CHAPTER – II

REVIEW OF LITERATURE

INTRODUCTION

In this chapter operational definitions and review of literature are discussed. The related literatures were studied in order to know the trends and scope for research in the chosen field. Many doctoral theses, reports and articles published in leading journals were subjected to analysis.

REVIEW OF LITERATURE

This review of literature comprises the views of the eminent researchers in the field. They are generally and specially with reference to the objectives of the study.

PROBLEMS AND PROSPECTS OF HOTEL INDUSTRY

Anil Kumar in his work problems and prospects of hotel industry has analyzed the seasonality of tourism in Tamilnadu and mentioned that November to May is the peak time for tourist in his study. He has made an in-depth study analysis of the employment opportunities provided by the tourism industry especially airlines, travel agencies and agencies for operators and has pointed out that there are tremendous potential for self employment in various industries like handicrafts etc. ¹
Lockin D.philips has analyzed the various issues concerning the industry. He holds that the transportation facilities have significant effect upon orientation of the hotel industry in relation to market demand for accommodation services. Transportation stimulated the rate of urbanization which entails a corresponding to the growth of the hospitality industry further.  

P.Rajendran in his study states that the major problems of hotel development. In his opinion, government should declare certain areas suitable for development of hotel industry and fix a fair price for land to prevent speculations.  

According to G.R Ghatak hotel industry in India is still in the infancy stage He opines that hotel industry should be treated in par with export oriented industries with similar fiscal and other incentives. It will limit private investment to certain extent more over the unit value of required investment is very high.

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1-Anil Kumar ,”Indian hotel industry- problems and prospects”, dissertation, University of kerla, 2003  
2-Locklin d Phillips, Economies of Transportation, Business publishing, Chicago:1938  
3-P.Rajendran,“Indian hotel industry- Problems and Prospects”, dissertation, university of madras, 1996  
4-A.R.Ghatak “Hotel : No room for complicancy”,capital,1993,P-190
Ganapathy is of the opinion that tourism depends on a great deal on the private sector for which adequate incentives and concessions are necessary\textsuperscript{5}.

G.W Latin in his work says the hospitality industry is the only field where supply must proceed demand. The growth of hotel industry is a pre-requisite for the growth of tourism sector. According to him, out of various components in tourism industry, hotels constitute a major share of 45\% to 60\% of total profit to government \textsuperscript{6}.

A.K. Bhatia in his study analyses the level of demand for accommodation service. He opines that determining the hotel accommodation capacity for a given number of visitor. The crucial variables are that expected or average length of stay of the visitors and the expected average rate of occupancy for tourist accommodation as a whole or preferable for different categories of hotels. \textsuperscript{7}

\textsuperscript{5}Ganapathy.k.G-“Give Calcutta a face –lift”, Industrial Times, December 8-21,1986,vol xxiii, no -25, p-54
\textsuperscript{6}G.W.latin, \textit{The lodging and food service industry} (Michigan Educational Institute of the American Hotel and Motel Association,1989), p- 32
\textsuperscript{7}A.K Bhatia .:”Tourism development –Principles and practices”, Sterling publishers pvt ltd, New delhi,1989, p-235.
Dharma Rajan has highlighted the significance of the public sector in hotel Industry. In his opinion he remarks that the industry has been built as an infrastructure for tourism in which the scope of earning is almost infinite.\(^8\)

Anand cities that the seargent committee setup in 1945, which first pointed them that an actual problem faced by the tourism sector is the shortage of sufficient accommodation. The committee suggested that a chain of first class hotels should be built in india.\(^9\)

Vivel Sharma states that without adequate development of hotel resources all our national and domestic virtues, all our sporting and recreational facilities may fail to sustain a good volume of tourist trades. Seventy five percent of hotelier problems are connected with availability of land.\(^{10}\)

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9-M.M.Anand “Tourism and Hotel Industry in India”. A study in management Prentice hall , New Delhi, 1976

10-Vivel sharma, “Tourism in India” Jaipur, Archant ,1991, p- 252
According to Kamalashi over 90% of the foreign tourists and from 78 to 80% of the domestic tourists depend on hotels for their accommodation. In her opinion, adequate accommodation must be available to tourist in the type of hotel they demand\textsuperscript{11}.

