A BRIEF REPORT ON TOURISM IN INDIA

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1. INDUSTRY OVERVIEW

1.1 Background

Tourism has been a major social phenomenon of societies all over the world. It is driven by the natural urge of every human being for new experiences, and the desire to be both educated and entertained. The motivations for tourism also include religious and business interests; the spread of education has fostered a desire to know more about different parts of the globe. The basic human thirst for new experience and knowledge has become stronger, as communication barriers are getting overcome by technological advances. Expenditure on tourism induces a chain of transactions requiring supply of goods and services from the related sectors. The consumption demand, emanating from tourist expenditure also induces more employment and generates a multiplier effect on the economy.

Tourism in India broadly classified in North Indian Tourism, East Indian Tourism, West Indian Tourism, and South Indian Tourism. Each part of India offers identifiable differences from the rest of the nation. Tourism in India has come into its own as a brand – India Tourism. The creation of niche tourism products like heliport tourism, medical tourism, wellness tourism, adventure tourism, cruise tourism, and caravan tourism has served to widen the net of this sector. Inbound tourism is booming and the country is going all out to lure more travelers from around the world. Contrary to perceptions across the world that tourism in India is still confined to traditions, the country is opening up with trendy tour packages and affordable air travel deals to woo inbound visitors from every segment.

1.2 Present Scenario of Tourism in India

Travel and tourism is the largest service industry in India. This industry provides heritage, cultural, medical, business and sports tourism. It is expected that the tourism sector's contribution to the country’s gross domestic product (GDP) will grow at the rate of 7.8 per cent yearly in the period 2013–2023. The Indian tourism sector has been flourishing in recent years due to the improved connectivity to and from the country. Also, a better lodging facility at the tourist destinations has been a factor which has contributed to increase Foreign Tourist Arrivals (FTA).

The policies and changes implemented by the Government of India has also been instrumental in providing the necessary boost to the Indian tourism and hospitality industry and attracting more and more foreign tourists every year.

India's travel and tourism industry is set to grow by about 7.3% in 2014, better than last year, but average spending by foreigners travelling to the country could decline sharply, according to the World Travel & Tourism Council. This year, revenue from domestic tourism is
expected to grow 8.2% compared with 5.1% a year ago, that increasing domestic travel, growth of low-cost airlines and upgrading of airport infrastructure will be the growth drivers.

However, the growth in the amount international visitors spend in the country could slow to 2.9% from 6.2% in 2013. “The picture in India in general terms is good. But in terms of the global forecast, it is much lower than other countries, like China, which grew at 9.2% in 2013 (and is anticipated to grow at 8.3% in 2014),” in 2013, India generated Rs 1,100 billion from foreign visitors. The figure is likely to grow by 2.9% in 2014. International tourist arrivals are expected to touch 7.36 million in 2014 and 13.43 million by 2024. Expenditure by foreign tourists in India is expected to grow 4.3% every year to Rs 1,740 billion in 2024.

In 2013, the travel and tourism industry contributed Rs 2,170 billion or 2% to the country's GDP. This is expected to rise to Rs 4,350 billion in 2024. WTTC, which includes executives of travel companies as members, had said earlier that if five G20 countries (India, China, the US, the UK and Brazil) were to go electronic in their visas, the move could generate five million jobs and $268 billion income.

**Drivers behind increase in Tourist Traffic**

The main driver for increase in tourist traffic to India has been the following factors:

**Domestic Tourist Traffic**

- Rapidly increasing purchasing power of the middle class
- Better road connectivity
- Evolving lifestyle

**International Tourist Traffic**

- Value for money/economical holiday destination
- Business cum pleasure destination
- Development of Kerala and Rajasthan as the most popular tourist destinations in India with their distinctive brand image
- Opening of the sectors of the economy to private sector/foreign investment
- Reform in the aviation sector such as Open Skies Policy has led to better connectivity with many countries with India
- Success of “Incredible India” campaign and other tourism promotion measures

**1.3 Forms of Tourism in India**

India offers various tourism options due to its vastness and diversity, attracting tourists from all over the world. The country boasts of natural treasures like mountains, ocean, seas,
deserts, rainforests, valleys etc. on one hand, while world-class healthcare infrastructure on
the other, which provides varied kinds of tourism options such as adventure and rural
tourism, sustainable tourism/eco-tourism, cruise tourism, golf tourism and medical tourism
to the travelers.

