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Hospitality industry in India – Today and Tomorrow

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Abstract

The paper reports the growth and development of hospitality industry in India in recent years. It also deals about the broad divisions of the industry, the growth of the industry and the initiatives of the Government of India. The prospects of the industry are discussed and how the industry is contributing to the growth of GDP of India.

Keywords: Hospitality Industry, India

Introduction

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 recognised as a destination for spiritual tourism for domestic and international tourists (IBEF2017).

The industry is broadly compartmentalized in two segments

- **Tourism:** The tourism sector includes medical and healthcare tourism, adventure tourism, heritage tourism, ecotourism, rural tourism, wildlife tourism and pilgrimage tourism.
- **Hotels:** These include business hotels, suite hotels, resort hotels, airport hotels, extended stay hotels, apartment hotels, resort hotels, timeshare hotels, casino hotels, convention centers and conference centers.

Hospitality Industry

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. 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. 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.

Growth of Indian Hospitality Industry

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:

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.

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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.

Measures undertaken by the government

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

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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.

Employment Opportunities

The hospitality industry is a labour intensive one and India has a large concentration of English speaking individuals, which prove as a catalyst in advancement and prosperity of the industry. Besides the regular jobs of a travel agent, tour

guide, air hostess, chef, waiter and managers other opportunities await those who are keen on taking up a job in the sector. The new trends that have been emerging off late are as follows:

- Cruise Ship Management
- Club Management and Recreation and Healthcare Management
- Airline Catering and Cabin Service
- Hotel Tourism and Association
- Fast Food Joint Management and Restaurant Management
- Beverage, food and confectionery production
- Institutional and Industrial Catering and
- Government owned catering departments like armed forces mess, ministerial conventions and railways services.

The Contribution of Hospitality Industry in Indian Economy

The contribution of the entire travel and tourism sector in India to Gross Domestic Product is estimated to rise from 8.8% (USD 118.9 billion) in 2010 to 9.16% (USD 335.7 billion) by 2020. Between 2010 and 2019 the demand for travel and tourism in India is expected to grow annually by 8.4%, which will place India at the third position in the world. Travel and tourism in India also accounts for 50,087,000 jobs in 2010 (about 10.22% of total employment) and is expected to rise to 59,142,000 jobs (10.7% of total employment) by 2020. Within the travel and tourism sector, the Indian hospitality industry is one of the fastest growing and most important segments, revenue-wise as well as employment wise. According to Economic Survey of India and Technopak, the Indian hotel industry accounts for USD 19 billion, 71.50% (USD 11.95 billion) of which take their origin from the unorganized sector and the remaining 29.7% (USD 5.67 billion) from the organized sector. In 2000, India hosted only 2.8 million international visitors. By 2009, the figure had already increased to 5.25 million arrivals. Compared to other tourism markets in nearby Asian countries, this is still a limited success, but has a potential to turn into a tremendous success story.

Conclusion

India's travel and tourism industry has huge growth potential. The medical tourism market in India is projected to reach US\$ 3.9 in size this year having grown at a CAGR of 27 per cent over the last three years, according to a joint report by FICCI and KPMG. 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, according to a study conducted by SRI International.

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