



"FUTURE PROSPECTS & OPPORTUNITIES OF INDIAN HOTEL INDUSTRY IN INDIA"-AN ANALYSIS

V. Koteswararao

Associate Professor, Department of Economics, Government Degree College, Chebrole, Guntur Dist, Ap.

Introduction

The service sector in India play an important role in contributing to gross domestic product(GDP) in India. The service sector comprises of a number of sub-sectors like Finance, Education, Tourism, Travel, Hospital, Hospitality etc., with the rise in the income levels of people associated with the changes in technology, the expectations of the people have been increasing from different sectors. This has resulted in the planning and implementation of marketing mix strategies. It is in this context a study on any sector of service industry assumes significance.

Hotel- Definition

The word **"hotel"** is derived from the French **"hotel"** (coming from hôte meaning host), which referred to a French version of a **"Townhouse"** or any other building seeing frequent visitors, rather than a place offering accommodation. A hotel is an establishment that provides **"lodging"** Paid on a short-term basis. The provision of basic accommodation, in times past, consisting only of a room with a bed, a cupboard, a small table and a washstand has largely been replaced by rooms with modern facilities, including en-suite bathrooms and air conditioning or climate control. Additional common features found in hotel rooms and facilities for making tea and coffee. Larger hotels may provide additional guest facilities such as a swimming pool, fitness center, business center, childcare, conference facilities and social functional services. Hotel rooms are usually numbered_(or named in some smaller hotels and B&Bs) to allow guests to identify their room. Some hotels offer meals as part of a room and board arrangement. A Hotel has been regarded as place for food and accommodation on payment since long time. According to several authors, the word hotel is derived from the Latin **"hospitale"** and old French **"osterie"**. Several dictionaries, encyclopedia and acts related to hotels have all defined **'hotel'** in terms of its core activity-providing paid accommodation to guests/ travellers, with or without board or other services. In nutshell, hotel is a commercial establishment intended to provide travellers/ guests with lodging, food and related services.

Government of India policy statements define the term **"hotel"** to include restaurants, beach resorts, and other tourist complexes providing accommodation and/ or catering and food facilities to tourist. "A hospitality service is a bundle of features and benefits". For the above discussion it becomes obvious that the hospitality covers a wide range of services offered to travellers/ guests-these services include all forms of food, accommodation, dining, transport entertainment. Hospitality Management is the academic study of the hospitality industry..

It was recognized in the **Manila Declaration on World Tourism of 1980** as "an activity essential to the life of nations because of its direct effects on the social, cultural, educational, and economic sectors of national societies and on their international relations."⁵ Tourism brings in large amounts of income in payment for goods and services available, accounting for 30% of the world's exports of services, and 6% of overall exports of goods and services⁶ It also creates opportunities for employment in the service sector of the economy, associated with tourism.⁷ These service industries include transportation services, such as airlines, cruise ships, and taxicabs; hospitality services, such as accommodations, including hotels and resorts; and entertainment venues, such as amusement parks, casinos, shopping malls, music venues, and theatres.

Growing Importance of Service Sector In India

The hospitality industry is apart of larger group of industries that collectively make up the service sector of the economy. The service sector also includes other enterprises covering a broad range of occupations such as Law, Medicine, Trade, Transport, Banking, Insurance, Accounting, Consultancy, Electronic and electrical repairs, Nursing and Hair dressing to name a few. Among the services, the leading upsurge was Trade, Hotels, Transport and Communications. One of the major trends in Indian economy has been the dramatic growth of services. Services jobs now account for 70 percent of total employment and 50 percent of the GNP, and services will provide 90 percent of all new jobs in the next 10 years. The economies of developed countries were initially dominated by agriculture; the dominance passed on to industry, and finally to services. Thus, most developed economies today are service dominated. India is no exception into this global trend.(**Table: I.1**). As a result of rising affluence, more leisure time, and the growing complexity of products that require servicing, service sector has been witnessing phenomenal growth in recent years.

