

The Hotel Sector As An Active Supporter Of India's Economic Reforms

Priyanka Singh
Dr. Bhawna Johri
Applied Business Economics
Faculty of Commerce
Dayalbagh Educational Institute
Deemed to be University
Agra

Abstract

Over the past ten years, the hotel industry in India has changed dramatically, presenting a wide range of advantages and prospects for those working in the service sector. Statistics show that the sector has performed admirably both nationally and in its major cities. It is generally believed that the hotel industry grows in tandem with the tourism sector. One of India's top 10 industries is the hotel and tourism sector. The Department of Industrial Policy and Promotion (DIPP) said that as a result of its participation, the hotel and tourism sector garnered approximately US\$15.89 billion in FDI between April 2000 and June 2021. India is predicted to rank third in the world in terms of travel and tourist demand, with yearly growth of 8.2%. In India, the travel and tourism industry supported 49,086,000 jobs in 2010, or almost 10% of all occupations, and is predicted to grow to 58,141,000 jobs by 2021, or 10.4% of all jobs. The Indian hotel industry is worth USD 17 billion, of which USD 11.85 billion comes from the unorganised sector and USD 5.08 billion from the organised, according to the Economic Survey of India. India barely received 2.6 million foreign visitors in 2000. The number had already risen to 5.13 million arrivals by 2009. Over time, the hotel industry has benefited from a prolonged uptick in the tourism sector, which has seen an increase in both local and international travelers. In light of the numerous reforms the nation has recently undergone, this study makes an exploratory effort to examine the hotel business as it relates to India and assesses its contributing effects on the economy.

Keywords: Indian Hotels, Reforms, Challenges.

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I. INTRODUCTION

India's economy is still undergoing a number of reforms in an effort to place the nation among big powers capable of providing for its people on a daily basis. Due to this, it is imperative to guarantee that all relevant sectors are operational. In essence, this study examines how the hospitality sector is filling its share of the reforms in the economy. The Indian economy's travel and tourism sector is vigorously witnessing a continuous growth rate. As a significant interconnected sector, the hotel industry has also been affected by this vital expansion that is so fundamental to India's economic future. The overpowering performance of some essential economic factors, particularly the increasing significance in the Computer and Information Technology enabled services and Information Technology enterprises, is a vital factor driving demand for hotels and the accessories that go with them. Given its pervasive significance in all areas of the tourism industry and the economy as a whole, the hotel business in India continues to make a significant contribution despite the severe obstacles it has faced. One of India's top 10 industries is the hotel and tourism sector. According to data from the DIPP, the hotel and tourism sector contributed to the approximately US\$ 15.89 billion in FDI that was drawn to the country between April 2000 and June 2021.

II. OBJECTIVES OF STUDY

- To evaluate the performance of the Indian hotel industry.
- To identify the difficulties and setbacks facing the Indian hotel industry

III. SIGNIFICANCE OF THE STUDY

The study has a broad impact because hotel management is so important to tourism. Travellers and visitors will benefit from knowing the present situation of the hotel business in India thanks to this study. The

shortfalls in the hotel sector will also be communicated to the Ministry of Tourism. Businesses would use the study's findings to find commercial opportunities in the hospitality sector.

IV. REVIEW OF LITERATURE

Sengupta, R., and Jauhari, V. (2016). Indian tourism and hospitality industry review. This in-depth analysis explores how the hotel sector, as a crucial component of the larger hospitality and tourism business, supports India's economic reforms. It examines the industry's growth pattern, legislative frameworks, and the requirement for infrastructural developments.

A. Gupta (2017). The hospitality industry's contribution to India's economic development. This study highlights the crucial contribution of the hotel sector to economic growth through job creation, luring foreign capital, and tourism promotion. It looks at how the sector supports the expansion of allied industries, such as transport and small enterprises, which has beneficial knock-on implications for the economy.

S. Chatterjee, S. Ghosh, and others (2018). India's tourism industry and economic growth provide evidence. This article explores the importance of the hotel business within the broader tourism context while concentrating on tourism's overall effects on economic growth. It emphasizes the hotel industry's contribution to the GDP, the creation of jobs, and its impact on allied services.

