CHAPTER – III

GROWTH OF HOTEL INDUSTRY

INTRODUCTION

In today's world the pace of growth and development of tourism is faster than it had been before. The tourism in general is considered to be the source of foreign exchange earnings. It acts as an great source of attraction of both foreign and domestic tourists providing economic and employment opportunities to the country. The growth of the hotel industry only can take tourism in the onward successful.

The structural growth of the hotel industry in chennai is exposed in this thesis. The object of promoting tourism in chennai is to earn maximum foreign exchange. More than fifty percent of the foreign exchange from tourism is earned by hotels. Earnings can be maximized by encouraging the foreign tourists to stay for a longer period at different centres of tourism. Tourists should be provided accommodation in high class hotels so that the earnings can be high, for which adequate rooms in high class hotels are to be made available at different centres.

Hotel industry is recognized as a powerful tool for the economic development of the national. It acts as the source of foreign exchange earners, generating employment opportunities to the local communities as well as to catalysts the tourism sector. So, the study on the problems and prospects of the hotel industry becomes necessary in general and to assess the growth of the hotel industry in particular at chennai.
EVOLUTION OF INDIAN HOTEL INDUSTRY

The growth of tourism is closely related to the travel, economic growth and political development. Accommodation and food need, act as an important cause for travel. Tourist were taken care by way side inn during the reign of king Ashoka. The fillup of hotel industry in India came from the architecture of modern infrastructure by the efforts taken by Prime Minister Sri Pandit Jawaharlal Nehru. He wanted world class hotel and inns to accommodate people who visit India on vacation. His desire gives birth to the foundation of Indian Tourism development corporation (ITDC) and public sector hotels. Hotel Ashok, a public sector hotel become pioneer in providing accommodation to tourists in India.

PUBLIC SECTOR HOTELS IN INDIA

The public sector hotels existed till 1963. After 1963, private sector hotel industry got established. It was hotel Ashok which was established at 1956 as first public sector hotels. It was established to accommodate delegates of UNESCO conference in New Delhi, at a time when acute shortage of hotel accommodation was felt. This hotel is controlled and managed by the central government. The Hotel Ashok had attained the status of star and its codes were framed to satisfy the international prescribed norms. This shortage of rooms provided a safe place for the development of hotel and budget was announced after its formation.

-------------------
1-Tej vir singh, Tourism and Tourism Industry (New Delhi), New Height, 1975
PUBLIC SECTOR HOTELS IN TAMILNADU

Tamilnadu Tourism Development Corporation was incorporated during July 1971 under the Companies Act 1956. Tamilnadu Tourism Development Corporation (TTDC) was formed by the Government of Tamil Nadu with the objective of promoting tourism in Tamil Nadu by providing infrastructure facilities of transport and accommodation. In India, Tamilnadu Tourism Development Corporation was the first to introduce online booking through internet.

GROWTH OF HOTEL INDUSTRIES IN INDIA

The growth of the hotel industry is an index of the economic development of that region, especially the industrial development and development in terms of tourist activities. Seventy to eighty percent of the turnover of foreign exchange is because of hotels.

The growth of hotel industry is primarily because of travel industry. “Travel industry is an industry of uncoordinating people trying to achieve a coordinated result”2. As mans urge to travel increased rapidly the need for rest became inevitable.

------------------------

2-M.M.Anand,“Tourism and hotel industry in India”, Study in management Prentice hill, New Delhi, 1976, p-109
The national committee had made it clear that if proper accommodation is to be provided to the tourist, the public sector will have to play a major role in this field\(^3\). In recent years government has taken several steps to boost travel and tourism which have benefited hotel industry in India. These include the abolishment of the inland air travel tax of 15%; reduction in excise duty on aviation turbine fuel to 8%; and removal of a number of restrictions on outbound chartered flights, including those relating to frequency and size of aircraft. The government's recent decision to treat convention centres as a part of core infrastructure, allowing the government to provide critical funding for the large capital investment that may be required has also fuelled the demand for hotel rooms. The opening up of the aviation industry in India has exciting opportunities for hotel industry as it relies on airlines to transport 80% of international arrivals. The government's decision to substantially upgrade twenty eight regional airports in smaller towns and privatization and expansion of Delhi and Mumbai airport will improve the business prospects of hotel industry in India. Substantial investments in tourism infrastructure are essential for Indian hotel industry to achieve its potential