Table : I.I Showing Sectoral Composition : % Shares In Real Gross Domestic Product (Gdp)

S. No	Sector	2014-15	2010-11	2009-10	2000-2001 To 2008-09 Average
01.	Agriculture and Allied activities	17.8	20.7	22.0	27.5
02.	Industry	26.6	25.6	25.0	24.0
03.	Services	55.6	53.7	53.0	48.5
04.	Grand Total	100	100	100	100

Source: Annual Reports of RBI, 2009-2010; 2010-2011; 2014-2015;

Table: I.2 showing Growth of Real Gross Domestic Product (Gdp) –Sector Wise

S. No	SECTOR	2014-15	2010-11	2009-10	2000-2001 TO 2008-09 AVERAGE
01	Agriculture and Allied Activities	1.1	9.6	-5.2	3.4
02	Industry	8.3	6.5	6.2	6.3
03	Services:	8.6	8.9	7.2	7.5
	3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication.	12.4	11.8	7.0	8.4
	3.2 Financing, Insurance, Real Estate and Business Services.	7.1	7.1	8.8	7.8
	3.3 Community, Social and Personal Services	5.9	5.8	5.8	7.1
	3.4 Construction	5.2	7.0	7.3	5.2

Source: Annual Reports of RBI, 2009-10;2010-11; 2014-15;

Table: I.3 showing Share In Services Gross Domestic Product (Gdp)

S. No.	Sector	2014-15	2010-11	2009-10
01	Trade, Hotels, Transportation and Communication	53.3	48.1	44.0
02.	Growth Rate	11.4	11.8	7.0

Source: Annual Reports of RBI, 2009-10; 2010-11; 2011-12;

Significance of Hotel Industry In India

Of the many and diverse components of tourist industry, hotels constitute the most important segment. Hotels form the core of tourism infrastructure. It is said “**No hotels, No tourism**”. Hotel industry is so closely linked with the tourism industry that it is responsible for about 50 percent of foreign exchange earnings of our tourism. Tourism has emerged as the fastest growing industry and second largest foreign exchange earner for the country. The reasons for India’s impressive growth in this sector and the massive potential it holds lies in the general economic progress in the country marked by unparalleled growth of information technology improved transportation, better and widespread education, rising disposable income, increased leisure time, emerging corporate culture and changing the life styles, Increasing preference of foreign investors and tourists for business and pleasure in the country. The growth and development of travel and tourism will inevitably bring about the development of the hotel industry. The officials on deputation, the business magnets on trade promotion mission, the foreign representative on peace mission, the domestic or foreign tourists interested in visiting a place for pleasure or for enriching the knowledge bank, the national and international events etc., are some of the important clientele responsible for the development of hotel industry. Nearly 60 percent of tourist/ traveller expenditure is for Boarding and Lodging. Though the hotel industry is capital intensive needing large amount of investment initially, being a service industry it is also labour intensive in the sense that, it provides substantial employment opportunities, both direct and indirect, through its backward and forward linkages.

It employs the educated, uneducated, skilled, semiskilled and unskilled persons simultaneously, the most important need of a country like India. Hotels have a direct impact on several other industries, providing market for their products. Food stuffs, machinery and equipment, furniture and fixtures, furnishings, air-conditioning equipments, breweries, crockery and cutlery, handicrafts, computers are some of the industries which directly benefit from the development of hotel industry. The industry also requires the services of professional i.e., architects, contractors, interior decorators, accountants, bankers

etc. The development of these industries has in turn concomitant effect upon other industries. It is said that with each unit of hotel investment and activity turn over, the multiplier impact will generate and extra 4-5 units of economic activity.

Various Factors Influencing Growth And Profitability of Hotel Industry In India

Tourism

This is the primary factor for the hotel industry. India has great potential of becoming a major stop for tourists. However, lack of infrastructure has kept the foreign tourist at bay. The Government has been actively participating in propagating India as an oasis for global travellers. India has always conjured up a fascinating image in the mind of foreign tourists. India has an advantage of having diverse cultures, languages and religions, which makes it an exciting tourist destination for people all over the world.

