

FDI & Tourism- Path Towards Economic Development

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ABSTRACT

Tourism and hospitality industry are one of the key drivers of the Indian economy. The gradual increase in tourism sector (especially through FDI) is leading to the path where Indian economy can see its increase in growth rate. They are becoming one of the leading factors contributing to increase in growth rate of India's GDP. From December 2000 to December 2013 cumulative FDI equity inflows received in the India amounted to Rs. 999059 crores. Out of this Rs 34925.78 crores is received in Hotel and tourism sector. This amounts to 3.28% of total FDI equity inflows. The paper is divided into six sections. Section I deals with introduction and types of tourism. Section II deals talks about various initiatives taken by government of India to promote tourism and hospitality in India. Section III cites reasons as to why people should invest in India. Section IV gives statistical support to show status of tourism and hospitality in India and FDI received in this sector. It also shows an upward trend in terms of FDI inwards in India. Section V is the last section which concludes about how FDI inwards are important for the Indian economy. Section VI deals with references.

Section I: Introduction

Tourism and hospitality industry are one of the fastest growing sectors in the Indian market. This sector comprises of trade, hotel services, restaurant service etc. and is one of the largest contributors to GDP of the Indian economy. Tourism sector in India is bestowed with rich culture, vast heritage and diversenatural beauty. People from various countries come to India to experience this diverse culture and heritage of the Indian society. Tourism industry is source of huge employment for the people and also a source of revenue. They help us to earn foreign exchange for the Indian economy which fuither helps to improve the GDP of the economy.

Types of Tourism

People from all over the places come to India not only to enjoy natural beauty, heritage, culture but also for various other reasons and few of them are mentioned below:

- A. Medical Tourism:** India has a rich heritage in Ayurveda. Various therapies using natural ingredients is quite popular in India. Not only this but India has invested good amount of money and time in its overall health infrastructure. People from various countries come to get treatmentat reasonable cost.
- B. Spiritual Tourism:** India is country of Gods. Given the great and enriching heritage of this country, there are various spiritual destinations. People from all over the country come here to experiment enlightening process and experiment with inner self.
- C. Rural Tourism:** Rural India also offers great opportunities to the India. As far as tourism is concerned people from all over the world come here to get away from the complexities of day to day life. In villages one can have true experience with rural India.
- D. Mice Tourism:** This is one of the latest types of business tourism where people travel to attend meetings, conferences, events etc.
- E. Eco Tourism:** This is one of the responsible form of tourism. It acts as

akey to a sustainable ecological development of a country. It basically aims at promoting conservation of wildlife etc.

So we can say that overall India is one of the attractive tourism destinations. Efforts if taken in the right direction to promote tourism will benefit India. It will not only provide employment and career opportunities to people but will also increase the reserves availability with the country.

Section II: Initiatives Taken By Government of India

Realizing the importance and scope of development in tourism sectors the Government of India and Reserve Bank of India has taken few important initiatives, few of them are stated below:

- a. Union cabinet has given approval to Memorandum of understanding between Ministry of India and Ministry of trade Industry and Tourism of Columbia. This will increase the cooperation level among the two countries.
- b. Ministry of Tourism has sanctioned Rs 844.96 crores to states and Union territories in order to promote development of tourism destinations in financial year 2014-2015.
- c. The Government of India is planning to include over 150 countries under its E-Visa scheme.
- d. The Government of India has launched project "MAUSAM" in order to encourage cross cultural links.

Apart from initiatives taken by Government of India, Reserve Bank of India has also given few suggestions like:

- It has suggested quarterly reporting practice/ annual reporting practice on foreign inward payment.
- They have also suggested a lock-in period for original investment which, will insure money with Indian companies up to a certain period.
- Not only this, Reserve Bank of India has also suggested to keep a constant check on companies so as to ensure no violation of FDI rules etc.

Section III: Why Should Anyone Invest in Tourism Sector in India?