------------------------

3-J.M.Negi “Hotel for tourism development”, Metropolitan, New Delhi, 1984, P- 40
The upgrading of national highways connecting various parts of India has opened new avenues for the development of budget hotels in India. Taking advantage of this opportunity Tata group and another hotel chain called 'Homotel' have entered into this business segment.

GROWTH OF HOTEL IN INDIA FROM 2005-2008

The aggregate growth of the hotel industry in Chennai in terms of the number of hotels, and the number of rooms during the years 2005-2008 is analyzed in this chapter with the help of time series data obtained from both primary and secondary sources. Table 3.1 depicts the data available and it illustrates the growth of the hotel industry in Chennai and reveals the differential pattern of growth in terms of all the two variables. Hence it is highly important that hotels of the standard expected by the tourists are to be provided at the right places. Growth constitute the major objective, particularly belonging for the firms belonging to the corporate sector, where there are separation between ownership and management, since it suits the techno structure.  

-------------------

4- J.K.Galbraith, New Industrial Estate,Hamiton, London 1967
The committee further suggest that if adequate hotel accommodation of the right type former kind of the growth of tourism is to be provided the public sector will have to play a major role in this field.\textsuperscript{5} The growth of hotel industry involves the achievement of coordinated result\textsuperscript{6}.

Hotel industry has profound environment influence, tremendous opportunities to influence the community life, standard of living as well as making valuable contribution in term of attracting of the building and they generate employment opportunities, alleviate unemployment problem and bring desirable changes in the society. Only the growth of the hotel industry can take tourism in the onward successful path.

\textsuperscript{5} J.M.Negi “Hotel for tourism development”, Metropolitan, New Delhi,1984,P-40
\textsuperscript{6} M.M.Anand, p-139
### TABLE 3.1

GROWTH OF HOTEL IN INDIA

Category wise Number of Approved Hotels and Availability of Rooms in India

(2005 to 2008)

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of Hotels</th>
<th>No. of Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Star</td>
<td>54  46  53  118</td>
<td>1629  1435  1774  2834</td>
</tr>
<tr>
<td>Two Star</td>
<td>209  217  231  287</td>
<td>5673  5823  6637  8494</td>
</tr>
<tr>
<td>Three Star</td>
<td>447  477  587  683</td>
<td>19985  20342  24496  30577</td>
</tr>
<tr>
<td>Four Star</td>
<td>80  111  116  121</td>
<td>5483  7354  7584  9299</td>
</tr>
<tr>
<td>Five Star</td>
<td>117  71  81  94</td>
<td>7367  8470  9792 11387</td>
</tr>
<tr>
<td>5 Star Deluxe</td>
<td>80  86  93  105</td>
<td>15739  20943  20110  22254</td>
</tr>
<tr>
<td>Apartment Hotel</td>
<td>-  5  5  6</td>
<td>-  334  461  514</td>
</tr>
<tr>
<td>Time Share Resort</td>
<td>-  -  1  0</td>
<td>-  -  62  0</td>
</tr>
<tr>
<td>Heritage Hotel</td>
<td>58  67  83  64</td>
<td>1970  2211  2450  1921</td>
</tr>
<tr>
<td>Unclassified</td>
<td>-  -  175  115</td>
<td>-  8924  10415  7807</td>
</tr>
<tr>
<td>Classification awaited</td>
<td>145  133  -  -</td>
<td>9767  -  -  -</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1190</strong>  <strong>1213</strong>  <strong>1425</strong>  <strong>1593</strong></td>
<td><strong>67613</strong>  <strong>75836</strong>  <strong>83781</strong>  <strong>95087</strong></td>
</tr>
</tbody>
</table>

