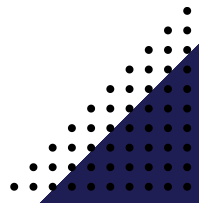


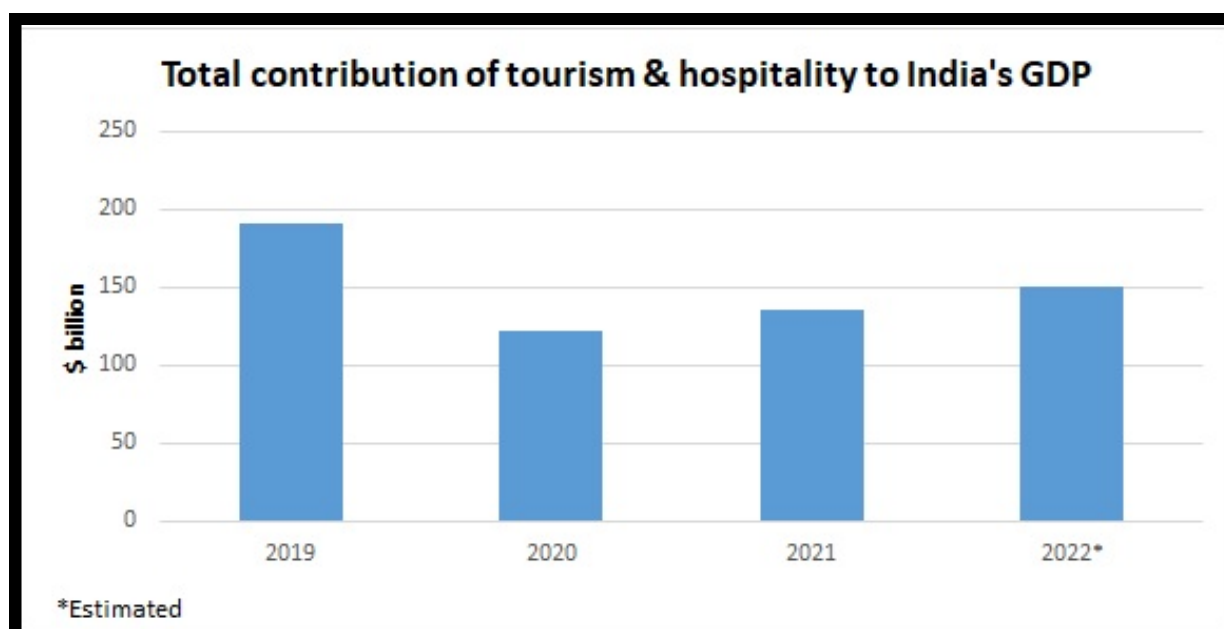


INDIAN TOURISM AND HOSPITALITY SECTOR ANALYSIS

NOVEMBER - 2023



India being one of the most popular travel destinations across the globe has resulted in the Indian tourism and hospitality sector to emerge as one of the key drivers of growth among the services sector in India. India has been recognized as a destination for spiritual tourism for domestic and international tourists. Also, India is a remarkable tourist destination, offering myriad experiences, including 40 UNESCO World Heritage sites, archaeological remains of ancient civilizations, wildlife in national parks and sanctuaries, the world's highest mountain ranges, expansive beaches, the magnificent desert and a rich cultural heritage. It is widely acknowledged that the tourist and hospitality sector, which encompasses travel and hospitality services like hotels and restaurants, is a development agent and a catalyst for socioeconomic growth. Tourism sector in India has significant potential considering that Tourism is an important source of foreign exchange in India similar to many other countries. The foreign exchange earnings from 2016 to 2019 grew at a CAGR of 7% but dipped in 2020 due to the COVID-19 pandemic. The tourism and hospitality sector also got impacted in the pandemic due to lock down. But, the consistent efforts of the central and the state governments has helped the tourism sector to recover from the COVID-19 pandemic shock and operate at the pre-pandemic level.