In the opinion of G.Skipper, there are some good quality hotels and quality guest houses across the state, but all too often it appeared that expectation of foreign tourists are not met in their full need. \textsuperscript{12}

**OPINION OF THE RESEARCHERS FOR THE PROSPECTS OF HOTEL INDUSTRY**

Anand\textsuperscript{13} in his study examines the reasons for the poor tourist traffic in India. He says that hotels and supplementary accommodations are the core of tourism industry and suggests that, the required number should be made available for the proper development of tourism.

\textsuperscript{11}Kamalashi, Growth of hotel Industry, diss, university of kerla, 2003
\textsuperscript{12}G.Skipper, “Maintaining the balance, the development and marketing of back waters,” seminar, Malaya Manorama, kochin ,1994
\textsuperscript{13}Anand.M.M, Tourism and Hotel Industry in India , Prentice Hall of India (P) ltd , NewDelhi
Negi\textsuperscript{14} deals with all kinds of demands and problems faced by hotel industry. He predicts that hotel industry has a big scope for expansion in future.

The\textsuperscript{15} Indian Institute of Public Opinion in a study considered accommodation sector as one of the central elements because foreign tourist expenditure accounts with food and beverages for 55 percent and dominates foreign exchange earnings.

Seth Pran Nath is of the opinion that there should be close connection between growth of accommodation facilities and developments in the modes of transport.\textsuperscript{16}

**Trends in the Hotel Industry**

In a study conducted by the Ministry of Tourism, Government of India, it is pointed out that star hotels of four star and above are generally considered to be of international standards. They cater to foreign tourists and the most affluent to domestic tourists.\textsuperscript{17}

\begin{itemize}
  \item 14-Negi J M S, op .cit
  \item 15-IIPO,“Indian tourism performance and potential” (1971 -1991). An up dated study ,1986 , p-8
  \item 16-Seth Prem Nath , op, cit
  \item 17-Ministry of Tourism, Government of India, Economic Benefit of Tourism , 1987, p-32
\end{itemize}
According to Robert Collier, a new hotel customer is going to be looking for good value three star accommodations. So focus should be on the development of three star hotels. He asserts that in order to survive into day’s global village, hotels will have to be heavily branded or linked to a branded or positioned hotels in the niche market. He foresees that there will room for major chains to grow with a variety of brands - as well individual and small regional chain in niche markets.

2.2. Dependence of Tourism of Hotel Industry

Lack of accommodation was a serious problem for tourism development even in the past. The Seargent Committee set up in 1945, was the first to point out the lack of suitable accommodation for international visitors and suggested that a chain of first class hotels should be built in India.

In 1956, the Estimate Committee on tourism said that the paucity of accommodation in India continued. The appraisal of hotel accommodation situation made by the Tourism Department resulted in the recommendation of setting up of 5000 rooms or 8500 beds within the next three years.

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19- Ibid

20- Anand . M.M , op.cit, p-112

21- Ibid
In 1958, the Hotel Standard and Rates Structure Committee’s had recommended the rapid expansion of the hotel industry on a rational and scientific basis.\textsuperscript{22}

The Ad-hoc Committee on Tourism 1962, focused its attention on the failure of the hotel industry to keep pace with the increasing tourist demand. It pointed out that during the period 1955-62, the number of hotel-beds had increased by 11 percent only against 300 percent increase in the number of visitors to India.\textsuperscript{23}

The leading hotelier J.R.D Tata, in 1965 had admitted that acute shortage of accommodation had curtailed the flow of tourists to India.\textsuperscript{24}

In a survey conducted by M.M.Anand in 1966, twenty-two percent of the foreign tourists opined that the accommodation shortage was the most important deterrent to travel in India.\textsuperscript{25}

\textsuperscript{22}Negi, jms , op, cit,p-27
\textsuperscript{23}Ibid
\textsuperscript{24}Ibid p- 136
\textsuperscript{25}Ibid
In 1962, Hemphili, commented on the Indian hotel accommodation situation that one has to book accommodation, a year in advance to be sure of getting what he wants. He also pointed out that about 7000 visitors cancelled trips to India simply due to the non-availability of hotel accommodation.26

