



INVESTMENT PATTERN IN INDIA TOURISM INDUSTRY-AN ANALYSIS

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ABSTRACT:

Today, tourism is recognised as an instrument for socio—economic, cultural development in India. It contributes to sustainable human development in poverty alleviation, employment generation and environmental regeneration in remote and backward area. In India, tourism already accounting for 0.9 per cent of Gross National Product, 9.0 per cent of merchandise export, generating 47.5 per cent jobs (in every million Rs. invested) which is still higher than any other industry and contributes 0-07 per cent of total receipts. The world Travel & Tourism Council (WTTC) estimated that tourism would contribute another Rs. 5, 00,000 crores to the Gross Domestic Product, 8 million arrivals and US \$ 8.1 million for foreign exchange earnings by 2010. These estimates will put the tourism industry at top in terms of foreign exchange earnings and generation. However, India lacks an adequate touristic infrastructure to accommodate increasing touristic traffic. This requires huge investment in infrastructure and govt. initiative and collaboration with various agencies for the development of tourism infrastructure. The present paper focuses on analysis of investment pattern in Indian tourism industry

Introduction:

Travel and tourism has attained a prodigious position, particularly during the last five decades (1955-2005), globally. Today, tourism has recognised to be the fastest growing industry, accounting for more than 10.6 per cent of total world trade, 30 per cent of service sector and generates more than 14 per cent of Gross Domestic Product at global level. At present, for more than two dozen countries, the international tourism alone is acting as a sole agent, the single largest source of foreign exchange earnings and generating huge employment opportunities. Tourism scholars, futurologist and international tourism organisations (**WTTC, & WTO**) have predicted that tourism is likely to become the largest and the fastest growing industry by the end of 2010. The multifarious socio-economic, cultural and ecological implications of tourism, both good and bad, are now

being taken seriously the world over. The employment problem is one of the major gray areas in both developed and developing countries. Tourism has been, and may continue to prove a solution.

The year 2005 has been a highly successful year so far as tourism is concerned. For the third successive year, India witnessed a positive growth in foreign tourist arrivals, reaching a level of 3.92 million against 3.46 million during last year. The growth rate of 13.2% during 2005 was achieved over and above a growth of about 26.8% witnessed during the year 2004; and that the expected growth the world over during 2005 is estimated to be about 5-6% only. With this growth, the share of India in world tourism, which was hovering between 0.38% to 0.39% for number of years, is expected to be around 0.49%. An important highlight of the India tourism during 2005 was an increase of 20.2% witnessed in the foreign exchange earnings in dollar terms. The estimated foreign exchange earnings during the year touched the level of US \$5731 million during 2005 against US \$ 4769 million during 2004 - - a growth of about US \$960 million in one year. In absolute rupee terms, the increase in foreign exchange earnings during the year was to the tune of Rs.3570 crores.

Table :1
Foreign Exchange Earnings in India During 2006
And Corresponding Figures For 2004 & 2005

Months	Foreign Exchange Earnings (In US\$ Million)			Percentage Change	
	2004	2005*	2006*	2005/04	2006/05
January	460.67	532.19	632.43	15.53	18.84
February	452.96	536.07	594.64	18.35	10.93
March	400.37	505.74	547.17	26.3	8.2
April	304.77	378.38	473.44	24.2	25.1
May	252.51	333.15	368.56	31.9	10.6
June	303.72	375.47	401.23	23.6	6.9
July	384.87	470.08	497.27	22.1	5.8
August	357.80	435.49	456.76	21.7	4.9
September	320.33	401.83	424.70	25.4	5.7
October	423.97	497.63	594.05	17.4	19.4
November	531.25	597.50	711.61	12.5	19.1
Total	3661.97	4466.03	5035.25	22.0	12.7

Therefore, the future growth potentials are phenomenal. John Naisbitt has pointed out the information technology revolution to be the largest single influence in the future and the travel and tourism to be the biggest industry of the 21st century. Recently, the World Tourism Organisation (WTO) and World Travel and Tourism Council (WTTC) studies reveal that by 2020 there will be 1.6 billion international tourist arrivals worldwide; \$ 2000 billion will be their spending, 144 billions new jobs would have been created in this sector. The sustained annual growth rate in tourism will be 4.9 per cent in arrivals and 6.7 per cent in receipts which is far above the probable expansion of the world's wealth, which will be growing only at about 3 per cent p.a.