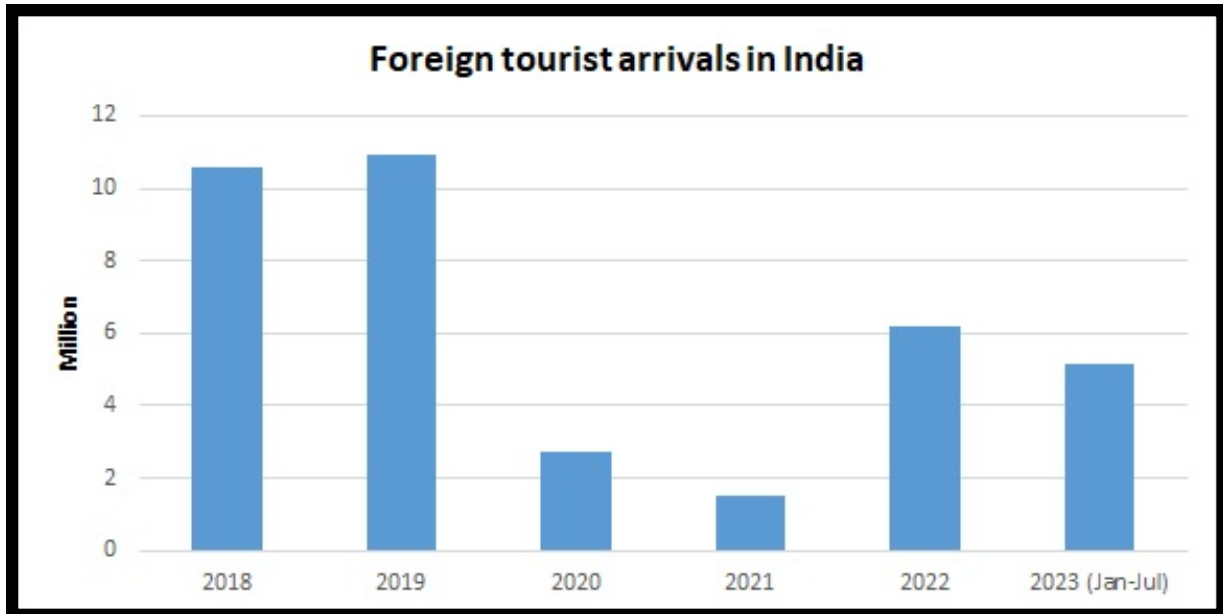


Tourism and hospitality sector is one of the largest employment generating sectors in the country. The World Travel & Tourism Council (WTTC) ranked India 6th in terms of Travel & Tourism total contribution to GDP in 2021, after the US, China, Japan, Germany, and Italy. The total contribution of tourism and hospitality to India's GDP increased to \$135.4 billion in 2021 from \$122 billion in 2020 and recovered to a pre-pandemic level (\$191 billion in 2019). It ranked the country 2nd in terms of Travel & Tourism Employment in 2021. Besides, India is ranked 10th out of the top 46 countries in the World in the Medical Tourism Index FY21. Meanwhile, the travel sector in India is likely to increase to \$125 billion by FY27.

The availability of hotel rooms in the country as on April 30, 2023 stood at 39,212 room for Five Star Deluxe, 18,972 and 5,818 rooms for Five Star with Alcohol and without Alcohol, respectively. Four Star hotels (with Alcohol) 13,386 rooms and without Alcohol its 5,367 rooms. Besides, Three-Star hotels rooms availability is 16,736, while it was 879 for Two Star and 610 for One Star.