1.3.1 Rural Tourism

The Ministry of Tourism started the scheme of rural tourism in 2002-03 with the aim to
display art, rural life, and culture and heritage to the tourists at various rural locations and
villages. The Ministry intends to help the local community economically and socially,
together with facilitating interaction between the local population and tourists, through this
scheme. On 28 February 2011, 169 rural tourism sites in 28 States/Union Territories have
been sanctioned by the Ministry of Tourism. This segment has also been winning accolades
in the international circuits as well. For instance, the Rural Tourism Project at Hodka village
in Kutch District of Gujarat won the Pacific Asia Travel Association (PATA) award for the
year 2010 under the Heritage category.

1.3.2 Cruise Tourism

Cruise tourism is emerging as one of the most dynamic segments of the leisure industry
globally. India with its vast and beautiful coastline, forests and undisturbed idyllic islands,
rich historical and cultural heritage, can be a fabulous tourist destination for cruise tourists.
The Cruise Shipping Policy of the Ministry of Shipping was approved by the Government of
India on June 28, 2008. The objectives of the policy are to make India an attractive cruise
tourism destination with the state-of-the-art infrastructural and other facilities at various
parts in the country; to attract the right segment of the foreign tourists to cruise shipping in
India; to popularize cruise shipping with Indian tourists.

1.3.3 Adventure Tourism

Adventure travel involves exploration or travel to remote, exotic areas. Adventure tourism is
rapidly growing in popularity as a tourist seeks different kinds of vacations.

1.3.4 Sustainable Tourism/Eco Tourism

Sustainable Tourism growth is in the process of evolving the Sustainable Tourism Criteria
for India. In recent years tourism industry in India has registered a considerable growth. A
Steering Committee with representatives from all the sectors of the tourism and hospitality
industry of India has been constituted to develop draft Sustainable Tourism Criteria which
would eventually be adopted by the different sectors of the industry.

1.3.5 Wellness Tourism

Wellness tourism is about travelling for the primary purpose of achieving, promoting, or
maintaining maximum health and a sense of well-being. Health Tourism holds immense
potential for India. The Indian systems of medicine that is Ayurveda, Yoga, Panchakarma,
Rejuvenation Therapy etc. are among the most ancient systems of medical treatment of the world.

1.3.6 Medical Tourism
India is one of the most lucrative medical tourism markets in the world. The sector is witnessing remarkable growth on the back of Government support through policies and initiatives, low cost, less waiting time and healthcare infrastructure. The growth in India’s medical tourism market will be a boon for several associated industries, including hospital industry, medical equipments industry and pharmaceutical industry.

1.4 Sub-segments of tourism industry
The tourism industry in India can be categorized under three major sub segments as depicted below:

1.4.1 Hotels and Restaurants
The Hotel & Restaurants Industry has contributed between 1.2% and 1.5% of the GDP over the last seven to eight years. The Ministry of Tourism estimates that there are more than 8,700 hotels at 54 key locations across the country with a total room supply of about 174,000 including hotels in the classified, approved but not classified, and licensed by the state governments but not approved categories.

Major Players
In the large/luxury hotels segment there are about 11 long-standing players such as ITC Hotels, Asian Hotels, The Oberoi Group of Hotels, Hotel Leela Ventures, ITDC, Indian Hotels, The Park Hotels and international players like Hilton Hotels, Marriott International, Le Meridien Hotels & Resorts, and Radisson Hotels & Resorts. There are about 16 listed
In addition, there are more than 90 listed hotels and resorts in the small/mid-sized segment including Country Club, EIH Associate Hotels, Kamat Hotels, and Mahindra Holidays and Resorts. Apart from these, as mentioned earlier, there are a number of guest houses and hotels, particularly in the budget and small hotel segments, which are primarily run by localized players.