**Source: Ministry of Tourism, Government of India**

Table 3.1 reveals the Category-wise Number of Approved Hotels and availability of Rooms in India (2005-2008). It had been found that the star three hotel cater to the accommodation need of the tourists. At the end of 2008, the number of hotel shoots up to 1593 with room capacity of 95087. A similar trend
has been noticed as regards in the growth of room capacity of hotel especially in three star hotels. It is found that majority of hotel rooms of about 30577 rooms are at 3 star hotels followed by 22254 rooms at 5 star deluxe hotels and 11387 Rooms at 5 star hotel rooms in india. It is natural that only luxury hotel in India can afford to achieve the standard of hotels to international level. As a matter of facts luxury hotels in India have emerged and expanded considerably during the last 25 years

According to a study conducted by the World Travel and Tourism Council the hospitality industry in India is all set to grow at a steady rate of 15 percent per annum. However the growth rate will shoot up in the next few years considering the number of rooms required by both luxury and budget hotels. The growth in the next two to three years is surely going to be stupendous with almost 2, 00,000 rooms added to the existing 110,000.

As per expert hoteliers, the hotel industry in India is estimated to grow at a rate of 8.8 percent between the years 2007-16. This will place India in the second position in the list of the fastest growing tourism industries in the world. The phenomenal growth of the hotel industry in India would not have been possible without the Initiatives taken by the Government. The open sky policies and the enormous infrastructural investments made by the Indian government have only fastened the development of the hospitality sector in the country.

The Indian hotel industry is affecting the economy both directly and indirectly. The growth of the hotel industry in India has created employment opportunities for millions of Indians. According to estimates almost 20 million
people are employed with the hotel industry in India. Over the last decade and half, the mad rush to India for business opportunities has intensified and elevated room rates and occupancy levels in India. Even budget hotels are charging USD 250 per day. The successful growth story of 'Hotel Industry in India' seconds only to China in Asia pacific.

Hotels in India has a supply of 110,000 rooms. According to the Indian tourism ministry, 4.4 million tourists visited India in 2009 and the figure went up to almost 10 million in 2011. 'Hotels in India' has a shortage of 150,000 rooms fueling hotel room rates across India. With tremendous pull of opportunity, India is a destination for hotel chains looking for growth. The data provided by World Travel and Tourism Council of India states that India ranks 18th in business travel and will be among the top five in this decade.

'Indian Hotel Industry' is adding about 60,000 quality rooms, currently in different stages of planning and development and should be ready by 2012. MNC Hotel Industry giants are flocking to India and forging joint ventures to earn their share of pie in the race. Government has approved 300 hotel projects, nearly half of which are in the luxury range. The manpower requirements of the hotel industry increased from 7 million in 2002 to 15 million in 2012. 'Hotel Industry in India' is set to grow at 15% a year. This figure skyrocketed in the year 2010.
More than 50 international budget hotel chains are moving into India to stake their turf. Therefore, with opportunities galore the future 'Scenario of Indian Hotel Industry' looks rosy.\(^7\)

India occupies forty-sixth position among the sixty tourist destinations in the world. A flourishing economy helped boost demand for the industry. To encourage the tourism sector, the government is planning to propose a conditional 10 year tax holiday for all tourism projects in the country. Companies will enjoy full tax exemption up to 50% of profits, but will quality for tax benefits for the remaining amount only if they re-invest it in tourism projects. The Centre and States are also working out a PPP (Public Private Partnership) model to increase hotel capacity. Efforts to diversify tourist attractions by offering new products such as wellness tourism, medical tourism and golf tourism are expected to have a positive effect of both foreign tourist arrivals and domestic tourism.

**STRUCTURE OF THE INDUSTRY**

Hotels in India are broadly classified into seven categories (five star deluxe, five-star, four star, three star, two star, one-star and heritage hotels) by the Ministry of Tourism, Government of India, based on the general features and facilities offered. The ratings are reviewed once in every five years. The classification of hotels and rooms was as on December 2010.