A record increase in tourist inflows and higher occupancy provided an impetus to the growth of hotel industry (**Table – I.4**) India's share in world tourist earnings stands at 5.77 percent in 2012 and Indian rank in world tourist earnings is 17th in 2015, Foreign exchange earnings from tourist earnings stands at 3,71,720 in 2016 and rate of increase of earnings is stood 46.5 % in 2016 . He recent revival in tourist interest in India, liberalized exchanged and payment rules and expanding business travel on account of globalization have contributed to the recent buoyancy in travel and tourism.

Table I.4 showing No. of Approved Hotels & Availability of Rooms In India

Category	No. of Hotels					No. of Rooms				
	2008	2009	2010	2011	2015	2008	2009	2010	2011	2015
One star	291	303	331	392	462	8337	8994	9636	10237	12337
Two star	639	661	702	774	833	19337	21396	23396	25346	26764
Three star	793	804	833	924	979	29366	34333	36444	39365	42396
Four star	291	324	394	439	532	10397	11462	12593	13967	16392
Five star	269	301	339	366	423	14393	16276	17644	18374	20392
Fivestar deluxe	291	303	344	422	477	19347	22333	23394	25392	28149
Heritage	243	264	349	444	533	4336	6694	8937	10364	13341
Classification awaited	298	326	363	537	693	13337	16694	18394	21364	24396
	3115	3286	3655	4298	4932	118850	138182	150438	164499	186167

Source:- FHRAI, New Delhi

No. of Hotels In India

Explanation

From the above table it is cleared that “No. of Approved Hotels in India” from all the years are uniformly distributed; but whereas the Types of Hotels Approved are not uniformly distributed.

Case 1: (“No. of Approved Hotels in India”):- By ANOVA Analysis the calculated F-value is 1.74355; the table value at (4, 35) degree of freedom with 5% level of significance is 2.641465.

Case 2: (“No. of different types of Hotels Approved in India”):- By ANOVA Analysis the calculated F-value is 19.71694; the table value at (7, 32) degree of freedom with 5% level of significance is 2.312741.

Conclusion

- Case 1:** Since the Observed value is less than the table value at 5% level of significance. Hence Average No. of Hotels Approved throughout the years is uniformly distributed. But from the data we can observe that the No. of Hotels Approved in the years 2011, 2012 are more when compared with the other years.
- Case 2:** Since the Observed value for second case is greater than the table value at 5% level of significance. Hence Average No. of different Types of Hotels Approved throughout the years is not uniformly distributed. But from the data we can observe that the No. of Two Star Hotels and Three Star Hotels Approved is more throughout the years when compared with other types of hotels.

Availability of Rooms In India

Explanation

From the above table it is cleared that “Availability of Rooms in India” from all the years are uniformly distributed; but whereas the Availability of Rooms from different Types of Hotels are not uniformly distributed

1. Case 1: (“Availability of Rooms in India”):- By ANOVA Analysis the calculated F-value is 0.939084; the table value at (4, 35) degree of freedom with 5% level of significance is 2.641465.
2. Case 2: (“Availability of Rooms in Different types of Hotels”):- But for the types of Hotels Approved by ANOVA Analysis the calculated F-value is 37.32247; the table value at (7, 32) degree of freedom with 5% level of significance is 2.312741.

Conclusion

1. Case 1:- Since the Observed value is less than the table value at 5% level of significance. Hence Average No. of Rooms Available in India throughout the years is uniformly distributed. But from the data we can observe that the No. of Rooms Available in the years 2011, 2012 are more when compared with the other years.
2. Case 2:-Since the Observed value is greater than the table value at 5% level of significance. Hence Average No. of Rooms available in different Types of Hotels Approved throughout the years is not uniformly distributed. But from the data we can observe that the No. of Rooms available in Two Star Hotels, Three Star Hotels and Five Star Deluxe Hotels are more throughout the years when compared with other types of hotels.
3. Room occupancy: The ARR and occupancy are the other critical factors that determine profitability. These, in turn, depend on the location, star rating, amenities and quality of service. The occupancy of Indian hotels and the ARR has been on the rise for the past three to four years after the turbulent socio- political environment in the nation and the East Asian economic crisis.(Table I.5)

