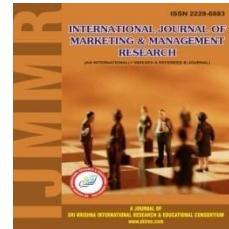




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PRESENT SCENARIO OF F.D.I IN TOURISM INDUSTRY IN INDIA

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ABSTRACT

Presently tourism is the fastest growing industry in the whole world. While all the European countries, America, South East Asian countries and now China have been taking advantage of these phenomena of travelling, India is lagging behind in terms of tourist arrivals. Though we have launched 'incredible India' campaign and we do possess the richest heritage in the whole world we are unable to cash in on the increased demand, because the 'Incredible India' branding cannot be isolated from ground reality. To capitalize the potential of our marketing, we need to urgently centralize on infrastructure. While tourist reached India in larger number due to incredible India campaign they were unable to find accommodation, air seats, and bad roads added to their woes. But these are still not enough as there are still limitations and a gap between what the ministry speaks and what actually happens. While infrastructure is given, a boost by means of inviting FDI the railway ministry is still not prepared to invite or involve the FDI in railway development. Though the ministry has brought about drastic changes in the railways it still needs to do a lot especially in terms of improving the seats and its comfort level, adding more toilets, cleaner toilets, better equipped kitchens and clean kitchens, more sanitary steps, better coaches, attractive and clean stations.

INTRODUCTION

Presently tourism is the fastest growing industry in the whole world. While all the European countries, America, South East Asian countries and now China have been taking advantage of these phenomena of travelling, India is lagging behind in terms of tourist arrivals. Though we have launched 'incredible India' campaign and we do possess the richest heritage in the whole

world we are unable to cash in on the increased demand, because the 'Incredible India' branding cannot be isolated from ground reality. To capitalize the potential of our marketing, we need to urgently centralize on infrastructure. While tourist reached India in larger number due to incredible India campaign they were unable to find accommodation, air seats, and bad roads added to their woes. Despite the matchless heritage sites we boast of we are even unable to provide clean sanitation. In fact over the years the shocking condition of the sanitation has been responsible for creating a negative image internationally. What is needed is to offer quality civic facilities for quality experience.

PROBLEM AREAS IN TOURISM INFRASTRUCTURE

There is complete imbalance in the supply of hotel accommodation. This has led to escalating in prices of hotel rooms which was a matter of grave concern for tourism officials who had taken the trouble to boost the number of tourist through intensive and aggressive marketing efforts. The percentage of hotel rooms required was far less than the demand. The various figures of demand and supply of hotel rooms are as follows;

TABLE NO-1

HOTEL ROOM CAPACITY AND DEMAND

Hotel Room Capacity	Year	Demand
78,000	2008	1,30,000
94,000	2009	1,40,000
94,000	2010	1,40,000
98,000	2011	1,10,000

The above figures have been obtained from different sources. The 2008 statistics source is the book *Tourism Industry in India*, edited by Tapan panda and Sitakantha Mishra, the 2009

statistics from the book *International Tourism, Issues and Challenges* edited by Dr. Bhardwaj, 2010 statistics by Dr. Ajay Suneja in the same book and the 2010 statistics from and the 2010 figures from *The Times of India*.

Another major bottleneck in tourism development is the air transport especially international flight connections. Majority of foreign tourist travel by air who when they land at the airport face problems of passenger management. The present status of international airports is totally eleven in number. Most of these airports that are presently managed and meet the requirements of a very limited number of passengers. Delays passengers due to long quest are a common drawback. Huge investments are required both for the hotel industry and aviation industry.

Within the country, majority of the common people travel by rail. Though the Railway Ministry has revolutionized the Railways in the recent two years there is still a huge gap between the demand and supply figures. There is need to make investment in developing world-class railway infrastructure in India but the railway ministry has recently denied and refused away foreign direct investment in Indian Railways.

Another major problems area is its outdated land laws and absence of single window clearance. Land rates contribute almost 30 percent of the total development costs. In Mumbai land cost is 50 percent of project cost while Delhi has very limited free space. This is required is that land need to be provided on long-term lease for hotel construction in tourist destinations. Within the country in most tourist destinations roads are very bad and do not meet the international standards. Except for few roads like Pune-Mumbai and Pune –Bangalore that has six lanes and a number of facilities on road most other roads are not only narrows, but has potholes, splits and punctures.

WHAT IS NEEDED IS INVESTMENT

For rectification of all those problems what is required is huge investment in tourism infrastructural development. The present practice to meet such big investments is through joint ventures foreign ownership and private investments. It has long been the traditional belief that any development is the responsibility of the Government. But it must be clear that the Government also needs the help of private investors for huge development projects where revenue required are is big. Hence for tourism more and more foreign of NRI investment should be encouraged.

OBJECTIVE OF STUDY

1. To study the present scenario of foreign direct investment in tourism in India.
2. To examine the various tourism segments where foreign direct investment has started.
3. To investigate the Government role in either encouraging or discouraging FDI's in tourism in the country.