N. Singh, A. Bhargava, and others (2019). The Hospitality Sector and Economic Reforms in India. This study investigates how the growth of the hotel sector fits with India's economic reforms. It talks about how globalization has affected the sector, how FDI has increased, and how this has led to knowledge and technology sharing. The paper also discusses difficulties with infrastructure growth and its effects on policy.

N. Vohra (2020). Indian Hospitality Industry: An Economic Growth Catalyst. This study highlights how the hospitality sector may stimulate economic growth by luring foreign direct investment (FDI), creating jobs, and encouraging entrepreneurship. It also looks at the difficulties that must be overcome in order to fully realize the promise of the sector, such as skill deficits and regulatory constraints.

S. Sarkar (2021). The Hospitality Sector's Contribution to India's Economic Reforms. The relationship between economic reforms and the expansion of the hotel business is examined in this study. It looks at how the industry's modernization initiatives, technical developments, and customer-centric strategy complement India's overarching economic objectives.

R. Rajagopal (2022). Indian Hospitality Sector: Current Situation and Future Prospects. The current situation of the Indian hotel business and its potential to support economic changes are both examined in this study. It tackles important issues such as regulatory restrictions and makes policy suggestions to help the business grow.

V. METHODOLOGY

The exploratory research design was employed for this study with the goal of learning more about the Indian hotel industry and how it has impacted the country's economy.

Source of Data: Secondary sources were used (textbooks, related literature, papers, journals, and internet resources).

VI. PERFORMANCE OF THE INDIAN HOTEL INDUSTRY

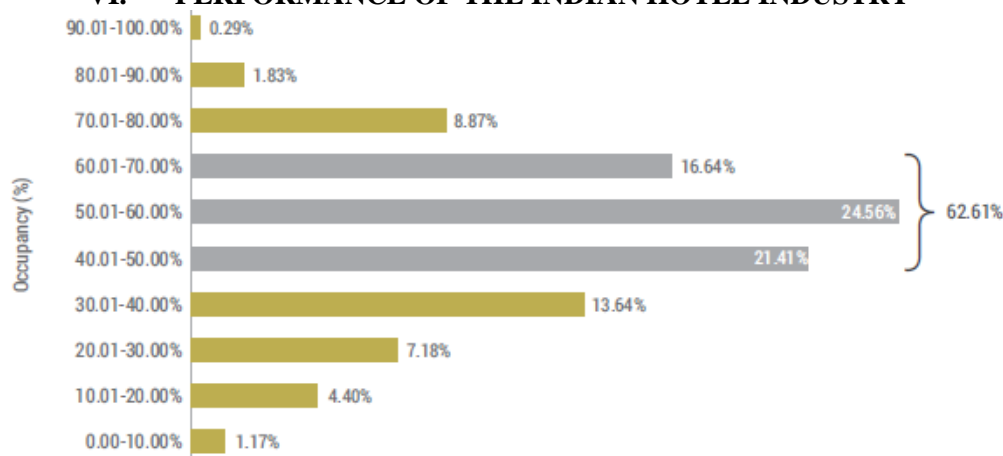


Fig 1 Occupancy Breakdown Hotels 2021-22

The occupancy rates attained by the sample set of branded and organised hotels in India during 2021/22 are shown in Figures 1 for comparison. The bulk of the hotels (65%) were in operation between 60%

and 90% of the time in 2018–19. As the virus spread, business suffered significantly as national indicators hit a record low. This substantially altered in 2020–2021, when 70% of the hotels recorded occupancy rates between 20% and 50%. In India, hotels' total occupancy levels have significantly improved over the past fiscal year (2021/22), with the majority of them (62%) achieving occupancy levels between 40% and 70%.

We have not yet reached the performance levels previously observed in 2018–19, nevertheless. In the sample set, there were 181 hotels (or around 16% of the total inventory in the country in 2018–19), while in 2020–21, there were just 2 hotels. The hotel industry has experienced a resurgence, although just 29 of the more than 1,300 hotels managed to achieve an occupancy rate of more than 80% in 2022–2023.

