9. Jayasheela, Hans V Basil. Tourism Industry in India – Is a Take-off Round the Corner? National Seminar on GATS and India's Service Sector: Progress and Prospects, organized by the Economics Department, Karnataka University, Dharwad, 2006.
10. Jayasheela, Hans V Basil. India's Tourism Industry: Is a Take-off Round the Corner? *Asian Economic Review* 2007; 49(3):459-474.
11. Jayasheela, Hans V Basil, Dinesha PT. Terrorism and Its Economic Implications, Seminar on Terrorism, organized by Shree Devi Institute of Social Work, Ballalbagh, Mangalore, 2007.
12. Megalmani, Shaukat Ali M. GATS and India's Education Sector – Issues and Options. *The Journal of World Intellectual Property Rights*. 2007; 3(1-2):259-277.
13. Motiram. Globalization and Tourism: Impact and Prospects, *Sajosps*, 2005, 108-137.
14. Pushpa P. Globalization of Tourism Trade and Business – impact on Indian Tourism Industry and National Economy. *Journal of Intellectual Property Rights*. 2006; 2(1-2):35-65.