SCOPE OF THE STUDY

The present paper is a broad based study of the whole country as it is near impossible to conduct micro study. The micro study has been taken for India as only very recently Government has opened up for FDI's in tourism industry. Hence the time span of the study too is limited in scope to just four years.

LIMITATION OF THE STUDY

1. The paper is prepared on the basis of data obtained only from newspapers and magazines.
2. Very little research work is bound to suffer due to sparse data hence criticism is a possibility.

3. Any pioneering work is bound to suffer due to sparse data hence criticism is a possibility.
4. Primary data is not available neither much of secondary data.
5. Time too was a major limiting factor.

AIR DEVELOPMENT

Airport modernization has been taken seriously by the present Civil Aviation Ministry. It is wonder that a complete revolution is under way where privatization is emerging in a big way. Privatized airports of Delhi and Mumbai are planned to be better than the airport terminals in Singapore, Hong Kong and Beijing. World Class expertise is hired. it was after a lot of efforts that the Government took a big step forward in the much delayed foreign direct investment when out of 8 shortlisted bidders the final bidder was identified and the capital investment for Delhi airport is Rs.2800 Crore and Rs.2600 Crore for Mumbai airport.

There are number of prescriber measurable standards like the minimum time required for baggage and passenger clearance. Beside IATA conduct regular surveys on passenger's feedback. The Asian average of best airports today is 3.5 and if the service standards at the airport drop below this level, the private operators will attract penalties. if they consistently fail to take remedial action their agreement can be terminated.

This was one reason why the change airport of Singapore opted out of the government's ambitious mega plan to create a world class airport hub in Delhi and Mumbai. The Indian partner was JV barite who too had to opt out especially because the foreign partner had to pay the penalty and not the Indian which was definitely discriminatory. The final winner for foreign investment was GVK airport company south Africa and he Bidvest group.

As per the Operations Management and Development Agreement (OMDA) signed between Mumbai International Airport Ltd. (MIAL) and Airports Authority of India (AAI) on April 4, 2006 (MIAL) has taken over the airport operation of Mumbai Chhatrapati shivaji International Airport (CSIA) from May 3, 2006.

Mumbai International Airport Ltd., has paid AAI an upfront fee of Rs. 150 Crore and will share 38.7 percent of the revenue with them. The terms of the agreement is 30 years and is extendable by another 30 year at the options of the MIAL which means that MIAL will be running the Mumbai airport for 60 years.

The process of modernization of the Mumbai airport will include development, design, construction, up gradation, modernization, finance and its management. MIAL plans to invest up to Rs. 5,800 Crore in the project during the next seven years, while the total estimated project cost stands at Rs. 700 Crore. A 74.26 percent joint venture company with AAI, MIAL is a consortium of GVK Airports Company South Africa and the Bidvest Group as mentioned earlier. Planned as part of airport improvement it is a 8 lane highway connecting the airport directly from the Wes Express Highway and a second parallel runway.

HOSPITALITY INDUSTRY AND FDI IN INDIA

The Hospitality industry is also growing and as mentioned in earlier chapter India needs large number of rooms. The Unison Hotel is ready to set up new properties in major cities like Bangalore, Hyderabad and Mumbai. In line with its expansion plans Unison Hotel intends to set up five star business hotels in these cities. The whole expansion programme will involve an estimated investment of Rs. 700 Crore in the first phase of planning of three years.

Expected to open within 36 months the properties will offer luxurious experience to the customer. Target customers will be corporate. Hotels will provide good conferencing facilities and meeting rooms. Provide good spas and health facilities. Hotels will be technologically advanced and they will have scope to adopt new and latest technology. Internet connection will be provided in all proportion.

Presently the group owns seven hotels including The Grand Hyatt Regency in Delhi, Hyatt Regency in Mumbai and Kolkata and two hotels in Kathmandu.

At the same time another renowned hotel group Shangri La Hotels and Resort, Asia Pacific luxury hotel group that manages 47 hotels world over also plans to invest in India in hospitality industry. Talks are still underway and an agreement has not been finalized.

In Hyderabad too new hotels are coming up and there is huge investment made by foreign companies. A six acre plot of land in the city has already been acquired in February for a whopping Rs. 360 Crore by ICICI Venture Fund along with Maytas and Nagarjuna Construction Company. The French Accor Group has already started building its second property near the airport. The Marriot has planned to build Courtyard. Huge foreign direct investment is taking place in the hospitality industry. But the sad part is that most of the growth in hospitality industry is centralized in metro cities. The big names in hospitality refuse to venture in smaller towns though some of them have famous World Heritage monuments and the flow of the tourists too is sizable. There is no FDI in smaller towns.

TRAVEL BUSINESS AND FOREIGN DIRECT INVESTMENT

Investment in travel business since decades has been limited to Indian market. Very little FDI was ever heard in the travel business. But with liberalization a number of foreign players in travel business are entering the Indian market and investing in a big way.