The Hotel Review and Survey Committee (1968), was set up to survey the requirements of additional bed capacity at important tourist centres, once again highlighted the accommodation shortage in India.27

The National Council of Applied Economic Research (NCAER) has opined that hotels are undoubtedly the most essential destination facility that a country must provide, if it plans to build up tourism.28

The Estimate Committee of Lok Sabha’s report 33 for the year 1975-76 felt that the various measures taken and efforts made for tourism promotion will not produce the desired results if the hotel accommodation in the country lags behind.29

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26-Anand M.M op .citi.., p-112
27-Ibid, p-112
29-Negi , j.m.s ., op citi ., p-4
J.R.D Tata was of the opinion that unless a major sustained programme of construction of new hotel facilities is undertaken during the next five years, upto a million foreign visitors a year will be diverted to other countries involving a loss of foreign exchange earnings to the tune of Rs.500 crore.\textsuperscript{30}

Lattin stated that the hospitality industry is the only field where supply must precede demand. The growth of the hotel industry is a pre-requisite for the growth of tourist traffic.\textsuperscript{31}

Naik S.D. and Davies N.V in an article expressed that the growth of hotel accommodation has not kept pace with the growing demand for it\textsuperscript{32}

Anand pointed out that the lack of adequate hotels of acceptable international standards was a critical factor in limiting traffic throughout the pacific, especially India.\textsuperscript{33}

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\textsuperscript{30}Naik, S.D and Davies , N. V ., “The tourism industry “, The economic scene , vol iv, 7, Supplement , july 1979 , p -11

\textsuperscript{31}Lattin G.W., “The lodging service and food industry”, The Educational Institute of the American and Motel Association, 1939, p-32

\textsuperscript{32}Naik S.D. and Davies N.V., loc , citi, p-9

\textsuperscript{33}Anand M.M, op.cit, p-112
Haksar suggested that accommodation must be available in sufficient quantity in the required type and quality to match the demand of travelers who arrive at the destination. Accommodation probably precedes any other type of development.\(^{34}\)

According to Chechi & Co., in most countries an investor can easily get two to three times more return on his money when put elsewhere than in a hotel \(^{35}\). It was pointed out at a conference on tourism in London that it was better to build shops, offices and other business premises and to make a profit rather than build hotels and sell them at a losses \(^{36}\).

Naik S.D. and Davis N.V observed that the growth of tourism in future will largely depend on the growth of suitable hotel accommodation in the country, coupled with transport and other infrastructure.\(^{37}\)

\(^{34}\) Haksaran A N, “spot light on hotels”, supplements ,The Economic Scene , April , 1980, p-1

\(^{35}\) Ibid

\(^{36}\) Economic Times , August 8,1984, p-12

\(^{37}\) Naik S.D. and Davies N.V.loc.cit
The sector Working Paper or Tourism of the World Bank has recorded that usually 60 to 75 percent of the total expenditure of tourists accounts for food and accommodation and a remarkable expansion of tourism is possible by increased supplies of moderately priced accommodation in many countries. Negi asserted that “No Hotels no Tourism”.38

The *Economic Times*39 reported that acute shortage of accommodation and travel difficulties can affect the image that a country presents to the world. The Southern Economics opined that the main problem the foreigners face on landing in India is the dearth of good hotel accommodation in the place of tourist interest. The bulk is concentrated in metropolitan cities.40

According to Lattin, out of the various components of tourism industry, accommodation component, more specially hotels, constitutes the major share, ranging from 45 to 60 percent.41

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38-Somaraj , 'Domestic Tourist: The poor stepson ,'Industrial times Vol.XXI no 13 June 18-july, 1979, p-12
39-The Economic Times ,10th, November ,1982
41- Lattin.G.W.,op.cit
Mukul Guha\textsuperscript{42} pointed out that hotels bag over 47 percent of the total sales by tourism and hold control over another 15 percent of the incidentals complementary to the entire trade. For this he suggested that hotels should be in a position to absorb the varied kinds of visitors influx. He added that hotels are responsible to back up the spirit of a transit passengers for the next visitor to dampen the same\textsuperscript{43}. He concluded that the growth of tourism industry in a country depends on many respects on the hotel management of that country.\textsuperscript{44}