7-www.iloveindia/economy-india/hotel industry.com
TABLE 3.2

NUMBER AND CATEGORY OF HOTELS IN INDIA

<table>
<thead>
<tr>
<th>Star Category</th>
<th>No. of Hotels</th>
<th>No. of Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-Star Deluxe</td>
<td>82</td>
<td>18764</td>
</tr>
<tr>
<td>5-Star</td>
<td>92</td>
<td>11332</td>
</tr>
<tr>
<td>4-Star</td>
<td>132</td>
<td>9401</td>
</tr>
<tr>
<td>3-Star</td>
<td>704</td>
<td>31039</td>
</tr>
<tr>
<td>2-Star</td>
<td>587</td>
<td>19031</td>
</tr>
<tr>
<td>1-Star</td>
<td>212</td>
<td>695</td>
</tr>
<tr>
<td>Heritage</td>
<td>83</td>
<td>2216</td>
</tr>
<tr>
<td>To be classified</td>
<td>50</td>
<td>5127</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1934</strong></td>
<td><strong>103973</strong></td>
</tr>
</tbody>
</table>

Source: Ministry of Tourism, Government of India

GROWTH OF HOTEL INDUSTRY IN TAMIL NADU

The Economy of Tamil Nadu is one of the most dependable, consistent and developing factors of our country. The state of Tamil Nadu offers a very bright picture of a progressive economy. The state is well equipped with all the needed infrastructural support to boast of economic growth and enhance industrial development in the state. Tamil Nadu has maintained a perfect balance between agricultural production and industrial development.

The state is well equipped with the needed infrastructure that will boost of further development in the state. Tamil Nadu has a great potential for the tourism
industry. The state is blessed with picturesque landscape and deep blue sea which makes the place very attractive and appealing to the tourists.8

HOTEL ASSOCIATION OF INDIA (HAI)

Hotel Association of India (HAI) established in the year 1996, is the apex organization of the hospitality industry in India. It represents the entire cross section of hotel industry ranging from small, medium and large hotels to exclusive stand-alone hotels and the major hotel groups. Its Executive committee is a combination of the commitment and experience of the hotel owners and the professionalism of hotel managers. HAI has an impressive membership of over 260 hotels. The membership includes one star to five star Deluxe category Hotels, Heritage hotels as well as Public sector and Government owned hotels.

The mission of HAI is “To secure for the hotel industry its due place in India’s economy; project its role as a contributor to employment generation, and sustainable economic and social development; to highlight its crucial role in the service to tourism industry as the largest net foreign exchange earner; to help raise the standards of hoteliering and to build an image for this industry both within and outside the country”

--------------------

8-www.maps of india.com/tamilnadu/economy
HAI is committed to the attainment of the following objectives:

- To create through a communication programme an awareness of the particular significance of the hotel industry in contributing to general economic development and employment.
- To secure for the industry its true status as a core infrastructure industry.
- To serve the members by establishing a Data Bank to provide timely information, data, advisory and research services.
- To formulate strategies, in the areas of land, finance, taxation training procedures and legislation to accelerate growth.
- To interface with Central and state Governments and other authorities on issues concerning the hotel industry.
- To synergize with all segments of the hotel industry and apex bodies of the tourism sector in India and overseas and work for the creation of a common platform.

The Hotel Association of India, established in April 1997, enlisted cooperation of professional hoteliers on a voluntary basis in twenty five state and fifty three cities to monitor hospitality related developments, to enable the association to address the concerns of the hospitality industry at the grass-roots level.

HAI reached beyond the national boundaries to provide regional cooperation aiming hotels in South Asia and became the prime over in the formation of the SAARC Hotel Association. This was achieved by developing close synergy
between the hospitality industry organizations of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The SAARC Hotel Association was formally launched at Mumbai on 7th April 1999 with Nepal being assigned the responsibility of hosting the SAARC body for its initial two years and later by rotation by other member countries.

For the first time the tourism industry’s aspirations elaborated in the Hotel Association of India’s various memoranda to the Central Government were translated into “tourism-friendly” measures in the Union Budget of 2003-2004. These measures were aimed at making India more affordable destination, fuelling growth in hospitality infrastructure, facilitating business re-organisation, re-structuring hospitality industry and motivating state Governments to rationalize tourism tax regime. The major incentives extended to hospitality industries included and exemption of service tax in hotels relating to Conference and Banquet business, which have been excluded from the service tax net.