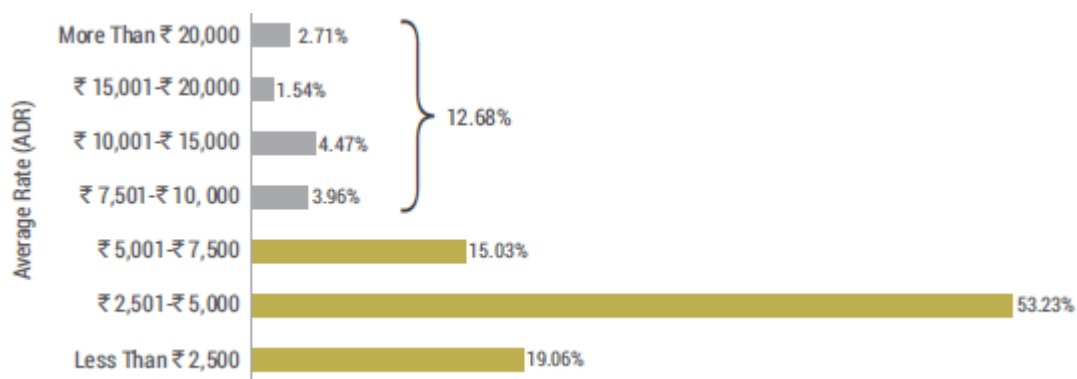


Fig 2 Average daily Rate 2021-22

The average daily rate (ADR) attained by the sample set of branded and organized hotels in India during 2021/22 is shown in Figures 2 for comparison. 60% to 70% of the hotels in the sample set as a whole have operated with average daily rates that are less than ₹7,500. Both before and after the pandemic, this trend persisted. However, since the start of the pandemic, more hotels have started to charge rates below 5,000. We predict that the rates will likely return to historical trendlines after corporate and foreign demand has fully recovered.

ADR has decreased in urban areas compared to leisure areas where rates have increased significantly; brands of Indian origin have experienced a stronger rate recovery than their multinational competitors. Surprisingly, during this time, rates at hotels that charge \$15,000 or more have increased. In 2018/19, 33 hotels had an ADR of \$15,000 or more; in 2020/21, that number increased to 34 hotels. However, 58 hotels offered an ADR of more than 15,000 during the preceding fiscal. The number of hotels offering these discounts increased for both Indian-origin and foreign brands. This increase can be attributed to the abundance of these hotels in tourist areas as well as to their upper-upscale and luxury positioning—essential elements that attracted visitors to these hotels in significant numbers during 2021–2022.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 ¹	2021/22	12-Month Change
Agra	1,299	1,293	1,735	2,036	2,092	2,256	1,864	2,289	2,210	2,209	0.0%
Ahmedabad	2,477	2,777	2,944	3,054	3,117	3,393	3,004	3,326	3,547	3,586	1.1%
Amritsar	476	770	766	873	1,108	1,322	1,319	1,566	1,692	1,736	2.6%
Bengaluru	8,536	10,162	11,117	11,539	11,995	12,594	13,366	13,691	13,647	14,022	2.7%
Chandigarh ²	717	765	866	1,275	1,909	1,873	2,176	2,161	2,231	2,676	19.9%
Chennai	6,330	7,105	7,444	7,585	8,332	9,061	9,099	9,657	9,625	9,763	1.4%
Dehradun	114	114	114	114	182	234	325	380	464	624	34.5%
Goa	4,406	4,703	5,298	5,574	6,400	6,386	5,979	6,772	7,488	8,244	10.1%
Gurgaon	4,559	5,190	5,323	5,117	5,263	5,890	5,538	5,589	5,873	6,151	4.7%
Hyderabad	5,411	5,734	5,954	5,992	6,254	6,846	6,672	7,393	7,381	7,450	0.9%
Jaipur	4,129	4,523	4,822	4,931	5,058	5,382	5,295	5,553	5,471	5,478	0.1%
Kochi	889	1,190	1,524	1,690	1,686	1,807	2,466	2,521	2,520	2,585	2.6%
Kolkata	2,163	2,243	2,701	2,701	3,199	3,652	3,712	4,579	4,841	4,878	0.8%
Lucknow	339	318	3291	483	725	1,495	1,499	1,772	1,820	1,884	3.5%
Mumbai	11,878	12,093	1,997	12,127	12,565	12,595	12,639	13,070	13,245	13,217	-0.2%
Navi Mumbai	929	929	868	927	929	929	1,000	1,000	1,000	1,395	39.5%
New Delhi ³	11,338	12,370	13,193	14,142	14,296	14,450	14,952	15,027	15,024	15,082	0.4%
NOOI ⁴	841	1,239	1,322	1,322	1,422	1,515	1,378	1,378	1,423	1,569	10.2%
Pune	5,317	6,159	6,137	6,108	6,445	6,353	6,212	6,712	6,615	6,689	1.1%
Udaipur	886	886	1,029	1,096	1,157	1,157	1,317	1,605	1,742	1,953	12.1%
Other Cities ⁵	21,335	20,728	22,192	22,914	25,085	27,405	29,730	33,365	36,596	41,754	14.1%
Total	94,255	1,01,177	1,07,695	1,11,600	1,19,219	1,26,565	1,29,401	1,39,406	1,44,455	1,52,945	5.9%