Investment should be made in tourism sector due to following reason:-

- i. Indian hospitality sector is experiencing a good growth percentage. So investments made now can lead to huge profits.
- ii. India is ranked among top 5 must see countries. So gradually tourism will increase.
- iii. Stable political and stable economic and social conditions are also one of the reasons for the same.
- iv. Number of hotels including luxury hotels is increasing. People from various countries come to experiment this luxury.
- v. 100% FDI is permitted in hotel and tourism industry in India.
- vi. It is also found that restaurants, beach resorts and tourism complexes have maximum FDI inflows in India. In 2001-2002 Rs 31 crore were the FDI equity inflows to hospitals and 2013-2014 Rs 3995 crore were the FDI equity inflows to hospitals.
- vii. Economic liberalization is giving new shape to the hospitality sector.
- viii. Increased knowledge, awareness, standard of living has lead to increased interest and expenditure in tourism among people.
- ix. FDI in tourism will provide access to new market opportunities.
- x. Benefit of cheap labour, cheaper production costs and finance etc are available in India.
- xi. Existing infrastructure, capital, skills will also benefit people who are willing to invest India.
- xii. Initiatives taken by the Government of India show the support of government towards this sector.

Section IV: Statistical Validation

Indian tourism and hospitality industry has been seen as one of the

promising sectors in the Indian economy. It contributes to nearly US \$187.9 BILLION or roughly 12.5% to GDP in 2014-2015. India's rich culture, heritage, natural beauty is added to country's advantage. These provide attractive tourism advantages to India. Even the Ministry of tourism has planned to meet these increased demands by providing adequate necessary educated manpower. Various courses has been introduced to upgrade their skills.

Number of foreign tourism arrival rate has also increased. During Jan-Nov 2015 it has reached 7.103 million. A growth rate of 4.5% is observed in foreign tourism arrival. In Jan -Nov 2015 foreign exchange earnings have also increased to Rs 112958 crore from 16.94 Billion. Not only these but also online bookings for hotels have also doubled. E-commerce is also one of the crucial factors which is helping in further development of hotels and tourism industry. According to data released by Department of Industrial Policy and promotion from April 2000 to September 2015 hotel and tourism sector has attracted around US\$ 8.48 Billion of FDI.

There are many companies which have invested in India:

- Thomas cook (owned by Fairfax) has acquired Swiss Tour operator in India.
- Vantage Hospitality group has made a franchise agreement with Miraya Hotel Management and Indian group.
- Omyx Hospitality and Kingsbridge India Hotel Asset Management firm both have signed a joint venture to open various hotels in India by 2018.
- ITC has various investments plans. They plan to invest roughly Rs 9000 crore next few year in Hospitality industry.

According to Department of Industrial Policy and promotion FDI equity inflows from April 2008 to Jan 2012 in hotel and tourism sector can be seen as:

Sector	2000-20012 FDI in Rs. Million	2013 (Jan-Dec) FDI in Rs. Million	2014 (Jan-Dec) FDI in Rs. Million	2015 (Jan-Sep) FDI in Rs. Million
Hotel & Tourism	326937.51	22320.33	48652.88	47971.92

In terms of cumulative figure from Jan 2000-Sep 2015 an overall 44588.3 million or 8458.61 US\$ million is received by the tourism and hospitality industry.

Section V: Conclusion

According to Tourism ministry of India, tourism industry of India will provide largest foreign exchange to its country and as stated above it can be seen that it is working in this direction at quite a fast rate. Growth rate of tourism & hospitality industry is quite commendable. According to ministry it is expected that Indian tourism industry will require US\$56 Billion in the next 20 years for the development of its economy. Rationalization of taxation on hotel sector is need of the hour. Giving them benefits like tax concession, tax holidays are required to bring out the real results benefiting the economy. The G.O.I has already started taking initiatives like initiating few programs like MAUSAM, ATHITHI DEVO BHAVA, E-VISA etc. these will help in driving more and more tourist to India. Even various international hospitality firms like Hilton, Accor, Marriott international, Berggruen Hotels, Cabana Hotels, Premier travel Inn, Inter Continental Hotels groups have announced their plans to invest in India. Over the next few years this will increase the demand and investment in hospitality sector of India and will further strengthen the economy helping it to reach new heights.

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