Table: 2**Share Of India In World Tourist Arrivals**

Year	World Tourist Arrival	Tourist Arrival to India	Share of India in World Tourism
1995	544.9	2.12	0.39%
1996	575.3	2.29	0.38%
1997	597	2.37	0.38%
1998	617.4	2.36	0.38%
1999	641.1	2.48	0.38%
2000	685.5	2.65	0.39%
2001	683.8	2.54	0.37%
2002	702.8	2.38	0.34%
2003	690.9	2.73	0.39%
2004	766	3.46	0.45%
2005*	808	3.92	0.49%

Sources: Govt. of India, Ministry of Tourism, 2006.

Paradoxically, India's share of global tourism is still meager i.e. 0.49 per cent. In spite of this, India is the country who has in her credit long and prestigious history, diverse geographical area, arts, crafts, traditions, religious observances, fairs & festivals, mountains valleys, landslides, beach resorts, amusement parks, world famous architecture which are the components of tourism product, universally acknowledged. Even, our neighboring countries such as Thailand, China, Singapore and Indonesia have comparatively higher international tourism share than India. Fact remains that India has started its efforts to promote international tourism

half century back, but it has lagged behind due to lack of political will, adequate quality infrastructure and superstructure, trained and experienced man-power, financial resources, effective marketing and tourism management techniques etc.

Tourism industry is now seen as an engine of economic growth and development of developing nations. The Government in developing countries is playing an increasingly dominant role in the promotion and development of tourism. The tourism promotion and development in India at both macro and micro level does not seem to have reached anywhere near its potential. The reason behind this was casual attitude towards infrastructure development. Sophisticated infrastructure systems required by tourism development often benefit the community by encouraging and serving economic development in other industrial sectors. Obviously, tourism development in undeveloped countries has remained unexplored/ untapped whereas in developed countries such as U.K. U.S.A., Japan, Germany etc. can act as a land mark. Tourism development includes the construction of wide infrastructure, accommodation, and transportation systems, cultural institutions, adventure and sports facilities, exhibitions and convention centers, shopping centers, man made attractions, enhancement of natural and human environment and trained human resources.

Tourism infrastructure requires an extensive investment both in public and private sector to finance initial planning & development stages and fixed assets. Due to the huge finance requirements, tourism industry is known as capital intensive industry. According to Medlik, '90 per cent of investment in hotel companies goes towards fixed assets and remaining amount is invested in working capital'. Tourism investment in developing nation is extremely heavy both in infrastructure and superstructure development. It indicates a high proportion of capital outlay spent on fixed assets and touristic infrastructure.

Taking into consideration these vital aspects of Indian tourism industry, the present study has been conducted to examine the investment pattern in the Indian tourism industry.

Objectives:

In this paper the endeavour has been primarily to examine the tourism investment pattern in India. The study also suggests the measures to improve the tourism infrastructure in India to accommodate the growing trends of tourist traffic.

Research Methodology

The study is based on secondary data. The data have been collected from the Government's published reports, annual reports and tourism policy document. The discussion has been presented in two sections. The first section devoted to evaluate the position of Indian tourism industry in terms of tourist traffic and tourist receipts. The second section examined the investment pattern in tourism sector both pre-planned period and post-planned period. Finally the conclusion and recommendations emerged from the study have been discussed.

Investment in tourism infrastructure- Present Status

The infrastructure for tourism in India comprises not only hotels, restaurants etc, but also all means of transport and communication infrastructure and basic amenities such as water, sewage, health centers and so fourth. This requires the need of several agencies to be involved in the process of tourism infrastructure development in the country. The Ministry of Tourism, Govt.of India has formulated a new tourism policy that aims to achieve necessary linkages and synergies in the policies and programmes of concerned agencies by establishing effective coordination mechanisms at the central, state and district levels. Thus, the focus of the policy is to develop tourism as a common endeavour by all agencies concerned at the central and state levels, and it will also include public sector undertakings and the private sector. Therefore, the government has launched many activities focused on infrastructure and human resource development in support of the tourism industry, which will be completed by the various agencies involved. However, for the development tourism infrastructure, huge investment is required. The following are the main issues and impediments of tourism infrastructure development:

- (1) Inadequate basic infrastructure facilities, i.e., international and domestic airports, rail services, road networks;
- (2) A lack of adequate incentives for attracting foreign and domestic investment in infrastructure development.

