



The role of tourism in GDP-trends and future challenges

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Abstract

In the developing countries tourism industry is becoming one of the major employers. Hospitality and tourism has occupied a vital place in business studies all over the world. There are very many reasons as to why this sector is growing and has become a vital sector of the economy. Economic reasons include the fast growth in world market due to globalization of business by many countries of the world. Globalizing the business activity has created greater demand for services such as communication, transport and a good hospitality and tourism services. The success of tourism industry is considerably influenced by consumer orientation which necessitates integrated development of all the related components like transportation facilities, hotel, communication, availability of travel agents, tourist guides etc. Among all other tourism products this study focuses only on the hotel industry, because it is one of the most essential components of the tourism industry. The present research paper is based on secondary data collected from various published and non published sources. Study concludes that India is the growing very fast in all segments of tourism and hospitality and that sing highly positive for our economy in near future.

Keywords: tourism, hospitality, economy, foreign trade, globalization

Introduction

India is a rich country for services sector. After new economic reforms (1991-92) Indian economy shift from primary sector to service sector, it results Indian became the most demanded market of world in case of goods and services. In the Indian perspective, we find Seventh Five Year Plan as a water-shed in the development of tourism industry. For the first time, the vast potential of tourism as a foreign exchange earner and generator of employment opportunities was recognized. In India the strategy for the development of tourism is required to be designed on the basis of low-cost economy, higher level of productivity, efficiency in the use of infrastructure and sophisticated tourist facilities. In the Eighth Five Year Plan (1992-97), the special tourism areas have been selected and in the Ninth Five Year Plan (1997-2002), we look forward to energizing the process of development but the image problem is found complicating the task of professionals. The success of tourism industry is considerably influenced by consumer orientation which necessitates integrated development of all the related components like transportation facilities, hotel, communication, availability of travel agents, tourist guides etc. In the present research research paper an attempt has been made to examine the role of hotel industry, because it is one of the most essential components of the tourism industry.

Status of the Industry in the Indian Economy

Hospitality in India is based on the Sanskrit adage 'Atithi Devo Bhava' or 'Guest is equal to God'. The concept was adapted by the Ministry of Tourism, Government of India which aims at creating awareness on the rich variety of tourism in India.

India is currently ranked the 12th in the Asia Pacific region

and 68th overall in the list of the world's attractive destinations, according to the Travel and Tourism Competitiveness Report 2011 by the World Economic Forum (WEF).

India is well known for its natural resources (ranked 8th) and cultural resources (24th) with many World Heritage sites, both natural and cultural; rich fauna, many fairs and exhibitions and strong creative industries. India also has quite good air transport (ranked 39th), particularly given the country's stage of development, and reasonable ground transport infrastructure (ranked 43rd), reports The Travel and Tourism Competitiveness Report 2011 by World Economic Forum 2011.

Research Methodology

The present research work is based on secondary data collected from various published and un published source. The study is based on decode technique.

The present research paper is divided into three section as-

i) Introduction to Hotel service

The emerging positive trends in the tourism industry indicate that hotel industry is like a reservoir from where the foreign exchange flows. This naturally draws our attention on hotel management. In addition, the domestic tourism also indicates a positive sign of development. Thus the emerging new developments in the socio-economic environment open new vistas for the development of hotel industry. Of late, the organizations engaged in the hotel business are required to conceptualize modern marketing principles. This makes it essential that they formulate a sound marketing mix that makes possible an optimal development of the marketing

resources and makes the process of development cost effective. Like other industries, the hotel industry also needs to explore avenues for innovation, so that a fair blending of core and peripheral services is made possible.¹⁰

Company History - Indian Hotels Company

1902- The Company was incorporated on 1st April 1902 and till 1965 owned and managed two hotels, viz., the Taj Mahal Hotel and the Green's Hotel, with a view to construct a modern and much larger hotel on that site. The Company started the business of hotel, restaurant, cafe, tavern, beer house, refreshment room & loading house keepers. The Company owns two other properties known as Willington Mews and Mandalik House in Mumbai which are used for parking cars and accommodating some staff members.

1970s- The hotel under the name and style Taj Intercontinental Hotel was formally opened on 1st August, and progressively commissioned thereafter. Taj Investment & Finance Co. Ltd. became a subsidiary of the Company with effect from 7th December. The Company holds the entire capital of 2, 46,110. The Company finalized negotiations with the Government of Sri Lanka for putting up, in the first phase, a 400 room hotel of international standards at Colombo, to be owned by Taj Lanka Hotels, Ltd. 20, 16,000 Bonus Equity shares issued in prop. 4:5.