Table : I.5showing Occupancy Rates of Different Category of Hotel By Domestic And Foreign Tourists In India

Category	Domestic			Foreign			Total		
	2010	2011	2015	2010	2011	2015	2010	2011	2015
1 Star	34.2	40.1	38.2	19.9	18.8	22.4	54.1	58.9	60.6
2 Star	40.9	37.8	40.4	8.1	12.7	12.7	49.0	50.5	53.1
3 Star	46.9	52.8	52.9	8.6	9.3	11.3	55.5	62.1	64.2
4 Star	33.6	42.4	51.9	16.6	23.4	19.6	50.2	65.8	71.5
5 Star	36.6	37.8	39.2	22.2	28.8	30.8	58.8	66.6	70.5
5 Star Deluxe	23.5	30.8	32.2	35.3	29.4	35.1	58.8	60.2	67.3
Heritage	23.3	22.8	20.3	19.1	32.6	46.8	42.4	55.4	67.1
Others	37.8	44.8	49.8	10.2	5.5	5.4	48.0	50.3	55.2
Overall	33.7	40.1	41.8	21.7	20.6	23.3	55.4	60.7	65.1

Source: Department of Tourism, Government of India.

Future Prospects of Hotel Industry in India

In Asia pacific the Indian hotel industry is only second to that of China’s. According to the predictions of The World Travel Organization the hospitality industry will assume a huge shape by the year 2020 becoming almost triple in size. The growth rate is projected at 8.8% in the year 2016 with more than 4 million estimated tourists visiting here.

Indian Hospitality Industry- Future Trends

1. Hospitality industry is expected to be one of the major employers in India.
2. Tendency to promote of Indian values and tradition to attract more tourists.
3. Growth of Premium and luxury hotels.
4. More innovations in services including accommodation, food, beverages etc..

Policy of the government towards prosperity of the Hotel industry:

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

1. Allowance of 100% FDI in the hotel industry (including construction of hotels, resorts, and recreational facilities) through the automatic route . The Government of India allows 100 per cent foreign direct investment (FDI) in the hotel sector on automated basis.
2. Introduction of ‘Medical Visa’ for tourists coming into the country for medical treatment .
3. Issuance of visa-on-arrival for tourists from select countries, which include Japan, New Zealand, and Finland .

4. 8.8% growth is expected between years 2007-2016.
5. Promotion of rural tourism by the Ministry of Tourism in collaboration with the United Nations Development Programme .
6. Elimination of customs duty for import of raw materials, equipment, liquor etc
7. Exemption of Fringe Benefit Tax on crèches, employee sports, and guest house facilities
8. Five-year income tax holidays for 2-4 star hotels established in specified districts having UNESCO-declared 'World Heritage Sites'.
9. 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.
10. The allocation for Ministry of Tourism in the Union Budget 2015-16 has been increased by Rs 87.66 crore (US\$ 36.03 million) to Rs 2,297.66 crore (US\$ 237.23 million).
11. 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.
12. Government of India, has complimented the Government of Madhya Pradesh for becoming the first State in the country to fully utilise 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.
13. 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.
14. The Ministry of Tourism has also sanctioned central finance assistance (CFA) worth Rs 43.87 crore (US\$ 8.02 million) for the development of Sholapur mega circuit in Maharashtra.
15. The year 2015 is expected to be the milestone year for the Indian Hotel Industry touching INR 230 billion and a CAGR of around 12%.

Concusion

The tourism sector can also be considered as the backbone for allied sectors, like hospitality, civil aviation, and transport. Domestic tourism is very huge in the country, promoted by various intents. Pilgrim and leisure tourism are two very important sectors. The Ministry of Tourism 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 industry has been witnessing an upswing for last few years partially due to an excellent 'Incredible India' campaign and is expected to increase up to US\$ 431.7 billion by the end of 2020. On the other front, India has the potential to develop the rural tourism industry. This can benefit the local community economically and socially, and enable interaction between tourists and locals for a mutually enriching experience.

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