¹The 2020/21 inventory has been modified based on the updated data collected for this survey.
²Chandigarh (includes Panjab and Zirai)
 Source: Hoteldata Research

³New Delhi (includes Gurgaon, Noida and Greater Noida) data
⁴NOOI (includes Greater Noida)
⁵Other Cities includes all other hotel markets across India

Fig. 3 Existing Supply across Major Cities (2012/13 – 2021/22)

In 2021/22, the amount of hotel rooms already on the market increased by 5.9% over the previous fiscal year, bringing the total number of branded rooms in the nation to 1,52,945. The fact that branded room supply crossed the 1.5 lakh threshold was another plus for the Indian hospitality sector. This expansion is consistent with the 6.1% 10-year CAGR in room supply increase, which is another sign of the market's partial recovery. It is crucial to remember that our purposeful filtering to show only pertinent branded supplies is what caused the shift in the overall existing inventory for 2020–21.

The majority of branded rooms in India are still located in New Delhi (15,082 rooms), but their growth over the previous fiscal year was only 0.4%. With 14,022 rooms each, Bengaluru and Mumbai come in second and third, respectively. In the near to mid-term, these rankings are expected to alter. The largest hotel market in India is expected to be in Bengaluru, followed by Mumbai. Nevertheless, just 64% of Bengaluru's anticipated supply is currently being actively developed, compared to 85% of Mumbai's. Mumbai's active development has greatly increased (by 48%) over the previous fiscal year as a result of rising demand, a strengthening market, and a strengthening local economy.

Bengaluru, unlike Mumbai, gets a significant portion of its revenue from the Information Technology (IT/ITeS) industry. There has been a modest slowdown in several projects in the city, which can be attributed to the recent correction in the Indian IT industry.

While this expansion has been on a relatively small base of rooms, Navi Mumbai (39.5%; 395 rooms) and Dehradun (34.5%; 160 rooms) have had the highest increases in the current supply during 2021–2022. By introducing 756 new rooms to the market, Goa has experienced the highest rise in the existing supply (10.1%) overall. With ADRs higher than pre-pandemic levels, the state has been one of the most important leisure markets in the nation.

Additionally, throughout this time, the seasonality of demand has been reduced, which has contributed to investors' trust in the market's ability to support more hotels. Hotelivate predicts that in the short to medium term, Goa's supply will match its demand. There has been a slight increase in supply in urban markets like Chandigarh (including Panchkula and Zirakpur), Gurugram, and Navi Mumbai. As emerging commercial hubs, these markets will probably see a growth in the number of offices and businesses operating there. This has been the cause of the markets' optimism and investor confidence. For the 20 largest cities, Figure 4 displays the current supply from 2012–2013 to 202–21.

