



Think India Journal

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Fdi in Tourism and Hospitality

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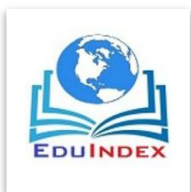
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ABSTRACT

As tourism is one of the fastest growing industries today, thus within the tourism industry events are getting more and more important. People have become more interested in events of all kinds, and will travel far away to participate in events that they find interesting. Events can offer various economical and social benefits for destinations, and therefore destination managers can and should employ events effectively in a tourism role. It has become widely accepted that every community and destination needs to adopt a long-term, strategic approach to event tourism thereby planning and development in order to realise the full tourism potential of events. This study was launched as a response to the lack of studies on how event tourism strategies are actually used in destinations. The study was directed to four Nordic tourism organisations, and the aim was to explore how these organisations work strategically with events.

INTRODUCTION

The Tourism and Hospitality industry in India is one of the largest service industries. Tourism is an integral pillar of the Make in India programme. India is the 8th largest country in terms of contribution to travel & tourism GDP. The Tourism industry in India generated \$247.3 Bn showing a growth of 6.7% during the year 2018, accounting for 9.2% of the total economy. In 2017, the total number of domestic tourist visits (DTV's) to states and Union Territories stood at 1652.5 mn. About 10 mn foreign tourist arrivals have been recorded in



2017. The contribution to employment, by the Tourism industry in India, has been 42.7 mn jobs in 2018. The World Heritage List has 36 sites inscribed which include 28 cultural, 7 natural and 1 mixed category site. There are 3686 monuments/sites under the protection of the Archaeological Survey of India (ASI).

FDI IN INDIAN TOURISM SECTOR

The Tourism industry in India accounted for 9.2% of the Gross Domestic Product (GDP) in 2018. India is the third largest foreign exchange earner for the country. The Foreign Exchange Earnings (FEE), from the Tourism industry in India, stood at \$28.9 Bn in 2018. In 2018, 2.37 mn foreign tourists availed the E-Visa facility which represents a 39.4% increase over 2017. Globally, India is also the 3rd largest in terms of investment in travel & tourism with an investment of \$45.7 Bn in 2018. India has a diverse portfolio of niche tourism products which includes cruises, adventure, medical, wellness, sports such as Golf and Polo, MICE (meetings, incentives, conferencing, exhibitions), eco-tourism, film, rural and religious tourism. Hotels with a project cost of \$29.85 Mn or above are already included in the Harmonized Master List (HML) of Infrastructure. The MOF (Ministry of Finance) is constantly being pursued for the inclusion of Hotels with a project cost of \$3.7 Mn to \$29.85 Mn in the HML. The centrally funded scheme of Swadesh Darshan and Pilgrimage Rejuvenation and Spirituality Augmentation Drive (PRASAD) provide for introducing suitable Public Private Partnership (PPP) for improved sustainability of the projects. Viability Gap Funding may be provided under the schemes in accordance with the relevant guidelines/instructions of the Government.

POTENTIAL DATA

The Tourism and hospitality industry in India is an employment generating industry and every \$1 Mn invested in tourism creates 78 jobs. The Tourism industry in India is the 3rd largest foreign exchange earner after gems, jewellery and readymade garments. India ranks 14th in terms of absolute Foreign Exchange Earnings (FEE) and 122nd in terms of share of visitor exports in total export. India registered 10.04 mn Foreign Tourist Arrivals (FTAs)



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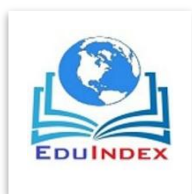
in 2017, registering an annual growth of 14%. The number of domestic tourist visits in India during 2017 was 1652.49 mn, registering a growth rate of 2.3%.

FDI KEY AREAS IN TOURISM

The Government of India has recently been focusing upon fast-track infrastructure development and promoting tourism digitally. Sustained efforts have led to a jump of 25 places in World Economic Forum Travel & Tourism Competitiveness Index ranking between 2013 and 2017.

The key initiatives undertaken are:

- E-Visa facility extended to 166 countries for visit to India through 28 international airports and 5 sea airports.
- Undertaken promotional activities such as Incredible India 2.0 campaign and India Tourism Mart in 2018. 15 circuits on specific themes have been identified for development under the Swadesh Darshan scheme.
- During 2018-19, a total of 7 projects worth \$55 Mn were sanctioned under the scheme.
- 25 religious sites have been identified for development under the PRASAD scheme. The Ministry has released \$12 Mn for the projects sanctioned under PRASHAD till 31 March 2018.
- India's first 'Adventure Tourism Guidelines' launched covering 29 land, air and water-based activities.
- SwachhParyatan Mobile App' & 24x7 Tourist Helpline launched in 12 international languages.
- The Ministry of Tourism has been complemented by progressive initiatives by other ministries, such as UDAN scheme by the Ministry of Civil Aviation, tourist trains by the Ministry of Railways, Sagarmala project and development of lighthouses by the Ministry of Shipping.