Medlik\textsuperscript{45} is of the opinion that hotels are essential to the economics and societies. Hotels must have are adequate transport communication and retail distribution systems for various goods and services. He said that hotels are important attractors for visitors. Moreover hotels are important outlets for the products of other industries.\textsuperscript{46}

\textsuperscript{42}Mukul Guha, “Hotel industry in Indian Tourism”,\textsuperscript{43}Capital:september 21, 1981, p-10
\textsuperscript{43}Ibid
\textsuperscript{44}Ibid
\textsuperscript{45}Medlik.S.,’’The business of Hotels”: Heinemahn professstional Publishing Ltd.,
oxford,1984,p-4
\textsuperscript{46}Ibid , p-5
Chatterjee documented that foreign exchange earnings from tourism are so high that tourism industry now tops the list amongst other export oriented industries including engineering goods and jewellery.

Howard L. Hughes is of the opinion that an expansion of tourism may require an increase in the accommodation stock. The tourists, especially the international tourists may be influenced by their choice of destination by the availability of suitable hotels and restaurant.

According to Medlik, the proportion of foreign and domestic tourists to total tourists to a country has a relation to the number of hotels in that country. The larger the proportion of foreign tourists, the higher would be the predominance of hotels and vice versa.

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48-Ibid
49-ibid
50-Medlik s.,op.cit.,p-7
Vivek Sharma\textsuperscript{51} states that without an adequate development of hotel resources, all the national scenery, all climatic virtues and all the sporting and recreational facilities will hardly suffice to sustain a good volume of tourists trade. Seventy-five percent of the problems of tourists are unsatisfactory with hotel accommodation and services.

**Growth of hotel industry**

Hotels form an integral and vital segment of the tourism infrastructure in the country and hence the Government of India has initiated steps to double the hotel room capacity\textsuperscript{52}. Government policies towards industry in general and the hotel and catering industry in particular, will be a reflection of how far the industry is able to contribute towards the achievements of government economic policies.\textsuperscript{53}

Maneet Kumar\textsuperscript{54} points out that the country’s tourism traffic is assessed not only by the number of tourists visiting the country but also by the duration of their stay.

\textsuperscript{51}Sharma. K.K, Tourism in India, Archant publisher, jaipur, 1991, p-17
\textsuperscript{52}Ministry of civil aviation and Tourism, Government of India, National action plan for Tourism, May 1992, p-7,
\textsuperscript{53}Howard. L.Hughes, op.cit, p-195
\textsuperscript{54}Maneet kumar, Tourism Today, An Indian perspective, kanishka publishing house, p-54, New Delhi
Robert Collier\textsuperscript{55} asserts that the obvious reasons for people staying in hotels are for business, meetings and seminars on one hand and for leisure recreation and holiday’s or vacation on the other. According to him, the two most important factors relating to successful hotel stay are comfort and luxury and efficiency.

Tourism is the largest single foreign exchange earner for the country and the earnings mostly account for the expenditure on food and accommodation in this country\textsuperscript{56}. Hotels and restaurants share fifty percent of the foreign exchange earnings from tourism\textsuperscript{57}.

**Income Multiplier Effect of Tourism**

The Hotel Finance in order to overcome the infrastructural shortcomings a substantial injection of funds is required which may be obtained through local borrowings and borrowings at confessional rates of interests from financial aid and from institution abroad.\textsuperscript{58}

\begin{itemize}
\item \textsuperscript{55}Robert Collier. op.cit.,
\item \textsuperscript{56}Manoramama year book 1989: “Tourism : largest earner” P-494
\item \textsuperscript{57} Ibid
\item \textsuperscript{58} Dave A.K,Hotel Business - No need for tie up, capital, December 17,1979, p-31
\end{itemize}
Statler emphasizes the role of location in the success of any hotel\(^5^9\). Hotels frequently compete for sites in town centre and other stations where land values are high as 55% the ratio of capital to turnover is high in hotels, since the bulk of capital, sometimes over ninety percent, is permanently sunk in fixed assets\(^6^0\).