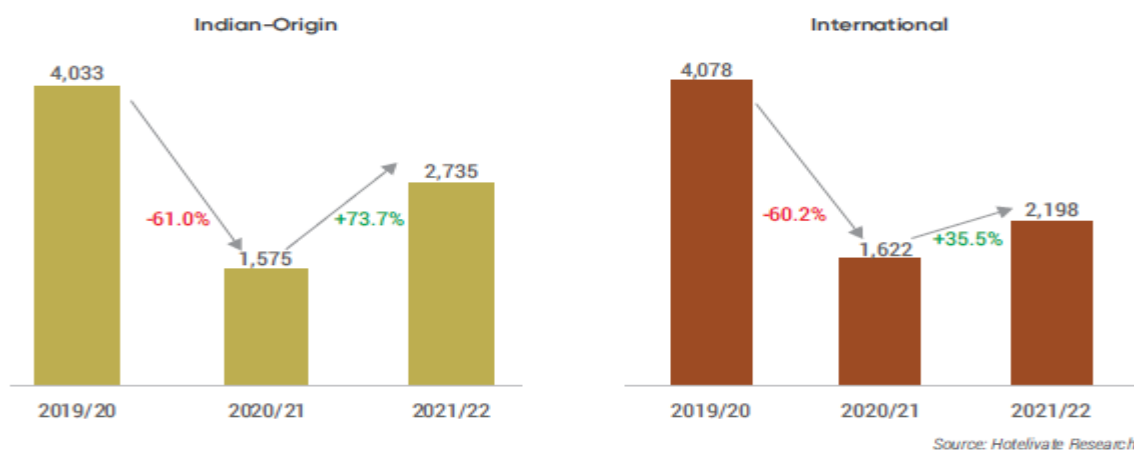


Fig.4 REVPAR by Origin of Brands

In the past, the RevPAR of both domestic and foreign brands has been very comparable. They experienced a comparable decline in performance even after the pandemic started. Indian brands experienced a 61.0% decline in RevPAR compared to a 60.2% decline for multinational brands.

The two have healed at different rates, to put it mildly. As seen in Figure 4, Indian-origin brands have seen a 73.7% growth in their RevPAR compared to a 35.5% increase for international brands. Indian-origin brands tend to use more locally negotiated contracts than international brands, and they have strong local outreach and connections that allow them to distribute more effectively to the domestic audience. As a result, they have more hotels in leisure destinations and a greater number of hotels operating in the luxury space. The resumption of corporate and international travel will probably hasten the recovery of global brands, with their performance returning to historical trendlines.

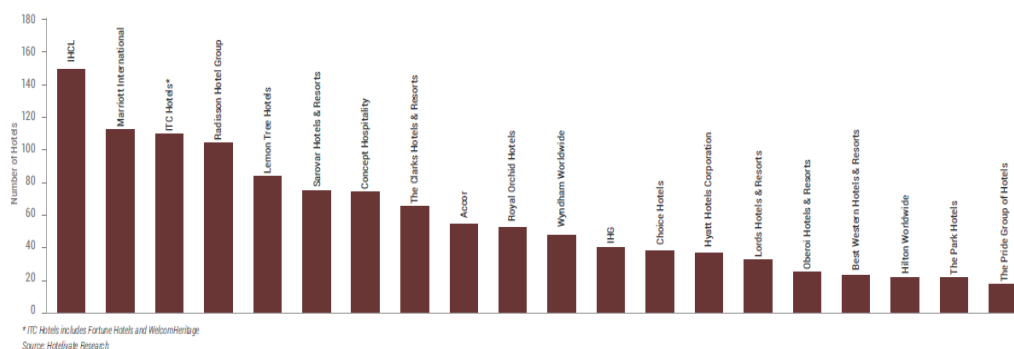


Fig. 5 Top 20 Hotel Brand on the Basis of Number of Hotels 2022

The 20 largest hotel corporations in the nation as of July 2022 are shown in total operational assets in Figure 5. IHCL continues to hold the top spot for the number of hotels in the nation, as was previously reported. Despite having the greatest inventory in the nation, Marriott comes in second because IHCL has less room per property. It's interesting to note that Indian-origin businesses have more assets in the nation than their international rivals, mostly due to their lower rooms per hotel ratio.

