



Challenges and solutions to the development of the tourism and hospitality industry in India

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Abstract

The tourism and hospitality industry has gained significant importance in the changing market scenario of India over a protracted and long term period. In addition, the increase in domestic travel, as well as high disposable income levels, have all contributed to the good growth. It is expected that over the next few years, the aviation industry will certainly grow and it has a direct impact on the tourism and hospitality industry of India. Furthermore, social travel websites have gained increasingly significant growth in recent years due to the convenience and ease of access they offer. It has been also analyzed that the middle-income groups prefer budget hotels and are also highly attracted to schemes and price reductions offers. Altogether, their potential suggests that the tourism and hospitality industry can look forward to growth in the forthcoming years specifically in the market of Indian tourism. There are however, also negatively impacting factors that are degrading the rate at which the tourism and hospitality industry could enhance and grow in the market. The research methodology used for the study includes an inductive design through the use of case study or journal analysis in order to attain suitable qualitative data. The findings of the study revealed that the challenges including financial issues, global uncertainty, branding issues, human resources, financial viability, customer issues, operating cost creep, supply, safety, and security, all hugely impact the growth and development of the tourism and hospitality industry in India. On the other hand, the solutions to these issues include the development of effective policies and guidelines as well as effective talent management, which would both certainly assist to mitigate negative impacts. Conclusively, it can be stated that the challenges associated with the tourism and hospitality industry in India require immediate attention along with the inclusion of the inputs of stakeholders such as inter alia, policymakers, governmental bodies and firms in the particular sector.

Keywords: Tourism and Hospitality Industry, development, talent management, challenges, policies, guidelines.

Introduction

The tourism and hospitality industry is considered as one of the fastest growing industries in the world, that contributes to around 10% of the world's GDP (Bharwani & Butt, 2012). The growth in the Indian tourism and hospitality industry has seen a remarkable boom in recent year. In addition, it encompasses a diverse range of establishments as well as services including railways, accommodation, food and drink, airlines, ships, hotels, bars, motels, and restaurants. Furthermore, the industry is experiencing higher growth with the boom of tourism and travel resulting in the establishment of a large number of international hotels in India. In addition, over



the past 10 years, a compounded annual growth of 6% has been evident due to the arrival of many foreign tourists. This certainly resulted in tourism earning the position of 2nd highest foreign exchange earner of India along with the significant inputs towards total employment.

On the other hand, there are also some critical issues, including financial issues, environmental issues, global uncertainty as well as other relevant issues requiring immediate action for developing significant solutions in the Indian context. Furthermore, specifically in this particular field of the domain, very limited research studies have been conducted in the past years which focus on challenges and solutions in the hospitality industry altogether, and moreso, specifically in India. Therefore, these were the motivating factors leading to the proposed study.

Statement of the research problem

It has been well analyzed that there has been significant growth in the tourism and hospitality industry of India. The country also has potential aspects that are needed to further influence the growth of the local economy. However, there are several factors that are degrading the growth of the industry, such as the crash in the global economy. Hence, there is a huge need for the tourism and hospitality industry to analyze and comprehend the challenges associated with the tourism and hospitality industry and implement as a matter of urgency, a number of remedial measures to mitigate the negative aspects and issues. Based on such a context, this study intended to analyze the challenges and develop solutions to counter them which would certainly benefit the tourism and hospitality industry in India.

Objectives of the study

- To identify the major challenges associated with the tourism and hospitality industry of India;
- To explore and develop potential solutions to mitigate the issues associated with the successful development of the tourism and hospitality industry in India.

Review of Literature

World economy

With the advent of globalization, the Indian economy has integrated itself with the world economy. In addition, Sharpley and Telfer (2014), have stated that business models need to be developed in such a way that would certainly meet the standards of the global leaders in their respective fields. The exposure to global competition has created significant challenges for the tourism and hospitality industry. Furthermore, the organizations in India are re-engineering and restructuring their business models in order to gain a strategic competitive edge. However, this also leads to cost-cutting methods that highly impact the sustainability of firms in India. Nicolaidis, A. (2018). Most firms also have an additional important Corporate Social Responsibility which is an ethically urgent calling in India (Nicolaidis, 2018). On the other hand, (Legrand *et al.* 2013) stated that diminishing returns and reduced demand are one of the major challenges associated with a crash in the global economy impacting the viability and budget of tourism and hospitality industry in India. Therefore, it is expected by the year 2019 that there would be significant growth in the economy due to foreign tourist arrival depicted in Figure 1.