1980s- The Company started providing technical know-how and consultancy services in the operation of a 186 room hotel known as Taj Sheba Hotel at Sanaa, capital of North Yemen Republic. The Government of India approved the joint venture project and permitted the Company to invest in it an amount equivalent to U.S. Million partly by way of subscribing to shares in cash and partly by way of earnings from export of Indians goods like furniture, fittings, carpets and hotel operating equipment. The Company borrowed an offshore loan of U.S.50 million from the Hongkong & Shanghai Banking Corporation for the purpose of making the cash investment in the equity share capital of Taj Lanka Hotels, Ltd. The Company undertook to set up a hotel of international standards at Calcutta. The hotel was commissioned during 1988-89. 18, 14,400 Bonus Equity shares issued in prop. 2:5. Delhi Development Authority (DDA) accepted the Company's offer of collaboration for the construction of a 500 room hotel in Delhi for use by the delegates and visitors to the ASIAD '82 to be conducted towards the end of the year. In the second quarter of the year, the Company made a rights-cum-public issues of secured convertible bonds of the total for putting up, in the first phase, a 400 room hotel.

1990s- The 110 room Taj Luxury Hotel at Lucknow was commissioned. The hotel was promoted by Taj Kerala Hotels and Resorts Ltd. at Kumarakom in Kerala. A joint venture Company with Government of Karnataka viz. Taj Karnataka Hotels & Resorts, Ltd. was incorporated for undertaking development of tourism. Taj Mumbai would operate all the hotels that would be commissioned by the new Company. Another joint venture with Oriental Hotels Ltd., viz Taj Chennai Flight Kitchen Pvt. Ltd., Singapore, Malaysian Airline System Berhad, Kuala Lumpur is the foreign partners. The joint venture would set up an Air Catering Unit initially in Chennai to be operated by the Company. The Company has entered into a business profit sharing agreement with H.E.H.

Nizam of Hyderabad to develop Falaknuma Palace as a 5 Star deluxe Heritage Hotel. The Company executed a Memorandum of Understanding with Rajah Muthiah Chettiar Charitable and Educational Trust for the construction of a first class international standard hotel on an area of 5 acres which is located in Adayar in the vicinity of Chettinad Palace. The Company entered into a technical assistance agreement with Covelong Beach Hotel (India) Ltd. which was putting up a beach resort to be known as Fishermen's Cove at Covelong, about 20 miles from Chennai. This hotel was to have about 80 rooms with all related facilities. Indian Hotels & Health Resorts (IHHR) is setting up a destination resort and spa called 'Ananda-in the Himalayas', in Narendra Nagar near Rishikesh. The company, set up to develop health resorts, spas and city centre luxury boutique hotels in India and the rest of south-east Asia, is planning to set up a series of destination spas on the lines of the famous Chiva Som of Thailand. The company is also looking for a joint venture with an international partner to manage and run the group's London-based St. James Court. Indian Hotels proposes to buy 6.3% stake in Oriental Hotels. Indian Hotels Company Ltd (IHCL) proposes to buy 6.28 per cent stake in the Chennai-based Oriental Hotels Ltd, from its wholly-owned subsidiary, Taj Investment and Finance Company Ltd (TIFCO). 2000s The Indian Hotels Company, planned to re-enter the budget hotel categories in Gateway Name. Indian Hotels company has announced for the investment of million to acquire international hotel chains abroad. Indian Hotel Company has passed a resolution to raise the long term debt funds for the company's modernization and expansion programme. Indian Hotel Company has returned back its 8 acre hotel site in the city to Kolkota Municipal Corporation. Indian Hotel Company Ltd is in talks with Chaudhary group of Nepal and an African company to make its debut in environmental/wildlife tourism in India. The Company delists shares from Madras Stock Exchange Ltd (MSE) w.e.f. October 13, 2006. Indian Hotels attempts to set up three hotels in South Africa. Indian hotel may tie up with EMKE Group. Dun & Bradstreet was awarded the American Express Corporate Awards 2007 among India's Top 500 Companies in the Hotels category - The Indian Hotels Company Ltd. Launches the Gateway Hotel Chain. Taj Hotels Resorts & Palaces wins Gallup Great Workplace Award 2010, among the 25 distinguished organizations that will receive the 2010 Gallup Great Workplace Award at a gala during the Gallup Summit 2010, April 27-29 held at Omaha, Nebraska, US. Taj Hotels Resorts and Palaces, one of Asia's largest and finest group of hotels, and victoria-jungfrau collection, an exclusive hotel group comprising four of Switzerland's leading luxury hotels have entered into a strategic joint marketing alliance to develop cross-promotional opportunities for both companies to harness each other's strengths in their respective markets. The Gateway Hotel Beach Road Calicut has been voted India's Best Five Star Hotel in the National Tourism Awards 2008-2009 by The Ministry of Tourism, Government of India.