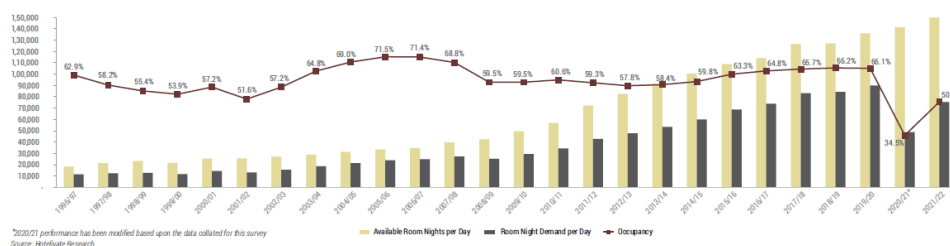


Fig. 6 Room Night Demand Vs Available Room Nights (1996/97–2021/22)

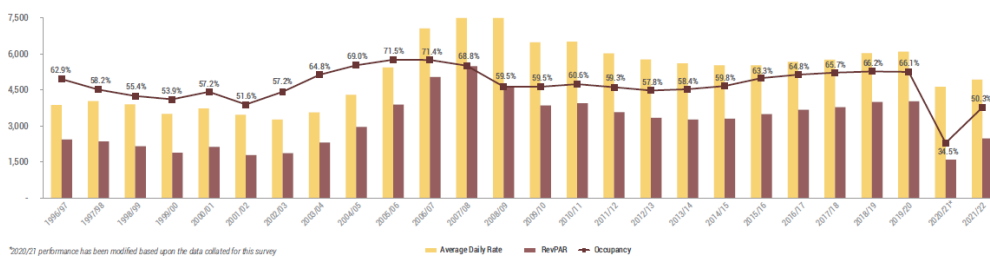


Fig. 7 Nationwide Performance (1996/97 – 2021/22)

Figure 6 gives a summary of the number of room nights that were available and occupied throughout the last 25 years. The healthier growth in supply and demand during 2021/22 over the prior year is mostly attributable to the smaller base of occupied rooms in 2020/21. Figure 7 also displays the historical performance levels over the previous 25 years.

VII. THE HOTEL INDUSTRY'S DIFFICULTIES AND SETBACKS

Customer Point of View

A customer's experience and opinion of the hotel sector may be impacted by a number of obstacles and issues. These elements may affect how satisfied they are, how loyal they are, and how they decide whether to book more stays. Customers may encounter the following difficulties while dealing with the hotel industry:

a. Service Quality and Consistency

- Inconsistent staff behaviour or interactions between hotels might leave guests feeling unsatisfied and unclear about their entire experience.
- Bad experiences with unfriendly or unhelpful staff members can damage a visitor's opinion of the hotel.

b. Booking and Reservation Problems

- Online research for correct information on accommodation availability, amenities, and costs is challenging.
- Overbooking or room assignment mistakes that cause problems when a guest arrives.

c. Communication Barrier

- Language obstacles with staff employees who might not be native speakers of the visitor's language.

- A breakdown in communication when requests for particular amenities or services are made.
- d. Unmet Expectations**
 - Disparities between the things that were advertised and the state that the room or facilities were in.
 - Unmet expectations in terms of amenities, such as out-of-date or broken equipment.
- e. Noise and Disruptions**
 - Noise disruptions from adjacent rooms, public spaces, or local construction might impair comfort levels and the quality of your sleep.
- f. Limited Inclusivity and Accessibility**
 - A lack of suitable accommodations for those with special needs or disabilities.
 - Inadequate accommodations for guests who are elderly or from families with young children.
- g. Hygiene and cleanliness issues**
 - Poor hygiene in rooms or public places can cause pain and health issues.
- h. Billing and Payment Issues**
 - Mistaken billing, unforeseen surcharges, or disagreements over prices can be upsetting during the checkout process.
- i. Privacy and Security**
 - Concerns regarding the privacy and security of private information and property in communal areas.
 - A lack of safe places to store valuables.
- j. A lack of personalization**
 - Generic experiences that don't take into account specific preferences or special events.
 - A lack of flexibility in terms of dietary needs, amenities, or accommodation configurations.
- k. Problems with technology and connectivity**
 - Weak Wi-Fi signal or antiquated equipment that impedes communication and productivity.
 - Difficulty utilising keyless entry, electronic check-in, or room control systems.
- l. Cancellation and refund procedures**
 - Strict policies regarding cancellations or difficulties in getting reimbursements for cancelled reservations.
- m. Poor Guest Feedback Responses**
 - Poor guest feedback or complaint responses might make clients feel ignored and unsatisfied.