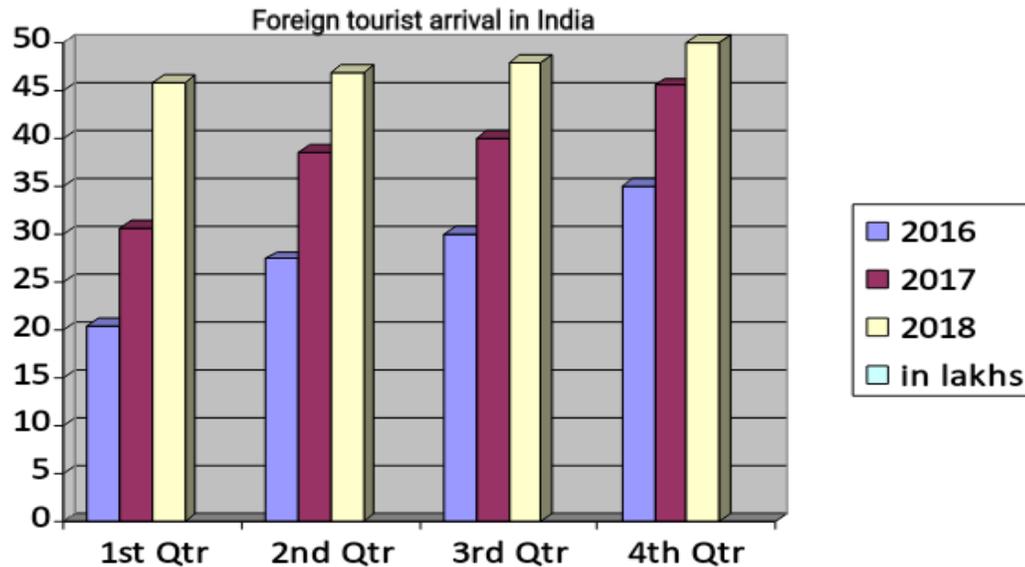


Figure 1: Foreign tourist arrivals in India
Source: www.tourism.gov.in, 2019

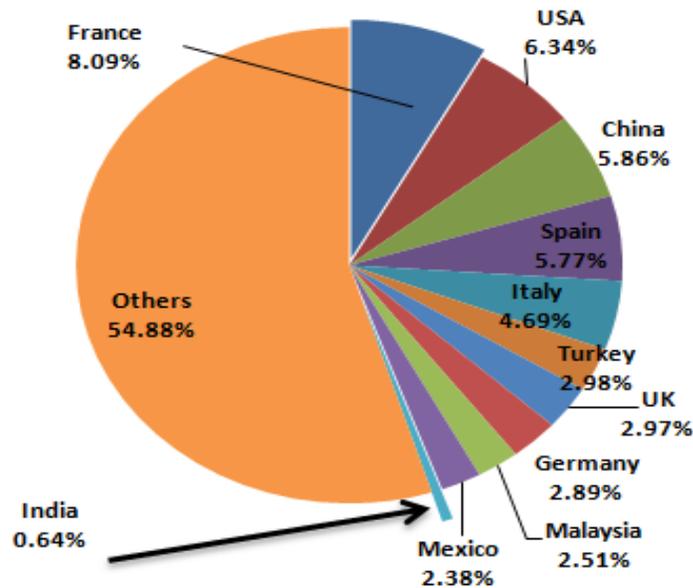
Economic growth

As stated by Swanson and Edgell Sr., (2013), the Indian economy has maintained its sustainability in the global economic downturn and has made itself evident as one of the fastest growing economies in the world. In addition, the contribution of the tourism and hospitality industry in economic growth is certainly limited, which undoubtedly affects the tourism market in India. On the other hand, Inversini and Masiero (2014), have argued the interest and investment of foreign companies are significantly high in establishing facilities in India which is a potential challenge to the domestic industries in tourism and hospitality industry to competed with such high-level projects. This is why it is vital to obtain the buy-in of all stakeholders towards growth strategies in the industry (Nicolaidis, 2015).