Investment Pattern - Pre Planning Period

The history of investment in tourism goes back when the necessity and urge to travel for food of animals led to setting up of places where rest and food for the travelers could be obtained. However, in the ancient times, there were no hotels and the needs of the travelers for food accommodation

were mostly met by the householders. For facilitating travel in North, South, East and West parts of the country, kings and rulers took the responsibility to construct accommodation, roads and drinking water facilities and also built temples, forts and monuments etc.

During 18th century a number of hotels were constructed in India by the Britishers. The hotel industry then grew rapidly and by the end of 19th century there were number of hotels in India which cater to the needs of tourists. However, the 20th century was a turning point in the investment in hotels. During this period, private owners invested funds in tourism and tourism related activities to cater to the requirements of different travelers. Thus, the main source of finance in tourism was the owner's contribution. Moreover, the transportation system, communication system, ports, accommodation and other infrastructure were built by the British people in order to facilitate trade and commerce in India.

During 1945, for the first time in India, it was Sargent committee that pointed out a serious problem of accommodation and transportation system. After independence many more private and public entrepreneurs entered the accommodation sector. In 1948 the Government of India for the first time realised the significance of finance for tourism apart from industrial development.

Investment Pattern-post Planning Period

In 1950, India established Planning Commission and adopted planned model for the systematic development of the country. The first five year plan was started in 1951-1956. In this plan the total outlay was Rs. 1960 crores. However, no amount was allocated for the development of tourism. The main reason was that tourism had not established itself as a separate sector of Indian Economy. Although, tourism cell was formed in 1949 and was looked after by the ministry of transport. In spite of no plan allocation, Government had adopted some measure to increase foreign tourists like, opening of tourists offices in India and abroad, the production of tourist publicity material and involving travel agents, tour operators to organise tourist promotion activities etc.

The development of tourist facilities was for the first time taken up in a planned manner in the second five year plan (1956-1961) (Table - 3). In the second five year plan, separate funds were set aside Rs. 3.36 crores for the development of tourism, this was just .07 per cent of total

outlay. The main objectives of development of tourism during 2nd five year plan were development of infrastructure, to provide accommodation and transport facilities at important tourist destinations. Broadly speaking, the tourism development and promotion activities were divided into three part-schemes. The schemes in the first part were intended to create tourism facilities like accommodation, transport, and recreational facilities for international tourists. These were fully financed, managed and controlled by central government while the second part schemes were designed to provide facilities for domestic tourists at important destinations and jointly financed by both central and state governments. However, the third part schemes included in state plans and were wholly financed by State Governments.

During the third five year plan (1961-66) tourism was allotted Rs. 8.0 crores out of the total plan outlay of Rs. 7500 crores. It was .11 per cent of total amount and was 138 per cent more over the previous plan. The development activities which were undertaken during the second plan were continued in the third and subsequent plans. In this plan two important committees were appointed (Adhoc and Jha) to promote and develop tourism facilities. Jha committee (1963) recommended that the public sector should play an active and positive role for tourism promotion in India. As a result in 1965, three public sector enterprises were set up (ITC Ltd., 1-ICL Ltd., ITTU Ltd.)

In the annual plans (1966-69) total outlay was Rs. 6757 crores and Rs. 7 crores were allocated for tourism. During annual plan the major developments were; establishment of ITDC in 1966, a round table conference, operation Europe launched in 1968, and tourism reaction pattern and expenditure survey was conducted by the Department of Tourism in 1968-69.

The 4th five years plan (1969-74) recognised tourism as an important and vital means for foreign exchange earning and employment generation. In this plan an outlay of Rs. 36 crores was provided for tourism development. It was just- .23 per cent of total plan allocation. In consideration of the world tourism trends, the Department of Tourism initiated a programme of resort development, provision of recreation facilities, development of cultural tourism, construction of youth hostels, camping sites and hotels, motels among other schemes in the 4th plan. The plan also included the five major' integrated projects such as Gulmarg winter sports, beach-resort development at Kovalarn and Goa, development of Kulu and Manali and a few selected Bhuddist centres all over the country.