FOREIGN TOURIST ARRIVALS (FTAs) :

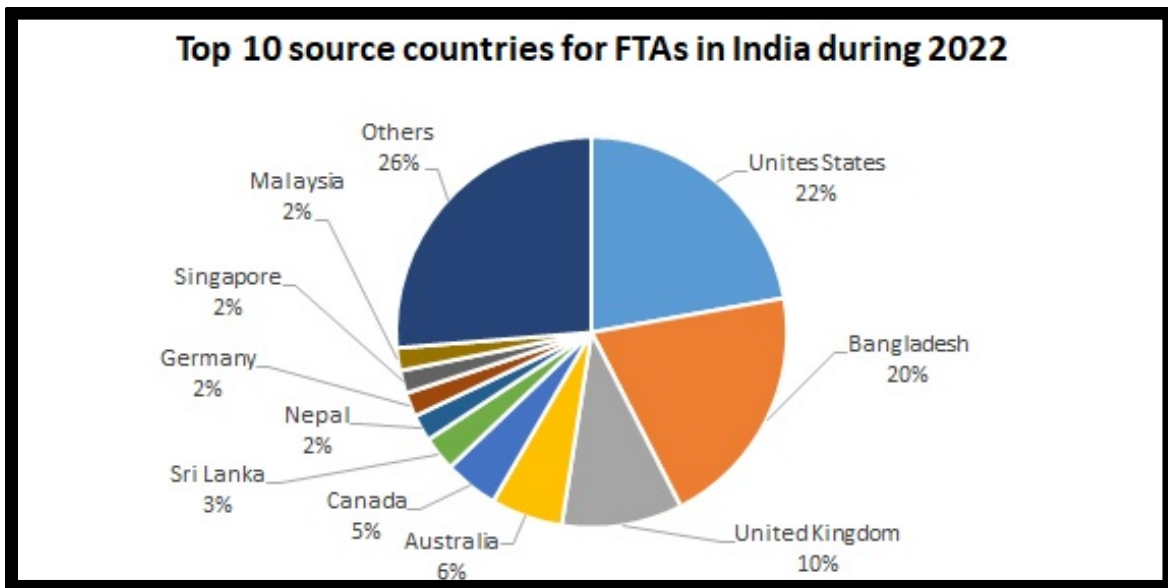
In the month of July 2023, FTAs were 7,60,623 as compared to 6,69,499 in July, 2022 and 8,18,125 in July, 2019 registering a growth of 13.6% and -7.0% with respect to 2022 and 2019 respectively. The figures are returning to pre-covid levels. FTAs during the period January-July, 2023 were 51,40,862 as compared to 29,01,769 in January-July 2022 and 61,14,150 in January-July, 2019 registering a growth of 77.2% and -15.9% with respect to 2022 and 2019 respectively. Higher foreign tourist arrivals are going to help hotels, restaurants and hospitality sector, as all are interconnected. The Purpose wise percentage share of Foreign Tourist Arrivals in India during Jan to July'23, the share of Leisure Holiday and Recreation is very high at 45.7%, followed by Indian Diaspora at 25.4%, Business and Professional at 10.8%, Medical at 6.6% and Others at 11.5%. Foreign Exchange Earnings (FEE) during the period January-July 2023 were \$15.7501 billion as compared to \$8.432 billion in January-July 2022 and \$17.171 billion January-July 2019 registering a growth of 86.79% and -8.27% with respect to 2022 and 2019 respectively.



