

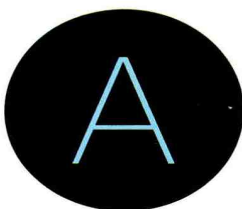
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BY PATU KESWANI

Making India Incredible

A lot needs to be done before India's travel and tourism sector's share in the national GDP can match the global average of 10 per cent



AN OVERVIEW OF the travel and tourism (T&T) sector globally reveals interesting comparisons. In 2019, the Top 10 tourist destinations were France (90 million tourists), Spain, the US, China, Italy, Turkey, Mexico, Thailand, Germany and the UK (nearly 40 million tourists). In comparison, India received 18 million international tourist arrivals (ITAs), of which 11 million were foreign

tourist arrivals (FTAs) and 7 million were non-resident Indians (NRIs). So, if India's share of the global gross domestic product (GDP) was 3.3 per cent in 2019, its share of FTAs was only 1.22 per cent. This explains why, when T&T contributed 10.3 per cent to total global GDP in 2019, the sector contributed only 6.8 per cent to India's GDP (for Thailand and Spain it was 21.9 per cent and 14.6 per cent, respectively).

In 2019, the T&T sector contributed to nearly 5.7 per cent of direct employment and 7.3 per cent of indirect employment in India. In the same year, the global contribution of this sector to direct employment was

double, at 10.4 per cent.

Tourism in India: The Government of India expects the T&T sector to recover to pre-pandemic levels by mid-2024, and targets India's share of ITAs at 2 per cent of the global total by 2025. By 2024, it is estimated that the T&T sector will contribute \$150 billion to India's GDP (with 15 million FTAs and \$30 billion in foreign exchange), which is expected to grow to \$250 billion by 2030. Even if this target is met, the T&T sector's contribution to India's GDP will be below the global average of 10.3 per cent.

The hotel industry outlook: The Indian hotel industry has traditionally been highly fragmented—of the around 3 million rooms available in India for accommodation, only around 150,000 or 5 per cent are branded (in the US, around 70 per cent are branded). In general, unbranded accommodation options offer relatively poor quality, product and service experience, along with questionable hygiene and safety standards.

As a proxy for hotel demand, the airline industry is projected to double in size between 2020 and 2027. This should lead to a corresponding increase of at least 60 per cent during the same period for hotel room demand. Consequently, all India revenue in the hotel industry will likely grow from an estimated \$32 billion in 2020 to over \$50 billion by 2027.

Future growth in supply (estimated at 4-5 per cent per annum over the next five years) will likely be more rational, driven by institutional ownership, unlike earlier where most supply creation in India was driven by UHNWI (ultra high net worth individual) ownership, often without considering market conditions and/

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or financial viability. These trends towards branded consolidation of existing supply, with limited new supply additions and a growth in demand for branded hotel rooms (estimated at 12 per cent-plus per annum for the next five years, especially in Tier II, III and IV cities that have in the past hardly had any branded supply), will finally lead to a healthy financial performance for the hotel industry in India, after a dismal past decade.

Constitution of India. Also required are infrastructure upgrades to provide better intra- and inter-city travel, visit (to tourist attractions) and stay experiences.

Hygiene, cleanliness and quality of public conveniences must be tackled on a war footing, especially at locations which attract high tourist footfalls. The perceived lack of safety, especially for women tourists is a major deterrent that makes many

unaware of the incredible diversity/array of the many tourist attractions India has to offer.

For the hotel industry in particular, we need: (i) single-window approvals for developing and operating hotels. Currently, it is a nightmare to both build and/or operate a hotel in most cities in India; (ii) industry status with the relevant benefits in cost of utilities, interest rates, debt tenures, etc. There is still a widespread perception in both central and state governments that hotels are an elitist industry, whereas the reality is that over 95 per cent of the hotels in India cater to the mid-market and budget consumer (but are treated as luxury providers).

Industry status should also be offered to all hotels built at a cost of ₹20 crore or more (currently the threshold is capped at ₹200 crore, which would only be applicable for five-star properties). While there are many other not-so-material aspects that can also be visited/corrected, there is no doubt that if the government sets up a mission-critical nodal agency, preferably reporting to the PMO (with clarity of objectives and adequate authority and resources), to align stakeholders and drive the required reforms, India could very well get T&T to contribute well over 10 per cent to the country's GDP within the next decade itself. The added benefits of this would be to reap the demographic dividend, i.e., enormous employment generation (one direct job in T&T leads to the indirect creation of two additional jobs), and enhanced soft power projection of India globally, along with an increase in the government's revenues and foreign exchange earnings, among other things. **BT**

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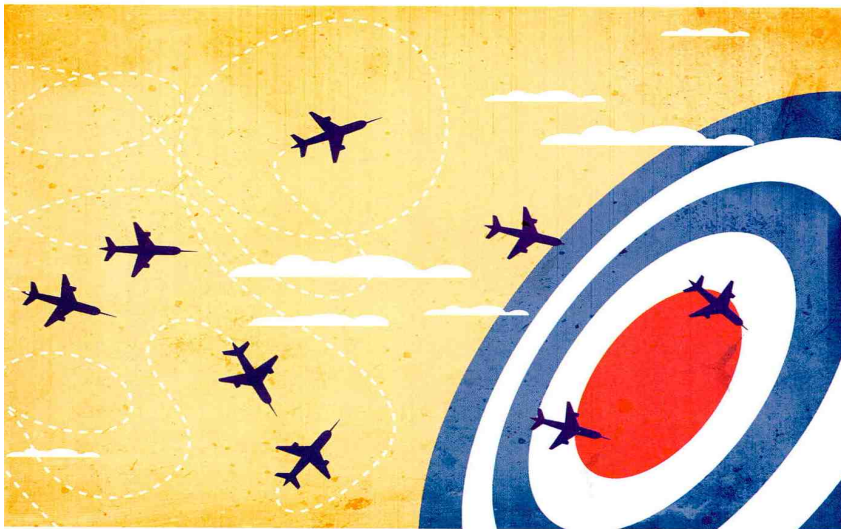


ILLUSTRATION BY RAJ VERMA

Travel and tourism in India@100: Going forward, if India is to realise the full potential of T&T (with the aspiration of being in the Top 10 countries for FTAs with at least 10 per cent contribution to GDP), various stakeholders (including, most importantly, the central and state governments, with airlines, hotels, travel agents, financial institutions, airports, transporters, restaurants etc.) need to work unitedly. It is important to include tourism in the Concurrent List of the

tourists prefer to travel to other countries. (Just last month, a foreign woman tourist told me that during her four-week visit to India, the highlight had been the way she was pestered daily by men walking up to her requesting a selfie. This happened in markets and tourist destinations, with the police in close proximity!).

Fast-tracking global awareness campaigns and improvement/development of major tourist attractions through the public-private-partnership (PPP) model. Most FTAs are

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