Tourism industry and hotel industry

As put forwarded by Jayawardena (2013), the growth of the hospitality industry is significantly dependent on the tourism industry. In addition, it has been also well stated that tourism is the major driver of growth in India. Based on the report proposed by (Leonidou *et al.* 2013), by the year 2020, the tourism and hospitality industry of India would grow by 8.2%, making it the 2nd largest employer in the world. The present employment scenario in this particular industry is illustrated in Figure 2. Jauhari (2009), has uncovered that the most momentous factors affecting hospitality and tourism in India are infrastructure management; government policy; workforce issues and education in hospitality and tourism; strategies for growth; crisis management; the management of destinations in India and the deployment of online techniques for marketing. Furthermore, Babu and Maran (2013) assert that “Inadequate airline capacity, particularly during the peak tourist season, bad conditions of our airports, delays in getting the bookings, flight cancellations and delays render air travel in India nightmarish for foreign tourists”.

Percentage share of top 10 countries and India in International tourist arrivals



Source: Working Group Report for the 12th Five Year Plan (2012-2017) of the Ministry of Tourism

Figure 2: Market share of Hospitality and Tourism industry in employment
 Source: www.sanasecurities.com, 2019

However, the need for huge capital investment and the creation of new infrastructural facilities is essential for attaining such a target. Attaining such measures would certainly assist in developing the Indian economy as well as further demonstrate the evident growth in the tourism and hospitality industry. However, it is significant that both the government and employers align their objectives to fulfill such needs and desire for sustainable development.

Growth and an increase in domestic travel in the tourism and hospitality industry

As stated by Jones *et al.* (2014), the major reasons behind the growth in the tourism and hospitality industry are due to increase in tourist movement in the country as well as FTA or Free Trade Agreements of India with other countries. The availability of easy financing options and also the interest of people in domestic tourism other than business tourism, have positively impacted the tourism and hospitality industry. On the other hand, the depreciating rupee value of India has also most certainly brought international tourists in greater numbers, but affected the domestic tourist intentions as domestic tourists' are highly conscious about their limited budgets. Hence, such an issue creates a potential challenge to the tourism industry as well. Nicolaides (2015) asserts that "Managers of tourism enterprises and indeed all organizations need to use stakeholder management to enrich their often limited understanding of the strategic options they could generate. If an organization uses a substantive argument that involves stakeholders it is likely to lead to better decisions since they will have access to information that might not otherwise be accessible".

India's emergence as a business hub and international events

As stated by Sloan *et al.* (2014), due to the increase in the number of international events hosted in India, the Indian tourism and hospitality industry has gained significant attention from the global market. Furthermore, business meetings, rock concerts and sporting events each have positively impacted towards attracting foreign tourist extensively. This has certainly contributed towards the growth and revenue of firms and the local economy. Hence, there is a growth in tourist arrivals in India and this is expected to increase as depicted in Figure. 3.

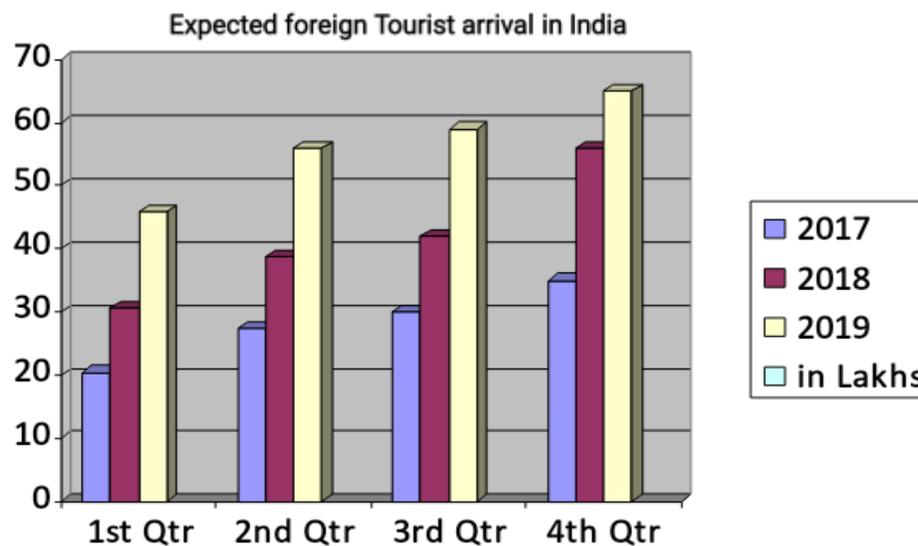


Figure 3: Expected foreign Tourist arrival in India
Source: (www.tourism.gov.in, 2019)