1.4.2 Tour Operators

The tour operators, tourist operators and adventure tour operators in the country follow strict guidelines. As per the estimate of Ministry of Tourism, there are nearly 6,000 travel trade companies and firms comprising of tour operators, travel agents, and tourist transporters

Major Players

- Thomas Cook India Pvt Ltd
- Cox & King India Pvt Ltd
- Kuoni India Ltd
- Raj Travels & Tour Limited
2. GOVERNMENT POLICY

2.1 Government Initiatives

Government of India, the government has allowed 100 per cent foreign investment under the automatic route in the Hotel and Tourism related industry. The term hotel includes restaurants, beach resorts and other tourism complexes providing accommodation and /or catering and food facilities to tourists. The term tourism related industry includes:

- Travel agencies, tour operating agencies and tourist transport operating agencies.
- Units providing facilities for cultural, adventure and wildlife experience to tourists
- Surface, air and water transport facilities for tourists
- Convention/seminar units and organizations

As a facilitative measure to make Tourism sector in India more attractive the following initiatives are taken by Government:

The Indian government has realised the country’s potential to rise in the tourism industry and has taken several steps to make India a global tourism hub. Some of the recent government initiatives in the sector are as follow:

- The Government of India has launched the ‘Incredible India’ mobile application. The app will help tourists to seek information, besides enabling quality and reliable services from service providers recognised by the Government of India. This app demonstrates the Ministry of Tourism’s commitment to the use of technology for service delivery.
- The Ministry of Tourism, Government of India has launched the new tourism brand for the Union Territories of Daman and Diu and Dadra and Nagar Haveli, as well as released the Vision 2020 publication for Dadra and Nagar Haveli. This step by the government has been taken with a view to help in overall economic development of these union territories.
- The West Bengal government has decided to set up an eco-tourism board to project the state as a major tourist destination. Work for developing a mega tourism project has already started in Jalpaiguri district and plans to develop similar projects in Sylee and Kunjanagar is under discussion.
- The Tourism Ministry of India along with the state government of Maharashtra plan to create a cultural hub on the lines of Times Square, New York. The vision behind such a cultural hub is to provide popular entertainment as well as access to heritage and culture for the benefit of international tourists, domestic tourists and the people of Mumbai.

Road Ahead

The medical tourism market in India is projected to hit US$ 3.9 billion mark this year having grown at a compounded annual growth rate (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 E-visa scheme which is expected to double the tourist inflow to India. Enforcing the electronic travel authorization (ETA) before the next tourism season, which starts in November, will result in a clear jump of at least 15 per cent

### Mega Destinations/Circuits Identifies in different States

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<thead>
<tr>
<th>S. No</th>
<th>States</th>
<th>Name of the Mega Projects</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Andhra Pradesh</td>
<td>Charminar area of Hyderabad, Tirupati Heritage Circuit, Kadapa Heritage Tourist Circuit</td>
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<tr>
<td>2</td>
<td>Assam</td>
<td>National Park Mega circuit covering Manas, Orang, Nameri, Kaziranga, Jorhat, Sibsagar and Majouli</td>
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<td>3</td>
<td>Bihar</td>
<td>Bodhgaya-Rajig-Nalanda Circuit</td>
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<td>4</td>
<td>Chhattisgarh</td>
<td>Jagdalpur-Tirathgarh-Chitrakoot-Barsur Dantewada-Tirathgarh Circuit</td>
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<td>5</td>
<td>Delhi</td>
<td>Illumination of Monuments Circuit</td>
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<td>6</td>
<td>Goa</td>
<td>Churches of Goa</td>
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<td>7</td>
<td>Gujarat</td>
<td>Dwarka-Nageshwar-Bet Dwarka Circuit</td>
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<td>8</td>
<td>Haryana</td>
<td>Panipat-Kurukshetra-Pinjore</td>
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<td>9</td>
<td>Himachal Pradesh</td>
<td>Eco and Adventure Circuit (Kullu-Katrain-Manali)</td>
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<tr>
<td>10</td>
<td>Haryana &amp; Himachal Pradesh</td>
<td>Panchkula-Yamananagar (Haryana)-Paonta Sahib (Himachal Pradesh) Circuit</td>
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<td>11</td>
<td>Jammu &amp; Kashmir</td>
<td>Mubarak Mandi Heritage Complex</td>
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<td>Naagar Nagar Circuit (Watlab via Hazratbal, Tulmullah, Mansbal and Wullar Lake), Srinagar Spiritual and Wellness Destination Leh – Ladakh</td>
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<td>12</td>
<td>Karnataka</td>
<td>Hampi</td>
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<td>13</td>
<td>Kerala</td>
<td>Muziris Heritage Circuit connecting historically and archaeologically important places of Kodungalloor</td>
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<tr>
<td>14</td>
<td>Madhya Pradesh</td>
<td>Spiritual and Wellness Destination of Chitrakoot</td>
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<tr>
<td>15</td>
<td>Maharashtra</td>
<td>Vidarbha Heritage Circuit</td>
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<td></td>
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<td>Aurangabad</td>
</tr>
<tr>
<td>16</td>
<td>Manipur</td>
<td>INA Memorial</td>
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<td>17</td>
<td>Orissa</td>
<td>Bhubaneswar- Puri-Chilka</td>
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<td>18</td>
<td>Punjab</td>
<td>Amritsar</td>
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<td>19</td>
<td>Rajasthan</td>
<td>Ajmer- Pushkar, Jodhpur- Bikaner-Jaisalmer</td>
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<td>20</td>
<td>Sikkim</td>
<td>Gangtok</td>
</tr>
<tr>
<td>21</td>
<td>Tamilnadu</td>
<td>Mahabalipuram, Pilgrimage Heritage, Madurai-Rameshwaram-Kanyakumari, Thanjavuar</td>
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<td>22</td>
<td>Uttar Pradesh</td>
<td>Haridwar-Rishikesh-Muni-Ki-Reti Circuit</td>
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<td>23</td>
<td>Uttar Pradesh</td>
<td>Agra Circuit, Varanasi-Sarnath-Ramnagar</td>
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<td>24</td>
<td>West Bengal</td>
<td>Ganga Heritage River Cruise Circuit</td>
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<td>25</td>
<td>Tripura</td>
<td>Mega Lake Circuit including Mata Bari</td>
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3. FUTURE POTENTIAL