HAI pursued with the Ministry of Commerce, Government of India for grant of the zero duty import facility to hotels and standalone restaurants. The Industry has now been granted under the “Served from India scheme”, the zero duty facility to all hotels including star one, star two hotels for import of food items and alcoholic beverages sale which would make India an affordable destination.
Varieties of professional services are provided by HAI to its members. These include:

- INFORMATION BULLETINS sent out regularly with updates on latest developments concerning hotel industries, policy changes and pronouncements by Ministry of Tourism, Ministry of Finance, Ministry of Commerce, CBEC, CBDT, State Governments and affiliated international organizations such as WTTC, IH & RA, WTO etc.,

- HAI TODAY- The first hospitality industry magazine of its kind in India;

- HAI DIRECTORY OF HOTELS- an exclusive high quality reference manual of recognized hotels in India;

- HAI PRIVILEGE CARDS are offered to members in the Gold and Silver Categories entitling them to discounts on hotel room tariffs and restaurants outlets in all member hotels on reciprocal basis.

Granting infrastructure, improving the status of export industry status and delinking hotel projects from commercial real estate are among measures suggested to improve the status of the hotel industry in India.
FOREIGN DIRECT INVESTMENT (FDI)

The hotel and tourism industry is growing faster for the past few years, bringing in large revenues through foreign as well as domestic tourists in various parts of the country. Tourism industry contributes to around 5.9% of India GDP. It includes hotel and tourism industries FDI at 1.81% with total inflows.

EMPLOYMENT GENERATION IN INDIA

The hotel industry is the most important component of the tourism industry and the major share of employment opportunities in tourism sector comes from the hotel industry. It is estimated that on an average a single hotel room generated employment to 8 people directly or indirectly. The employment potential for skilled and semi-skilled labour in hotel is quite large. Hence the growth of the hotel industry in India provides employment opportunities to the various sector of the people and they are shown below.

- The hospitality industry is second only to the global oil industry in terms of turnover, and it is the largest employer around the world.
- Hospitality industry provides employment around 41.8 million people in India.
- Hotels and other accommodations has provided 1.9 million wage and salary jobs in 2008.
- The world Travel and Tourism Council has estimated that by 2012, tourism can provide 25 million jobs in India through 8% annual growth.
• According to the report by Ma Foi Management Consultants, the hospitality sector is expected to provide over 4,00,000 jobs.

• Department of Tourism estimates that, the hospitality industry supports 48 million jobs, directly or indirectly or 8.27 percent of total employment and accounts for 5.83 percent of GDP.

• For every room constructed, 3-5 jobs are created. The World Travel and Tourism council has estimated that by 2012, tourism can support 25 million jobs in India through 8% annual growth.

This sector was generating 31 million jobs (direct and indirect) in 2009, which was expected to grow upto 40 million jobs by 2019, the study said, quoting World Travel and Tourism Council.

CONTRIBUTION OF INDIAN HOSPITALITY INDUSTRY

• India’s hospitality sector is expected to see an estimated investment of US$ 11.41 billion in the next two years, and around 40 international hotel brands making their presence in the country by 2012. Moreover the sector is expected to provide over 4,00,000 jobs.

• According to Department of Tourism estimates, the hospitality industry supports 48 million jobs, directly or indirectly or 8.27 percent of total employment and accounts for 5.83 percent of GDP.

-----------------------------

9-www.thehindutoday.com/todays-paper/tp-national/tp-tamilnadu/article681205.ece
In the FHRAI’s memorandum presented to the government recently, it is stated that at least 1,50,000 additional rooms are required to meet the target of 5 million foreign tourist arrivals to visit India.

The tourism ministry has proposed a cash subsidy of 2 lakhs per room for one star category and 3 lakhs per room for two and three star hotels to facilitate their growth.

The average duration of stay of a foreign tourist in India is one of the highest in the world. On an average, it exceeds 27 days in the case of non-package tourist and 14 days in the case of package tourist.