Ease of finance and changing consumer dynamics

It has been well identified by Dhar (2015), that the change in modern youngsters and mainly the millennial generation, based on their quality life has offered significant growth in the tourism and hospitality industry. The changes in the pattern of spending based on periodical leisure trips of people has significantly contributed towards the growth and development of the tourism and hospitality industry in India. On the other hand, Medcindia.com, (2019) stated the concern that the pleasure of millenials is at an elevated rate when compared to savings which have all assisted towards the growth of the tourism and hospitality industry.

Current gap in the literature

After analyzing the relevant literature, it has been deduced that most of the research studies have been conducted for analyzing the opportunities and positive aspects of the tourism and hospitality industry in India. Furthermore, very limited information has been depicted in the challenges and solutions for the development of the tourism and hospitality industry. This is a potentially large gap in the literature which the present study intended to fulfill by depicting the



major challenges and relevant solutions for explicit remedial measures. On the other hand, the positive impacts of the tourism and hospitality industry in the Indian economy have been elaborately discussed in past literature and yet there is a perceived failure to discuss the negative impacts associated with it, which is also a critical gap in the literature. Hence, the present study will hopefully partly fill such a gap and offer additional useful insights in the literature as well as a new direction in the field of tourism and hospitality which is beneficial for the industry stakeholders, policy makers as well as researchers.

Research Methodology

Research Philosophy

In relation to the scope of the present study, the researcher developed a positivistic approach due to its significance as objective reality, which is independent of human consciousness. In addition, through such an approach, the researcher has developed a significant framework for validating the scope of the study as well as considered secondary information to maintain the appropriateness of the study. With such intent and consideration, a significant architecture has been developed by the researcher based on challenges and solutions for the development of the tourism and hospitality industry in India by comprehending the causal relationships between theories and phenomena and evaluating these explicitly against the observations. Such a view or approach could not be attained through the viewpoint of a realist, critical or interpretive philosophy, as it is strictly based on logic and methods of verifications and reproducibility.

Research design

Based on the scope of the present study, the researcher utilized an exploratory research design as the entire data collected would be based on secondary resources. This design has guided the researcher to formulate an effective idea based on both qualitative and quantitative sets of data. As stated by Kolb (2012), an exploratory research study offers flexibility at an extensive rate by eliminating impractical concepts. Other than that, both explanatory and descriptive designs are inappropriate for the present study as both quantitative and cause-effect relationship would not be applicable.

Research approach

The researcher utilized an inductive approach for conducting the present study in order to obtain qualitative data as well as to develop an efficient system based on credible resources. Furthermore, through the use of an inductive approach, the objective and scope of the study would be certainly fulfilled by using ancillary resources such as pre-published journals, books, articles, and websites. Hence, the viability of such an approach would also assist the researcher to validate and prove the objectives of the study, contrary to the deductive approach. The deductive approach focuses on the quantitative aspect of the data which is inappropriate based on the scope of the present study (Kothari, 2014).