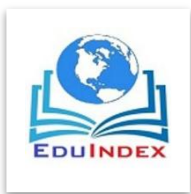
- The traditional themes of culture & heritage, religious and nature-based Tourism are still the frontrunners shaping the inbound tourism landscape in India. Rich history & vibrant culture, deeply entrenched faith in religion and unparalleled diversity in natural resources present a distinct advantage to India.
- Availability of medical experts offering speciality treatment, advanced equipment and low cost have positioned India as a preferred medical tourism destination in several international markets.
- Adventure tourism is another rapidly growing segment which has a tremendous potential based on the diverse natural landscape on offer in India.
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GOVERNMENT POLICY AND FDI FRAMEWORK:

100% FDI is allowed under the automatic route in the Tourism and hospitality industry in India, subject to applicable regulations and laws. 100% FDI allowed in tourism construction projects, including the development of hotels, resorts and recreational facilities.

A National Tourism Policy was formulated in 2002. However, considering the widespread interrelated global advancements, a new draft National Tourism Policy has been formulated, which is yet to be approved and has the following salient features:

- The focus of the Policy is on employment generation and community participation.
- Stress on the development of tourism in a sustainable and responsible manner.
- An all-encompassing Policy involving linkages with various Ministries, Departments, States/Union Territories and Stakeholders.
- The Policy enshrines the vision of developing and positioning India as a “MUST EXPERIENCE” and “MUST RE-VISIT” destination for global travellers, whilst encouraging Indians to explore their own country.
- To develop and promote varied tourism products including the rich culture and heritage of the country, as well as niche products such as medical & wellness, MICE (meetings, incentives, conferences and exhibitions, Adventure, Wildlife and so on.



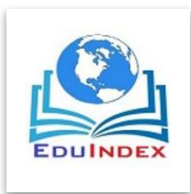
- Development of core infrastructure (airways, railways, roadways, waterways, etc.) as well as Tourism Infrastructure.
- Developing quality human resources in the Tourism and Hospitality industry in India, across the spectrum of vocational to professional skills development and opportunity creation.
- Creating and enabling an environment for investment in tourism and tourism-related infrastructure.
- Emphasis on technology-enabled development in tourism.
- Focus on domestic tourism as a major driver of tourism growth.

FINANCIAL AND TAX INCENTIVES

To develop and enhance tourist infrastructure a provision of \$158 Mn is made for developing Swadesh Darshan.¹⁶ States have been given greater flexibility in the development of Tourist infrastructure as per local requirement from their enhanced resources.

A host of benefits have been provided under the GST regime. Extremely low taxes on food and hotel rooms have been very beneficial. GST is proving to be a major benefit for the tourism and hospitality industry. The process to claim and avail ITC (input tax credit) is simple and clear. Resources to be provided to start work along landscape restoration, signage and interpretation centres, parking, access for the differently abled, visitors amenities, including securities and toilets, illumination and plans for benefiting communities around them at various heritage sites which include Churches & Convents of Old Goa, Hampi, Karnataka, Elephanta Caves, Mumbai, Kumbalgarh and other hill forts of Rajasthan, Rani ki Vav, Patan, Gujarat, Leh Palace, Ladakh, J&K, Varanasi Temple town, UP, JalianwalaBagh, Amritsar, Punjab and QutubShahi Tombs, Hyderabad, Telangana. The e-Tourist Visa facility has now been increased for travellers of 166 countries.

An investment-linked deduction under Section 35 AD of the Income Tax Act is in place for establishing new hotels in the 2-star category and above across India, thus permitting a 100% deduction in respect of the whole or any expenditure of a capital nature excluding land, goodwill and financial instruments incurred.



Incentives offered by state governments include subsidised land cost, relaxation in stamp duty, exemption on sale/lease of land, power tariff incentives, concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects.

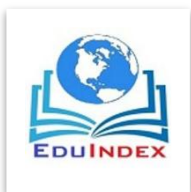
Incentives are provided for setting up projects in special areas – the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand.

FUTURE OPPORTUNITIES:

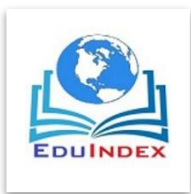
The presence of world-class hospitals and skilled medical professionals make India a preferred destination for medical tourism. As an opportunity for cruise owners and operators by capturing/capitalizing the opportunity from a vast beautiful coast line, vast forest and undisturbed idyllic islands. Rural tourism is mainly promoted by the Incredible India 2.0 Campaign. The Ministry of Tourism has sanctioned Rural Tourism projects at 185 sites in several states/union territory administrations up to 31 March 2012. Under Swadesh Darshan Scheme, Ministry of Tourism identified Rural & Coastal Circuits as one of the thematic circuits for development. Eco-tourism is at a nascent stage, but there are conscious efforts to save the fragile Himalayan eco-system and the culture and heritage of indigenous people. The Tourism and hospitality industry in India offers opportunities across various sub-segments such as timeshare resorts, convention centres, motels, heritage hotels and the like. Investment opportunities in the setting up of tour operations and travel agencies cater to burgeoning tourist inflow.

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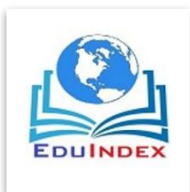
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