ii) Contribution in GDP of Tourism Sector

The hotel and tourism industry is growing faster for the past few years, bringing in large revenues through foreign as well as domestic tourists in various parts of the country. The major

rise in the tourist arrivals in India has led to an increase in India's share in world arrivals from 0.37 percent in 2001 to 0.53 percent in 2006. Tourism industry contributes to around 5.9% of India GDP. With the advent of foreign tourists, the foreign exchange earnings also witnessed a growth of 25.6 % in 2007 and reached USD 6.32 billion as against USD 5.03 billion in 2006. The foreign exchange earnings grew by 14.6 % in 2006 to reach USD 6.56 billion as against USD 5.73 billion in 2005.

Table 1: Sector Wise FDI Inflows from April 2000 to November 2015

S. No.	Sector	Amount of FDI inflows (in ` crore)	% with Total FDI Inflows
1.	Services sector	117,114.37	21.07
2.	Computer software & Hardware	46,464.07	8.40
3.	Telecommunications	45,667.64	8.06
4.	Housing and Real estate	41,938.00	7.53
5.	Hotel and Tourism	10,109.19	1.81
6.	Consultancy services	7860.08	1.40
7.	Food processing industries	5,344.22	0.94
8.	Education	1,787.67	0.31

Source: RBI fact sheet.

Table No.1 reveals the various services sector's Foreign Direct Investments (FDI) inflows into India. It includes hotel and tourism industries' FDI at 1.81% with total inflows.

Employment Generation in India

- Hospitality industry provides employment around 41.8 million people in India.
- Hotels and other accommodations provide 1.9 million wage and salary jobs in 2008.
- The world Travel and Tourism Council has estimated that by 2012, tourism can support 25 million jobs in India through 8% annual growth.
- According to the report by Ma Foi Management Consultants, the hospitality sector is expected to provide over 4, 00,000 jobs.
- According to Department of Tourism estimates, the hospitality industry supports 48 million jobs, directly or indirectly or 8.27 percent of total employment and accounts for 5.83 percent of GDP.
- For every room constructed, 3-5 jobs are created. The World Travel and Tourism council has estimated that by 2012, tourism can support 25 million jobs in India through 8% annual growth.

Trends in Hospitality Sector

- Low cost carriers are a good option for business travelers, as they have advantages like low costs, more options and connectivity.
- More than 50% of occupancy of a majority of hotels comes from the business travel segment.
- Travel and technology have become inseparable. Technology is making its own advances with high-tech video conferencing facilities, web cameras and virtual reality mode of conferencing, on-line bookings, e-ticketing, Wi-Fi Internet connectivity, easy access to information, etc. are just a few areas where technology has completely changed the way we travel.

Challenges of Hospitality Industry

One of the greatest challenges plaguing the hospitality industry is the unavailability of quality workforce in different skill levels.

- Retention of the workforce through training and development in the hotel industry is a problem and attrition levels are too high. One of the reasons for this is unattractive wage packages.
- The hotel industry facing heavy shortage of rooms. It is estimated that the current requirement is of 1, 50,000 rooms. Though the new investment plan would add 53,000 rooms by 2011, the shortage will still persist.
- The industry is witnessing heightened competition with the arrival of new players, new products and new systems. The competition from neighboring countries and negative perceptions about Indian tourism product constrains the growth of tourism. The image of India as a country overrun by poverty, political instability, safety concerns and diseases also harms the tourism industry.
- As India is emerging as a destination on the global travel map, expectations of customers are rising. The companies have to focus on customer loyalty and repeat purchases.
- Some of the services required in the tourism and hotel industries are highly personalized, and no amount of automation can substitute for personal service providers. India is focusing more on white collar jobs. The shortage of blue collar employees will pose various threats to the industry.

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