Variable assets form only a small part of the total and stocks are usually low and there is little or no work-in-progress\(^6^1\). Total fixed assets are static irrespective of the occupancy\(^6^2\).

According to the report of the Swiss Society for Hotel Credit (1970), It is found that the rate of return on investment in the four star and five star category hotels is better than in other categories hotels\(^6^3\).

\(^5^9\) Negi, jms, op citi, p-82
\(^6^1\) Ibid p-142
\(^6^2\) Ibid p-147
\(^6^3\) NCARE,op.cit., p-9
Intosh\textsuperscript{64} observed that unless a massive programme of hotel construction is in the need of the hours without which, India will have to miss out all the jumbos and the passengers they carry.\textsuperscript{65}

John Lea\textsuperscript{66} states that big hotel companies through their international operations in origin and destination countries intervene between the would be tourist and a chosen destination.

Tata felt that shortage of accommodation makes travel unsafe and discourages the tourists to visit a particular area\textsuperscript{67}. According to him it is essential to have up-to-date hotels for the advancement of a country in general or a city in particular to provide facilities and comforts to visitors from all parts of the world.

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\textsuperscript{65} Capital, 4 th febrauay, 1971, p-229
\textsuperscript{66} John Lea; "Tourism Development in the Third World Countries", Round ledge, London, 1988, p-5
\textsuperscript{67} Negi. J.M.S. op.citi.
\end{flushleft}
Sudheer S. V\textsuperscript{68} observed that private hotels were rendering better services in providing facilities to tourists. There were complaints, according to him, about poor hygiene and service rendered by the state hotels. He was of the opinion that more hotels and restaurants which are clean, moderately expensive and assuring best service\textsuperscript{69}, may be provided in the close vicinity of the centre.

According to Mahajan\textsuperscript{70}, tourism is a people's industry and it is not possible for the government alone to develop it, the government would provide necessary basic infrastructure and give all possible incentives to the private sector to see that this industry is properly exploited. It is found that the rate of return on investment in the four star is high than any other star hotels.

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\textsuperscript{68-}Sudheer S. V-Tourism Problem and Prospects, CBH publication, Thiruvananthapram 1993,p-183

\textsuperscript{69-}Ibid P-191

\textsuperscript{70-}Mahajan. V.A.P. “well deserved priority”-Industrial times, May 4-17,1981, volume XIII no 9 , p -49
Committee report on Hotel Industry

The Adhoc Committee\textsuperscript{71} on Tourism (1962) made it clear that the public sector will have to play a major role if adequate accommodation and the right type of accommodation is the crucial for the growth of tourism. The economic significance of hotels strongly recommends the setting up of additional hotels of different types, especially the ‘class hotels’ for which the private sector should involve in a big way.

The Estimates Committee\textsuperscript{72} of the Lok Sabha in its report on tourism (25 October, 1966) has opined that the hotel industry was predominantly suitable for the private sector and that the public sector should not encroach upon this sphere. The government should invite the private sector to take up the task of investing massive amount for creating additional accommodation in all ranges of hotels\textsuperscript{73}

S.D naik and N.V davis observed that the growth of hotel accommodation along with the development of transport and other infrastructure influenced in the growth of tourism.\textsuperscript{74}

\textsuperscript{71} Jegi, jms, op.cit
\textsuperscript{72} Anand.M.M, op.cit, may 4–17, p-136
\textsuperscript{73} Southern Economist, “Tourism for Progress”, Feb 1-15,1988, P-34,
\textsuperscript{74} S.d.naik and N.V.Davis, loc.cit
J.M. Negi in his work “Hotel for Tourism Development” has tried to analyze various problems and difficulties faced by the hotel industry. He states that the future of a hotel industry depends upon the predict proper planning of the government in providing monetary and fiscal incentives.  

Negi in another study analyzes the significance of hoteliering and tourism development of the country. His work is more useful in the sphere of planning since he deals with important issues in government level of planning.

N.V. Davies provided useful insight into the close correlation between tourism and hotel industry. Firstly, the hotel industry provides the basic ingredient of the supply of facilities demanded by the visitor who are away from the homes. Secondly from the point of the hotel industry, a large part of the demand comes from the tourists outside the local area.