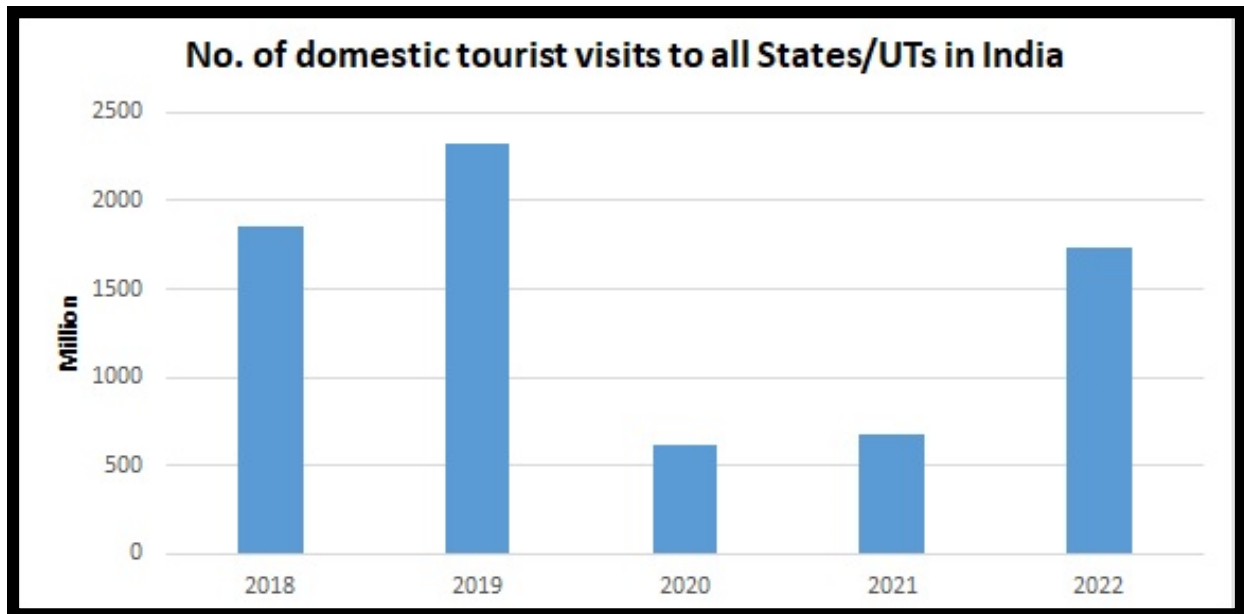
SOURCE COUNTRIES FOR FTAs :

The top 10 source countries contribute around 74% to the total FTAs in 2022, with the US remaining at top position with 1373817 tourists. Followed by Bangladesh, United Kingdom, Australia, Canada, Sri Lanka, Nepal, Germany, Singapore and Malaysia. Meanwhile, in the ongoing year, tourism and hospitality sector is likely to get impacted amid escalating diplomatic tensions between India and Canada, in a peak season of tourism as Canada was a 5th largest source of FTAs for India in 2022. In the recent past, the relationship between India and Canada has been friendly and stable. However, tensions arose between the two countries after Canadian Prime Minister Justin Trudeau alleged that India may have possible links with the assassination of Sikh separatist activist Hardeep Singh Nijjar and expelled an Indian diplomat. This was followed by India suspending its visa services in Canada.

Top 10 source countries for FTAs in India during 2022



India's tourism sector has seen significant transformation, with domestic travel and weekend vacations gaining appeal. Previously, abroad destinations were typically at the top of the list for Indian tourists looking for new experiences. The dynamics, however, have evolved, and domestic travel has taken the front stage. There has been a continuous increase in domestic tourist visits, with the compound annual growth rate (CAGR) of domestic tourist visits to all States/UT's from 1991 to 2021 being 7.8%. The main driver for increase in domestic tourist traffic in India has been the burgeoning Indian middle class with rapidly increasing purchasing power and their evolving lifestyle. Also, the accessibility to tourist locations has Domestic tourism sector in India improved due to substantial increase in the number of flights, trains as well as road connectivity to most locations in the country.



POSITIVES FOR THE SECTOR

- **G-20 summit:**

The historic G20 summit held in Delhi, attended by top world leaders, have been a spectacular success. With the rapid improvement in infrastructure, connectivity and beautification of various towns with G20, India now provides an attractive global destination for travel and tourism. During India's G20 Presidency, tourism was taken up as one of the key sectors. Four G20 tourism working groups were set up for developing policies to promote sustainable and inclusive tourism. Several themes were identified, including green tourism, adventure tourism, digitalization, destination management, skilling and MSMEs. All concerned, including various states, worked together to strengthen infrastructure, promote cultural heritage, preserve diversity and achieve sustainable development.

Between September 7 and 11 (when Delhi hosted G20 delegates), the average daily rate (ADR), a key metric used by hoteliers to measure room revenue, surged around four-fold over 2022. Travel companies have recorded an upsurge in demand for tour guides, especially in the cities hosting the G20 meetings. With the current global focus on India and huge improvement in infrastructure and connectivity, it is expected that the trend will continue even after the meetings end in November. One of the most immediate impacts will be the surge in inbound tourism. Additionally, the G20 Summit will bolster India's image as a desirable travel destination.