Carlson Wagonlit Travel is on an expansion spree with plans to spread its franchisees network in six India by the year –end. At present it has a franchisees office and 8 owned office in Delhi, Gurgaon, Kanpur, Mumbai, Pune, Wadodara, Hyderabad, Chennai and Bangalore.

A new and latest entrant into the Indian market is Worldspan the only GDS that does not own or operate an online agency unlike its other counterparts in the GDS segment. Therefore, it does not compete with travel agencies as travel retailer enjoying a domain share of 65 percent with (globally) Worldspan is targeting to grow its current market share in India by 12 percent. To do this an array of initiatives are launching of e-pricing and to set up 14 new offices

at various locations across India. It has identified its base in northern, southern and to some extent in eastern and western regions of India. These offices will be set up by the end of March this year.

The company is investing a significant amount of money to carry out this expansion exercise. Though of course it has not as yet spelt out the actual amount it will be investing.

GOVERNMENT POLICY TOWARDS ENCOURAGING FOREIGN DIRECT INVESTMENT IN INDIA

Renuka Chaudhari during her tenure as tourism minister favored 100 percent FDI in developing tourism infrastructure to give a major boost to the sector as one of the fastest growing in the world. She felt that as the industry is growing investment in this sector would and is estimated to grow 8.8 percent over the next ten years.

The present tourism minister Mrs. Ambika Soni has urged NRI's to invest in tourism infrastructure. She has invited the NRI's to invest in building necessary infrastructure in tourism, hospitality and aviation sectors. She had also called on the state governments to make it easy for the NRI's to invest with single window clearance and plugging off all Boopholes.

According to the latest Government policy 100 percent investment is permissible in this sectors will be hotels which includes restaurant, beach resorts and other tourist complexes providing accommodation and catering or food facilities. Tourism related industry includes travel agencies, tour operating agencies and tourist transport operating agencies. Units providing facilities for cultural adventure and wildlife experiences to tourist as well as leisure, entertainment, amusement, sports and health units, and convention / seminar units too will be granted permission.

ROADS, HIGHWAYS, PORTS AND HARBORS

FDI up to 100 percent under automatic route is permitted in projects for construction and maintenance of roads, highway, vehicular bridges, toll roads vehicular tunnels, ports and harbors.

The prohibited sectors are gambling and betting.

CONCLUSION

The present government policy is definitely encouraging as the tourism and cultural ministry is taking tremendous efforts to revolutionize the tourism industry. Aggressive marketing during the tenure of Renuka chaudhari through 'Incredible India' was quite effective.

But these are still not enough as there are still limitations and a gap between what the ministry speaks and what actually happens. While infrastructure is given, a boost by means of inviting FDI the railway ministry is still not prepared to invite or involve the FDI in railway development. Though the ministry has brought about drastic changes in the railways it still needs to do a lot especially in terms of improving the seats and its comfort level, adding more toilets,

cleaner toilets, better equipped kitchens and clean kitchens, more sanitary steps, better coaches, attractive and clean stations.

In 2005 there was a lot of persuasion of some foreign airlines to allow them in domestic skies. Richard Branson had suggested the opening of the domestic airline industry to foreign carries. But later the Indian Civil Aviation decided to maintain the existing caps on foreign direct investments in the sector as the domestic industry is in the growing stage and it would have to counter foreign competition.

Presently the Airport Authority of India is all geared up to develop 35 non-metro airports at a cost of Rs. 8000 Crore with latest designs, air conditioning, equipment and facilities like shopping eateries, convention centers, cargo complexes, parking lot and health centers and the planning is very ambitious. But it would also have been appropriate if foreign direct investment was allowed and foreign expertise also permitted due to which the standard and quality of these airports would also be of a very high grade. But there is no such plan. At the same time FDI in entertainment and amusement would have made the country a more attractive destination. Tourist all around the world are looking out for fun and enjoyment. Though in Mumbai Easel World and Water kingdoms are expansive amusement sites in other smaller tourist cities too such amusement parks would invite and attract large number of tourists.

India has already opened its doors to shopping malls and these malls are mushrooming not only in metro cities but also non metro cities. Large number of such malls like Shoppers Stop, Big Bazaar and soon the US based renowned Wall Mart Stores too is looking out to make its presence felt in India, the shopping scene looks quite bright.

Unfortunately the entertainment business in India is not developed. The picture is still bleak and is limited. In foreign countries entertainment is big business. Probably in many of our tourist destinations though we have the best world standard sites they have not been able to attract big business due to the lethargy in entertainment. Probably only a few states like Rajasthan, Kerala and Goa to a limited extent has been able to attract attention. But it still needs to do more.

What we are facing is a world competition, hence integrated development is a key to face their challenges. What we need is easy, convenient, comfortable and cheap connectivity by air, road and rail and hotel accommodation. Foreigners not only demand for five star accommodation but many prefer of budget hotels that are clean and comfortable. What we lack is bigger number of budget hotels, in good locations with all facilities. Government should provide tax incentives for private investments in hotels so that they can offer cheap accommodations.

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