VIII. Hotel Point of View

A variety of obstacles and challenges can have an effect on the operations, profitability, and general success of the hotel sector. These difficulties can fluctuate depending on things like the state of the economy, technological development, and alterations in the law, and shifting consumer preferences. The following are some major obstacles and problems that the hotel business frequently faces:

1. Economic Volatility and Uncertainty

- Economic downturns can have an impact on occupancy rates and revenue because travel and discretionary expenditure are likely to decline.
- Changes in exchange rates may have an effect on both international travel and the spending power of tourists from other countries.

2. Competition and Market Saturation

- The business is seeing increased competition, notably from online platforms that provide alternative lodging (like Airbnb).
- The saturation of the market in well-known tourist sites, which puts pressure on prices and necessitates the use of differentiated offerings.

3. Regulatory and legal challenges

- Complex and ever-changing rules relating to health, safety, taxation, zoning, and licensing can make it difficult for hoteliers to operate.
- Adherence to employment laws and regulations, notably with regard to pay, benefits, and working conditions.

4. Labour Shortages and Talent Management

- Difficulty in finding and keeping talented employees, which makes it difficult to maintain service quality and customer satisfaction.
- High staff churn rates and related training expenses can affect operational effectiveness.

5. Technology Disruption

- Constant investment in infrastructure, software, and system updates is necessary to keep up with rapid technology breakthroughs.
- To stay competitive, businesses must adjust to internet booking platforms, digital marketing, and guest communication technologies.

6. Security and Safety Concerns

- In an era of increased awareness of hazards, such as cyberattacks and physical security risks, it's important to ensure guest safety and security.
- Resolving issues with health and safety, particularly in the setting of disease outbreaks (like COVID-19).

7. Pressures from the environment and sustainability

- Raising standards for environmentally friendly behaviour and sustainable business practises.
- Complying with legal standards for water conservation, waste management, and energy efficiency.

8. Infrastructure and Maintenance Costs

- Upgrading and maintaining deteriorating buildings, amenities, and infrastructure can put a burden on expenditures.
- Striking a balance between the requirement for capital expenditures and visitor expectations and income production.

9. Changing Consumer tastes

- Traditional hotel models are being impacted by consumers' shifting tastes for one-of-a-kind and personalised experiences.
- Standardised offers may be put to the test by the rise of experiential travel and the demand for local immersion.

10. Global Health Crises

- Travel restrictions, decreased demand, and health concerns can all have an impact on occupancy rates when communicable diseases like COVID-19 are on the rise.

11. Political Uncertainty and Geopolitical Factors

- Political upheaval, conflicts, and geopolitical tensions can alter travel patterns and have an impact on international arrivals.

12. Climate Change and Natural catastrophes

- Exposure to natural catastrophes like hurricanes, earthquakes, and wildfires can cause business interruptions, property damage, and safety issues.

IX. CONCLUSION

The tourism industry's most important and crucial element is the hotel sector. They serve as the cornerstones of the global tourist arc. It is a tiny nation that conveys to visitors from far-off places the feel and flavour of a nation's cuisine, culture, and way of life. All of the natural beauty, climatic benefits, and sporting and recreational opportunities combined with a suitable development of hotel resources are insufficient to sustain a sizable amount of tourism business. The environment has become more favourable for the growth of hotels due to the persuading influence of travel and tourism, the infiltration of national and international attitudes, and the increase in leisure time associated with higher income groups.

The next upswing has now unmistakably begun in India's hotel industry. It is now necessary for the stakeholders in the industry to make prudent, thoughtful, yet assertive decisions. Making no decision is only slightly worse than making a poor decision. The article is therefore concluded in the hopes that hotel owners, operators, lenders, and advisors will all recognise the opportunity that lies ahead and come up with decisive plans to take advantage of it. This is because the industry offers a wide range of advantages to the government, the country, as well as the private sector.

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