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75-J.M. Negi “Tourism and Hoteliering: A world wide industry” (New delhi, Gitanjali, 1982)
76-J.M. Negi “Tourism and Hoteliering: A world wide industry” (New delhi, Gitanjali, 1982)
77-S.D. Naik and N.V. Davis, “The tourism industry”, The Economies scene volume 4.7th supplement, july (1979), p s.11
FOREIGN EXCHANGE EARNINGS

Vasant Sanzgiri estimated that with a foreign exchange outflow of Rs. 6-7 crores in the hotel and restaurant industry directly earns about 49.7 per cent of the estimated foreign exchange earnings by the tourism industry. Tourism is the largest single foreign exchange earner for the country and the earnings mostly account of 31 by the expenditure on food and accommodation in this country.

Robert Collier asserts that in order to survive in today's global village, hotels will have to be heavily branded or linked to a brand or positioned in a niche market. He foresees that there will continue to be room for major chain. Hotels and restaurants share fifty percent of the foreign exchange earnings from tourism.

Syamli Talukdar and Alka Dahar opine that tourism is a major foreign exchange earner and hence the industry has very strong case that it should be treated in par with export oriented industries and same benefit be extended to it. It is reported that 70-80 percent of the turnover of hotels is foreign exchange. On the basis of net foreign exchange earnings, tourism earnings are actually higher than that from exports of handicrafts.

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80-ibid
81-ibid
82-Syamli talukdar and Alka Dahar, “Building a tourism culture”, ibid p-7
83-ibid
The net foreign exchange earnings from tourism have been as high as 93 percent\(^{84}\). Tourism and hotel industry is already the third largest earner of the foreign exchange\(^{85}\).

Hotels and restaurants share fifty percent of the foreign exchange earnings from tourism\(^{86}\). Subramanian points out that for accelerating the growth of tourism industry, it may be propounded that supply should be available before demand can be generated. The centers with demand potential need be converted into centers with actual tourist traffic \(^{87}\).

The role of the private sector in tourism promotion will have to be increased significantly during the eighth five year plan period, according to the National Development Corporation\(^{88}\). The nation should invite the private sector in a big way in the tourism sector in the seventh plan period because of the resource constraint at the government level \(^{89}\).

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84-vasanth sanzgcri op.citi
85-Indian Institute of Public opinion, “Tourism in India”, Monthly commentary, Indian economic Condition, Blue Supplements, June,1994,p-1
86-Subramaniam R, Accommodation sector “Past trends on immediate future prospects”, op.cit
87-Ibid
88-Naik S.D, Loc .citi
89-chatterjee “Hotel Industry invest private sector investment “Industrial Times, December 8-21, 1986, op.cit, p-60
According to the national development corporation the hotel industry in India was finding it difficult to attract investors because they found investment in other industries much safer and more attractive.\(^{90}\)

Tourism and hotel industry is the third largest earners of the foreign exchange yet the foreign exchange earnings in India from tourism and hotel industry are very small compared to many other industries.\(^{91}\)

According to lattin he concluded that the growth of tourism industry in a country depends on many respects on the hotel management of that country.\(^{92}\)

Howard L.Hughes opines that an expansion of tourism may require an increase in the accommodation stock.\(^{93}\) The tourists especially the international tourists may be influenced in their choice of destination by the availability of suitable hotels and restaurant.\(^{94}\) Accordingly the total fixed assets of hotels are static irrespective of the occupancy and total variable costs are more or less proportionate with occupancy.\(^{95}\)

\(^{90}\)Report of the National Productive Council, New Delhi, March 1966 p-34

\(^{91}\)Ibid

\(^{92}\)Negi J.M.S.op.citi p-11

\(^{93}\)ibid

\(^{94}\)ibid

\(^{95}\)ibid, p-147
CONCLUSION

The researchers had made an attempt to review the existing studies on hotel industry made by the various scholars and institution. Most of the available articles and papers are written description of the facts and figures making general and specific statements. The above reason had made the researchers for an scientific probe into the subject matter and hence to choose the research topic for the present research work.