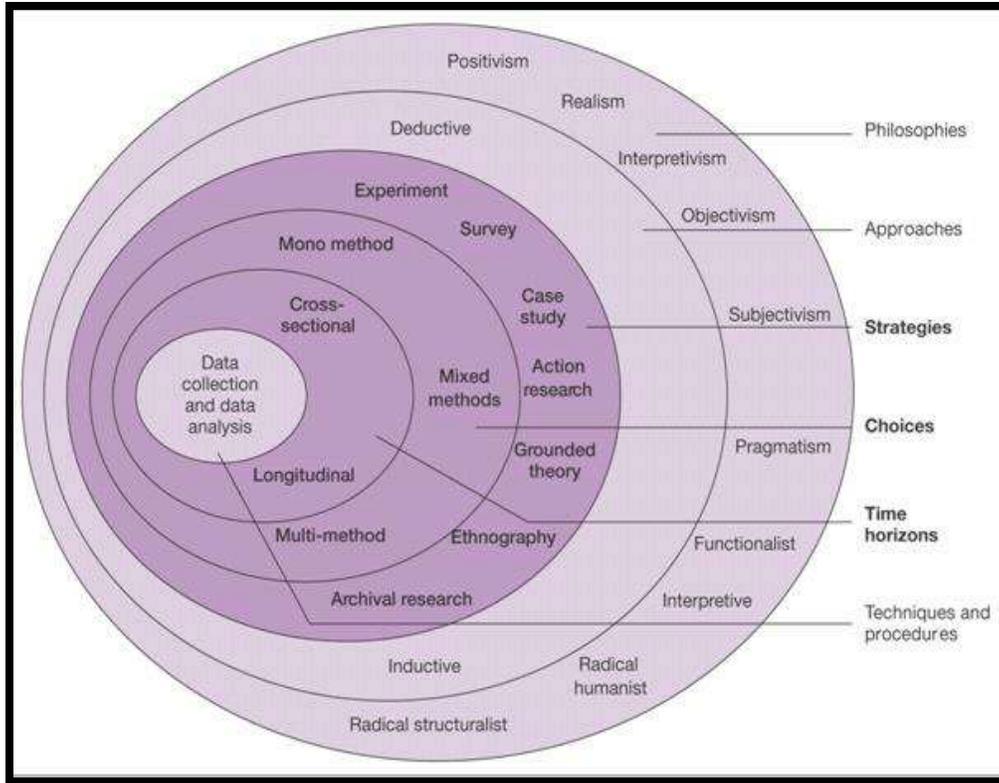


Figure 4: Research Onion Source: Saunders et al. 2012

Data type used

As stated by Kuada (2012), the data type can be divided into primary and secondary resources in order to obtain the quantitative and qualitative aspect of the study. As the present study focuses on qualitative aspect primarily, the researcher has significantly utilized secondary resources as the data type for developing an appropriate framework for analyzing the challenges and opportunities associated with the tourism and hospitality industry in India.

Data collection methods

In relation to the scope of the present study, the researcher has utilized a case study analysis by integrating several sources of evidence. The use of ethnography, grounded theory, experiment, and survey are highly inappropriate as study methods since they are highly relevant for quantitative aspects or testing a hypothesis by including population as sample size. Through the use of case study analysis, extensive knowledge in relation to the research topic have been gathered that has assisted the researcher to analyze the challenges and develop significant solutions for the present study. Hence, the qualitative aspects of the study would be certainly developed through the use of a case study analysis by analyzing pre-published journals, books, articles, and websites explicitly.



Ethical aspects

As put forwarded by Kumar and Phrommathed (2015), it is certainly significant for researchers to maintain ethicality towards the project by maintaining the confidentiality of information obtained. The data and techniques used for the study have been gathered through ethical standards while conducting a study for deducing appropriate data and results. In addition, ethicality has been significantly maintained by the researcher for attaining the objectives of the study pertaining to secondary data. The secondary data has been gathered in a legal way to support the researcher to generate substantial and precise analysis in the process.

Result/Findings

In relation to another credible source (Sanjeev *et al.* 2013), it has been identified that there are significant financial challenges associated within the Indian tourism and hospitality industry including eroding margins, high financing costs, working capital issues, a multiplicity of taxes charged as well as licensing and legal issues. The researchers in the study assimilated such qualitative information through the use of structured interviews from a spectrum of hotels in India. The findings of the study also revealed significant solutions towards such issues including enhanced policies and tax exemptions on facilities of the tourism and hospitality industry in India in order to attain significant development in the particular field. In addition, it has also been demonstrated in the study that it is significant for developing sustainable measures in order to maintain growth in the industry as well as in efforts to safeguard the natural environment. The research study does not include quantitative analysis, however, the findings of the study revealed critical issues associated within the particular sector.