TOURISM INDUSTRY

Tourism is defined as travel for recreational, leisure or business purposes. The World Tourism Organization defines tourists as people "Travelling and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”\textsuperscript{10}.

The National committee on tourism defines tourism as the comparatively modern phenomena of traveling in pursuit of leisure cultural land and knowledge of alien land\textsuperscript{11}. Since the mid 1960's, international tourism has become the top item of the international trade and has reached major proportions in the world's economy.

\textsuperscript{-------------------------}

\textsuperscript{10} - Ibid

\textsuperscript{11} - “Tourism, Planning Commissions”, Government of India, Report of the National Committee on Tourism, New Delhi, 1988
Tourism is looked upon by many countries as a highly desirable and feasible method of economic development because the resources which attract and support tourism are usually abundant in underdeveloped areas. The most important economic benefit of tourism is the earnings of foreign exchange. The receipts from international tourism provide a valuable source of earnings for many countries both developed and developing countries. The importance of earnings for developing countries is however much more than those for developed countries. Equally important is the capability of tourism in creating employment opportunities. It is a highly labour inclusive industry. Tourism is a light industry requiring no capital. It is the industry that can attract a couple of dozen tourists a day throughout the year.

Tourists bring wealth to a country, wealth in the form of goodwill and understanding; in the form of foreign exchange and in the form of financing for future tourist infrastructure and other facets of economic development. The multiplier effect of tourism is very important. It is estimated that for several items of tourist expenditure often as many as 13 to 14 subsequent chain transactions take place. Tourism helps to close the widening gap in the balance of payments position. In the developing countries the chronic gap in the balance of payments due to heavy development expenditure can be met through the development of tourism industry which does not demand much technological sophistication as other industries. Tourism promotes internal and international goodwill and understanding. It not only widens one’s outlook but also promotes national and international understanding. Tourism helps in correcting the regional imbalances. Development of tourism spots at underdeveloped regions will result in the
development of that region through the tourism infrastructures provided therein, thus helping to remove the regional imbalances.

GROWTH OF TOURISM

Travelling is one of man’s most basic impulses. An air of excitement, adventure and romance has always been associated with travel. It not only takes one to unknown lands but also fills one with profound experiences. Staying away from home is a function of travel and accommodating those away from home and supplying them with their basic needs are the functions of a hotel. Other functions are supplementary to these functions. Food, clothing and shelter are the basic necessities of man. The prehistoric nomadic human tribes were constantly on the move looking for shelter and food. But the present day travellers is provided with the food and shelter of his choice at the place where he wants, by modern hotels. The shift from unintended pleasure out of travel to travelling exclusively for pleaser constitutes the basis for the tourism industry.

The Tourism Industry in India

Tourism is one of the world’s fastest growing industries and its role in accelerating the economic development of a country is widely recognized. Over the past two decades tourism has emerged as one of the world’s largest industries. Never before in the history of man-kind, have so many people travelled at home and abroad. Two decades ago tourism was a luxury product available only to those who had time and money to spare. But today it is available to practically everyone, in the developed and developing countries. In the words of Bertrand Russel the art of using one’s leisure intelligently is a supreme sign of civilization. All modern
countries are progressing quite rapidly towards life styles which favour the growth and development of tourism. Wanderlust, curiosity about the unknown, increased real personal income, technological improvements in manufacturing, increased productivity per worker, increase in leisure, higher levels of education, the development of sabbatical leave for persons outside the field of education, growth of interest in cultural matters, improvements in communication, awareness of other countries, improvements in political and socio-economic conditions and tremendous strides in aviation and surface transportation are the factors responsible for the growth of tourism. The motivation of travel has alone changed. In ancient times, the main motivations were trade, pilgrimage and conquest. Invention of the wheel and money resulted in the increased flow of trade and commerce which marks the modern area of travel.