The tourism and hospitality sector is among the top 10 sectors in India to attract the highest foreign direct investment (FDI). In the period April 2000 – August 2014, this sector attracted around US$ 7,441 million of FDI, according to the Department of Industrial Policy and Promotion (DIPP).

A high and positive growth of 12.5 per cent was registered in foreign tourist visits (FTVs) to north-eastern states of India during 2012 from 2011, which further rose by more than 100 per cent to register a growth of 27.9 per cent during 2013 from 2012. Among these north-eastern states, Manipur recorded the highest FTVs followed by Arunachal Pradesh and then Tripura. FTAs in India witnessed a growth of 12.9 per cent in the period July 2013 – July 2014, according to data received from Ministry of Tourism, Government of India. The FTAs during the period January–July 2014 stood at 4.11 million as compared to 3.87 million during the corresponding period of 2013, registering a growth of 4.4 per cent. USA contributed the highest number to foreign arrivals in India followed by Bangladesh and the UK.


Expected share of tourists by expenditure - Domestic travelers are expected to contribute around 84.7 per cent to total tourism revenues by 2024.
Investments

With the rise in the number of global tourists and realising India’s potential, many companies have invested in the tourism and hospitality sector. Some of the recent investments in this sector are as follows:

MakeMyTrip Ltd plans to set up a US$ 15 million innovation fund to support early-stage travel companies, with a special focus on mobile and IP-based companies. This is an inorganic growth strategy by which they are pursuing M&A opportunities in the travel technology space. Peppermint Hospitality has aggregated close to 2,200 operational hotel rooms across the country with the acquisition of Bengaluru-based Boutique Hotel Management & Marketing Services Ltd, which has 60 hotels in its portfolio. Peppermint Hospitality has five operational hotels and is present in overseas markets of Florence, Italy and the UK that are operated through the management contract route. IFC has invested US$ 21 million in SAMHI Hotels through compulsorily convertible debentures. This is IFC’s first investment in the hotel sector in India. SAMHI has seven operational hotels in Greater Noida, Ahmedabad, Bengaluru, Hyderabad and Pune.

Bengaluru-based Embassy Group plans to invest US$ 245.13 million for the expansion of its hospitality business in India. The Embassy Group is also in the process of buying out the property on which the Four Seasons hotel is located, entailing an investment of US$ 98.06 million.

Indian Hotels Co Ltd (IHCL) plans to add 30 hotels with 3,700 rooms and invest US$ 71.91 million for the next three years.