Based on a study conducted by Goyal, (2010), it has been understood that there are ten top issues that pose significant challenges towards the tourism and hospitality industry in India. The study revealed global uncertainty, branding issues, human resources, financial viability, customer issues, operating cost creep, supply, safety, and security, as well as distribution channel management, are the major issues which are affecting the viability of the tourism and hospitality industry in India. Furthermore, the researchers also proposed a significant solution based on the identified issues which integrate efficient training to employees for developing their skills and abilities, effective retention techniques for retaining top talent in the industry, building greenfield infrastructures, enhancing political infrastructure as well as identifying and fulfilling customer needs and demands, which concurs with the stakeholder authority, Nicolaidis (2015). It has also been identified by the researcher that the number of foreign investors is critically increasing in the Indian tourism and hospitality industry which reinforces the domestic partners to enhance their infrastructure and offer quality services in order to attract and retain potential tourists from the market.

On the other hand, a study conducted by Jauhari and Sanjeev (2012) certainly revealed that in order to mitigate the financial issues in the tourism and hospitality industry in India, it is significant to develop cost management and land management policies. In addition, talent and risk management issues need to be addressed as well by an effective branding strategy that would certainly contribute towards the growth and development of the particular industry. The methodology adopted by the researcher includes the findings of the theme issues in the domain of strategy and finance. Therefore, such analysis highlighted key issues affecting the development of the tourism and hospitality industry in India. It has been significantly suggested by the researcher, that the issues associated with financial aspects in tourism and hospitality industry could be certainly mitigated through appropriate framing of policies by governmental bodies as well as via the development of effective guidelines for developing the sector.



Hence, it can be stated that there are several challenges that are associated with the development of the tourism and hospitality industry in India that require immediate attention. Furthermore, the solution that has been proposed in the past research studies based on the selected articles, highly demonstrates that the mitigation techniques towards such a cause are likely to succeed.

Conclusion

After analysis of the entire paper, it has been found that financial issues are the major challenge that is holding back the development of the tourism and hospitality industry in India. In addition, issues including high financing costs, working capital issues, branding and multiplicity of taxes charged are the major financial issues associated with the particular sector that needs to be mitigated at almost immediately for development to occur. On the other hand, other strategic issues including global uncertainty, branding issues, human resources, financial viability, and customer issues, operating cost creep, supply, safety, and security are also significant challenges associated with the development of the tourism sector in India. The rate of competition due to increasing foreign investors along with the changing demands of customers also highly impacts the scalability of the industry in terms of economic growth and revenue structure. Based on the literature, the growth in foreign tourists is expected to escalate in the forthcoming years which would positively impact the development of the tourism and hospitality industry in India if sustained. Hence, it is significant to address and mitigate each issue and the challenges associated with the particular sector in order to attain growth and prosperity in the Indian economy as this particular industry has a significant contribution to make in it.

Recommendations

Based on the journal analyses and literature reviewed, it has been ascertained that there are critical challenges in the development of the tourism and hospitality industry in India which require immediate attention. In relation to this context, one of the major solutions is to develop and frame effective policies and guidelines that would assist the firms in the tourism and hospitality industry to grow and further embrace and comprehend the need for sustainability. In addition, it is also significant that talent and risk management strategies need to be incorporated in a particular sector through effective training and quality employee retention techniques. On the other hand, an effective branding strategy and fulfillment of the needs and demands of customers is also highly relevant and essential for the industry to attain a competitive edge in the global marketplace. Lastly, it depends on both government and firms in this particular sector to align their objectives for the successful development of the tourism and hospitality industry in India.

Limitations of the study and scope for future research

The first limitation of the study is that it was completely based on a qualitative analysis based on secondary resources. The second limitation of the study was time and budget which was very limited for the project. As time and budget were limited for the study, the completion of the entire study was highly challenging for the researcher. The third limitation was the availability of information based on the selected topic in past literature which created a significant challenge to the researchers. The information based on the challenges and solutions of the tourism and hospitality industry in India was highly limited. However, with such limitations, the researchers have to an extent successfully accomplished the objectives of the research study. In addition, for the future scope of a study on the same area, the demographic variables could be also



accessed for developing accurate results based on the industry. The use of quantitative and qualitative data could have certainly offered far more significant results for generalizing the results. Hence, this work offers some scope for future research with the inclusion of a quantitative analysis and mixed methodology approach supporting triangulation of data. On the other hand, comparative analysis based on different countries is potentially also scope for future studies in this particular field for developing more effective solutions to industry problems.

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