After the World War I, there was a beginning of travel for pleasure and transformation of travel into tourism. The Phoenicians were probably the first real travellers in the modern sense and they travelled from place to place as traders. The earliest evidences show that pleasure tourism originated in the Roman Empire. Medicinal baths and seaside resorts which were later renamed as “Spas” were very popular with the Romans. In advanced countries, specialized education became very common between the sixteenth and eighteenth centuries. Travel was recommended as a part of curriculum development. This persuaded the elite to travel abroad. The Industrial Revolution brought about the development of industrialized societies. This also accelerates tourism.

Growth of tourism could, to a large extent, contribute in building universal understanding and promote world peace. Thus, tourism is a major source of
income and employment for individuals in many places deficient in natural
resources other than climate and natural scenery. It makes use of resources which
may not be used otherwise, in particular, if there is unemployed labours, in
developing countries and regions with few or no alternate sources of employment.
Beaches, moors and snow fields are examples of natural resources which cannot
readily contribute to economic well-being of the area except through the medium
of tourism.

Tourism is looked upon by many countries as a highly desirable and
feasible method of economic development because the resources which attract and
support tourism are usually abundant in underdeveloped areas. The importance of
earnings for developing countries is however much more than those for developed
countries. For tourism to grow on healthy lines and to make substantial headway,
the quantum of accommodation available and the facilities offered should be
adequate to meet the needs of the prospective tourists. Also, the range of variety
offered should be suitable to their varied tastes and purses.

TOURISM IN TAMIL NADU

Tourism industry is a highly labour intensive industry. The state of Tamil
Nadu is indeed a tourist’s destination. Tamil Nadu offers a combination of tradition
with trend. There are filter coffees, dosas, Bharat Natyam performances,
breathtakingly beautiful beaches and the magnificent temples. The exciting past
and the beauty of the nature make Tamil Nadu worth for more than a visit.
The entire state of Tamil Nadu is filled with the beauty of the temples rich in architectural beauty. The capital city Chennai is renowned for its beautiful beach resorts. In the outskirts of Chennai is the marvelous village Mamallapuram. At Mamallapuram one must check out for temples erected in the Pallava rock-cut architecture design along the beautiful beach. The kaleidoscopic Kanchipuram reveals its rich heritage and attracts thousands of tourists. The pilgrim centre of Rameshwaram has several spots associated with the Ramayana. There are many temples too. At the southernmost tip of the Indian mainland is Kanyakumari. Kanyakumari is the auspicious meeting point of the Bay of Bengal, the Indian Ocean and the Arabian Sea. The state of Tamil Nadu boasts of two terrific hill stations, Kodaikanal and Ooty. The marvellous mountains, the fabulous forests, and the tea and coffee plantations add to the magic of the serene yet beautiful surroundings. There are enough decent accommodation options in Tamil Nadu and the scene is getting better every passing day. There are a number of star category hotels catering to the needs of tourists coming to explore Tamil Nadu or interested in exploring the scenic region around.

Tourists visit Tamil Nadu throughout the year Tamil Nadu enjoys the third position in India in terms of tourist arrivals. The tourist wealth of Tamil Nadu can be broadly classified under the following heads:

1. Hill resorts
2. Beaches
3. Waterfalls
4. Dam sites
5. Zoological parks
6. Botanical/Horticulture Gardens
7. Wild life sanctuaries
8. Historical monuments/Heritage sites
9. Pilgrim Centers
10. Leisure tourism (Amusement parks/Theme parks)
11. Adventure tourism (mountaineering and boating etc)
12. Fairs and festivals
13. Monuments

The Tamil Nadu government had taken up integrated destination development projects at Mamallapuram at a cost of 93.2 million and at Yercaud at a cost of 45 million. The state government is making efforts to develop a common circuit with Sri Lanka as both places were becoming "twin destinations" for a large number of European visitors,

TOURIST ARRIVAL TO TAMILNADU.

The hotel and tourism industry is growing faster for the past few years, bringing in large revenues through foreign as well as domestic tourists in various parts of the country. The major rise of the tourists arrivals tourist to India has led to an increase in India’s share in world tourists arrivals from 0.37 percent in 2001 to 0.53 percent in 2006. Tourism industry contributes to around 5.9% of india GDP ratio
Tamil Nadu is ranked second among the States in attracting foreign tourists and third in attracting domestic tourists. The State also leads in promoting Medical Tourism.