The pattern of tourism development started in the fourth plan was continued during the fifth five year plan (1974-79). An outlay of Rs. 73.95 crores was provided for tourism development and out of this amount Rs. 34 crores for ITDC was earmarked in order to provide more accommodation. During the 5th plan the major tourist activities were development of ten architectural complexes, provision for accommodation and transport facilities in selected wild life sanctuaries, increased tourist publicity abroad and launching of 3rd operation scheme in 1977.

Table: 3
Tourism and plan allocation (1951-2007)
(Rs. In Crores)

Plan	Tourism Outlay	Total Plan Outlay	Per cent of Tourism
First five year plan (1951-1956)	Nil	1960	-
Second five year plan (1956-61)	3.36	4600	0.07
Third five year plan (1961-66)	8.00	7,500	0.11
Annual plan (1966-69)	7.00	6,757	0.10
Fourth five year plan (1969-74)	36.00	15,902	0.23
Fifth five year plan (1974-79)	73.95	39,304	0.19
Sixth five year plan (1980-85)	187.46	97,500	0.19
Seventh five year plan (1985-90)	326.16	1,80,000	0.18
Eighth five year plan (1992-97)	773.62	4,34,100	0.60
Ninth five year plan (1997-2002)	485.75	8,59,200	0.06
Tenth five year plan (2002-2007)	2900	Six time more than 9 th plan	

In the 6th five year plan (1980-85) Rs. 187.46 crores were set aside for tourism. It was .19 per cent of total plan outlay of Rs. 97,500 crores. The sixth plan was a major landmark in the history of Indian tourism. The first ever 'Tourism Policy' of the country was for the first time introduced in 1982. The policy specified the development and promotion objectives and goals. IITTM was established in 1983 to develop human resources in tourism and travel section. During this plan tourism was declared as an industry in 1984 and in 1982 'Travel Circuit' concept was introduced to maximize the benefits of tourism.

In the 7th five year plan (1985-90) tourism has received significant importance and planning commission has approved Rs. 326.16 crores which was .18 per cent of total plan outlay. The tourism and Hotel sector was accorded the status of an industry. In 1986, the National committee on tourism was set up by the Government, with a view to evaluation the social and economic relevance of tourism and formulating a long term plan for its development. The committee submitted its report in 1988 and recommended a package of measures for ensuring accelerated growth of tourism in India. As a result of these recommendations various incentives were made available for tourism and travel industry. The Tourism Finance Corporation of India Ltd. (TFCI) was set up in 1989 to finance tourism and tourism related projects.

8th five year plan (1992-97) was the turning point in the development of tourism in India. In this plan Rs. 773.62 crores were allocated for tourism promotion and development. The Eighth plan was based on the 'National Action plan for Tourism', 1992 and proposed to achieve diversification of tourism product, increase tourist infrastructure, restore national heritage, effective promotional efforts in the international markets, promotion of domestic tourism and development of tourism and 1-lotel training and education institutions. The Government has introduced 'Tourism Synergy Program' in 1993 and it was further modified and converted into a 'Nation Strategy for Development of Tourism' in 1996.

For the 9th plan period (1997-2002), the planning commission has approved a plan outlay of Rs. 793.75 crores for the Ministry of Tourism comprising Direct Budgetary Support of Rs. 485.75 crores and internal and external resources of Rs. 308.00 crores to be generated by ITDC.

The basic strategy during the 9th plan is to establish effective coordination with all the relevant agencies so as to achieve synergy in the development of tourism. The approach during the 9th plan would be to concentrate on a few selected centres and circuits to achieve balanced development of infrastructure in an integrated manner. As a result the central Government assistance to state / UT Governments for infrastructure development would be confined to such identified centres and circuits each year till they are saturated.