• **ICC World Cup 2023:**

Cricket is the most popular sport in India and has a huge fan base. The ongoing ICC cricket World Cup 2023 in India is likely to be positive for tourism and hospitality sector. The Cricket fans from India and overseas fly into different cities of the country; buy tickets to watch matches at stadiums; book hotels to stay; eat and drink at restaurants-to-roadside food stalls; purchase memorabilia and merchandise; visit tourist destinations and many more. With this, hotel rates across the host cities are witnessing a dramatic rise. Demand for restaurants and fast-food chains is likely to see drastic surge, catering not only to tourists but also the millions of Indians opting for home delivery.

• **National Integrated Database of Hospitality Industry (NIDHI):**

It is a portal for registration of accommodation units in the country. Prior to this, Ministry of Tourism had only 1400 hotel registrations but now over 40,000 hotels have registered on the NIDHI portal. The portal provides a number of benefits like Star Classification for hospitality units, project approvals for accommodation units, listing of hotels on IRCTC hotel booking portal and information about capacity building workshops and conferences.

• **SAATHI (System for Assessment, Awareness and Training for Hospitality Industry):**

To assist the hospitality sector in their preparedness to continue operations safely and mitigate risks arising out of the pandemic, Ministry of Tourism has partnered with the Quality Council of India (QCI) and launched a new initiative, that is, SAATHI. The idea is to sensitize the industry on the COVID regulations by the government and instill confidence amongst the staff and guests that a particular hospitality unit has exhibited intent towards ensuring safety and hygiene. Self-Certification regarding adherence to SAATHI framework, capacity building and Third party assessment are three main elements of this initiative. The SAATHI dashboard provides information on number of self-certified hospitality units across the country.

NEGATIVES FOR THE SECTOR

- **Poor marketing strategy:**

India needs to adopt an aggressive marketing strategy to project itself as a popular tourist destination. The country has 40 World Heritage sites, however its foreign exchange earnings were only \$30 billion in year 2019. Countries like the UK and USA have only 34 and 24 World Heritage sites respectively but their foreign exchange earnings from Tourism are significantly higher than India.

- **Inadequate infrastructure & connectivity:**

Connectivity is the prime determinant of tourist footfall in any country or region. Infrastructure assumes an important role and there is a need to build adequate infrastructure to provide last mile connectivity to far-off regions of the country and to incentivize tourists to visit these areas. The country can promote tourism in North east by increasing number of air routes in that area to gain advantage of untapped market.

- **High Seasonality:**

The Indian hotel sector usually faces high demand during October–April, whereas the monsoon month experience low demand. It is the quarter of December – March that earns 60% of the year’s turnover for Indian hotels. During the preceding years a shift has been seen in the trends as hotels have initiated a variety of schemes to get better occupancy in the so called lean period. These include targeting the MICE (Meetings, Incentives, Conferences and Entertainment) segment and offering attractive packages during the lean period.

GOVERNMENT INITIATIVES AND RECENT DEVELOPMENTS

- **India's G-20 Presidency**

During India's G-20 Presidency, more than 200 meetings were planned at over 60 locations across the country. All these destinations have attracted global attention and put India on the global tourism map. G20 meetings have fostered collaboration between governments, private sector and other stakeholders to provide a memorable experience for the G20 delegates visiting India. Infrastructure has been upgraded at the host cities and various initiatives have been taken up for building the capacity of stakeholders for successful conduct of the event.

- **National Strategy for the development of Cruise Tourism**

To position India as a preferred destination for cruise tourism globally, the government drafted a National Strategy for Cruise Tourism. Strategic pillars have been identified in the strategy document for infrastructure & circuit enablement, market development and skill development are Infrastructure & Circuit Enablement, Market Development, Ease of doing Business for Cruise Tourism, Integrated Tourism around Cruise Terminals, Facilitating and Promoting Investment in Cruise Tourism, Skill Development for Cruise Tourism and Institutional Structure and Governance. It also provides financial assistance to the State Governments/UT Administrations and Central Government Agencies for development of tourism including Cruise Tourism and Cruising along rivers, under the scheme for 'Assistance to Central Agencies for Tourism Infrastructure development'.