The 10th five-year plan (2002-2007) allocated 2900 crores as tourism outlay for the period, while the barriers to growth were the usual suspects of lack of consensus and priority, with little investment. But the private

sector has been quick to uptake the growth potential, with hotels moving towards asset light policies and towards management contracts. A special breed of investors is emerging, focusing primarily on hotel development, hoping to make a killing given the high inflationary rates and escalating land and construction costs. With real estate IPO's poised to hit the market, Real Estate Investment Funds (REIT) stepping on the Indian shores, and realty majors setting up shop in the country, one wonders if the vaunted high ARR's will be a legend of mythical proportions when rates go crashing in the country with an increase in supply.

Table: 4
Scheme-wise Break-up of Tenth Plan Outlay of Department of Tourism (2002-07)

Sr. No.	Schemes	(Rs. in Crore)	
		Central Schemes	Centrally Sponsored Schemes
1	Buddhist Centres (Externally Aided Projects)	50.00	-
2	Institute of Hotel Management (IHM)	8.50	-
3	Food Craft Institutes (FCI)	0.40	-
4	Indian Institute of Tourism & Travel Management (IITTM)	1.00	-
5	National Institute of Water Sports	0.10	-
6	Hospitality Programme	1.00	-
7	Overseas campaign	17.00	-
8	Marketing Development Assistance	1.00	-
9	Subsidies & Incentives	9.00	-
10	Integrated Development of Tourist Circuits	885.00	-
11	Assistance to IHM / FCIs / IITTM/ NIWS / National Institute of Adventure Sports (NIAS) / National Council for Hotel Management & Catering Technology (NCHMCT)	110.00	-
12	Capacity building for Service providers	24.00	-
13	Restructured Scheme of Overseas Production and Publicity	500.00	-
14	Domestic Promotion and Publicity, including Hospitality	230.00	-
15	Incentive to Accommodation infrastructure	45.00	-
16	Adventure & Sports Tourism		2.00
17	Son et lumiere (SEL) shows (Flood lighting)		2.00
18	Development of Tourist Centres / Areas including Village and Heritage Tourism		8.00
19	Refurbishment of Monuments / Heritage Buildings		1.00
20	Wayside Amenities		5.50
21	Budget Accommodation		6.50
22	Equity Scheme		1.00
23	Production of literature and publicity materials		3.50
24	Domestic campaigns including fairs and festivals		4.00
25	Computerisation and Information Technology		100.00
26	Market Research including 20 years perspective plan		20.00
27	Product Infrastructure / Destination Development / Projects		476.50
28	Assistance for large revenue generating projects		98.00
29	Lump sum provision for NE states including Sikkim		290.00
	Total	1882.00	1018.00
	Total of the Department		2900.00

Source: Govt. of India, Ministry of tourism

However, to place tourism as a central input in the economic, social and cultural development process the government should access the ground realities such as infrastructure, carrying capacity, comfortable lodging facilities, protection and conservation of National Heritage sites, trained human resources, well defined organisation structure, adequate tourism planning and strategies etc. to translate into results.

Conclusion and suggestions

India with vast culture and religious heritage with varied natural attractions has immense potential for growth in the tourism industry. This smokeless industry is capable of generating million of jobs, earning valuable foreign exchange for country's economic growth. Tourism infrastructure requires an extensive investment both in public and private sector to finance initial planning & development stages and fixed assets. Due to the huge finance requirements, tourism industry is known as capital intensive industry. Over the years government has formulated various policies and plans to streamline the growth and development of tourism activities. However, these policies and plans somehow could not convert into realities and desired results are not achieved. No doubt, India has huge touristic infrastructure but its share remain negligible at global. Thus, to develop an adequate tourism infrastructure vis-à-vis to enhance the tourism traffic in India some measures should be taken such as:

- (1) The roles of the public and private sectors in tourism development should be increased
- (2) An effective coordination mechanism among government agencies as well as between the public and private sectors should be established to enhance the tourism investment in tourism infrastructure.
- (3) The quality of existing international/domestic air and land transport (rail services and road network) should be improved and increase accessibility to the destinations;
- (4) Maintain heritage sites and improve tourist facilities;
- (5) Upgrade product development;
- (6) Provide guidance and financial assistance for state governments in preparing tourism master plans, identifying tourism resources, and in setting priorities for development circuits and projects;

- (7) Involve the town and country planning agencies in integrating area development plans with tourism development;
- (8) Develop the places of pilgrimage by providing the requisite infrastructure facilities with a view to promoting domestic and international pilgrim tourism.

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