- **National Tourism Policy**

The government drafted a National Tourism Policy incorporating suggestions received from Central Ministries, State Governments/UT Administrations and Industry Stakeholders. The key strategic objectives of the Policy are to enhance the contribution of tourism in Indian economy by increasing the visitation, stay and spend and making India a year-round tourist destination, to create jobs and entrepreneurial opportunities in tourism sector and ensure supply of skilled work force, to enhance the competitiveness of tourism sector and attract private sector investment, to preserve and enhance the cultural and natural resources of the country, to ensure sustainable, responsible and inclusive development of tourism in the country.

- **Launch ‘Adopt a Heritage: Apni Dharohar, Apni Pehchaan’ project**

The government launched the ‘Adopt a Heritage: Apni Dharohar, Apni Pehchaan’ project for developing tourism amenities at heritage/natural/tourist sites spread across India for making them tourist friendly, in a planned and phased manner. The project aims to encourage companies from public sector, private sector, trusts, NGOs, individuals, and other stakeholders to become ‘Monument Mitras’ and take up the responsibility of developing and upgrading the basic and advanced tourist amenities at these sites as per their interest and viability in terms of a sustainable investment model under CSR and other funds.

- **Union Budget 2023-24 announcement for tourism and hospitality sector**

The Union Budget 2023–24 highlighted Tourism as one of the major sectors contributing to the overall economy of the country. Out of the total Rs 2400 crore allocated to Ministry of Tourism, major portion of the outlay amounting to Rs 1742 crore is allocated for development of Tourism infrastructure & an amount of Rs 242 crore for promotion and branding. An outlay of Rs 1412 crore has been allocated for the Swadesh Darshan Scheme. Swadesh Darshan is a flagship scheme of Ministry of Tourism. The government announced that with an integrated and innovative approach, 50 tourist destinations would be developed for providing a wholesome tourism experience providing physical, digital and virtual connectivity, availability of tourist guides and tourist security.

An amount of Rs 250 crore has been allocated for the PRASHAD Scheme. The PRASHAD Scheme aims for holistic development of selected pilgrimage destinations in the country. The Champion Service Sector Scheme has been provided an allocation of Rs.196.22 crore. Allocation of Rs 105 crore has been made for Human Resource Development and capacity building to meet the requirement of trained manpower in the tourism and hospitality sector. The government earmarked an allocation of Rs 229 crore for tourism infrastructure, promotion of North–Eastern States under Budget allocation.

OUTLOOK

The prospects for the Indian tourism and hospitality sector in coming time are promising with a strong comeback after covid-19 shock. Increasing arrivals of foreign tourist as well as boost from domestic tourism likely to aid the sector to regain the growth path. Foreign tourist arrivals are likely to exceed pre-covid level in coming year. The government's thrust can be seen from draft National Tourism Policy and draft National Strategy for the development of Cruise Tourism, the surge in the budgetary allocation for development of Tourism infrastructure. Also, the government allocated funds for various schemes like Swadesh Darshan and PRASHAD. The recently concluded G20 events and ongoing ICC Cricket World Cup matches are one of the demand generating factors for India's tourism and hospitality sector. Hotels situated in these cities will enjoy maximum advantages as a result prices of rooms skyrocket. With this, hotels can gain advantage of situation with maintain higher price levels and securing more profit. The upcoming events like 9th Smart Cities India 2024 expo, International Exhibitions and Conferences to be held in January 2024 in New Delhi, is also likely to promote tourism with demand for hotels and restaurant. Despite global headwinds, the Indian economy is maintaining its growth momentum with growth rate hitting a four-quarter high of 7.8% in Q1FY24, this will be a positive sign for the economy in turn for the tourism sector to attract more tourist and foreign earnings.

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