**TABLE :3.3**

**ARRIVAL OF TOURISTS TO TAMILNADU.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic (lakhs)</th>
<th>Foreign (lakhs)</th>
<th>Total (lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>323.39</td>
<td>11.79</td>
<td>335.19</td>
</tr>
<tr>
<td>2006</td>
<td>392.14</td>
<td>13.35</td>
<td>405.49</td>
</tr>
<tr>
<td>2007</td>
<td>506.47</td>
<td>17.53</td>
<td>524.00</td>
</tr>
<tr>
<td>2008</td>
<td>626.18</td>
<td>20.40</td>
<td>646.58</td>
</tr>
<tr>
<td>2009</td>
<td>1157.56</td>
<td>23.69</td>
<td>1181.52</td>
</tr>
<tr>
<td>2010</td>
<td>1116.37</td>
<td>28.05</td>
<td>1144.42</td>
</tr>
<tr>
<td>2011</td>
<td>1367.51</td>
<td>33.08</td>
<td>1400.59</td>
</tr>
<tr>
<td>2012</td>
<td>1841.37</td>
<td>35.62</td>
<td>1876.99</td>
</tr>
</tbody>
</table>

Source: Ministry of Tourism, Government Of Tamilnadu

According to India Tourism Statistics for the year 2011, 13.68 crore domestic tourists and 33.08 lakhs foreign tourists have visited Tamil Nadu. The tourist arrivals have further gone up in the year 2012. At 2012, 18.41 crore
domestic tourists and 35.62 lakhs foreign tourists have visited the State. The State Tourism Department is taking action to increase the arrival of tourist and their period of stay.

The study reveals that increase in tourist is because of the steps taken by tourist department in promoting tourism activities and development of infrastructure facilities especially hotels availability in Chennai of international standard.

**FOREIGN EXCHANGE EARNINGS FROM TOURISM IN INDIA**

The tourism development in india generally create employment opportunities and it is in general considered as the source for foreign exchange earners. Tourism acts as an great source of attraction of both foreign and domestic tourists providing an economic opportunities to handicraft and allied ancillary departments.
TABLE : 3.4

FOREIGN EXCHANGE EARNINGS FROM TOURISM IN INDIA

<table>
<thead>
<tr>
<th>Year</th>
<th>FEE from Tourism in India (in Crore)</th>
<th>Percentage change over the previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>33123</td>
<td>100.00</td>
</tr>
<tr>
<td>2006</td>
<td>39025</td>
<td>117.81</td>
</tr>
<tr>
<td>2007</td>
<td>44360</td>
<td>133.93</td>
</tr>
<tr>
<td>2008</td>
<td>50730</td>
<td>153.16</td>
</tr>
<tr>
<td>2009</td>
<td>54960</td>
<td>165.93</td>
</tr>
<tr>
<td>2010</td>
<td>55444</td>
<td>167.39</td>
</tr>
<tr>
<td>2011</td>
<td>71160</td>
<td>214.84</td>
</tr>
</tbody>
</table>

Source: (i) Reserve Bank of India
(ii) Ministry of Tourism, Govt. of India, for 2009-2012

The table 3.4 gives information about the earning through foreign tourist arrival. This type of earnings helps in the generation of a number of Social Economic benefit to the local people. It creates an employment opportunities to a greater extent. It further gives support to local people through handicraft and through cultural activities and support for economic prosperity of the Nation. The
growth of foreign exchange earnings in 2011 was 71160 crores against the foreign 
exchange earnings of 33123 crores in 2005. At 77591 crores had been earned as 
foreign exchange earnings from the tourism earnings. The increase in foreign 
exchange earnings is noted from 2005 to 2011 years.

India’s hotel pipeline is the second largest in the Asia-Pacific region 
according to Jan Smits, Regional Managing Director, and Intercontinental Hotels 
Group (IHG) Asia Australia. He projected that the Indian hospitality industry 
would grow at a rate of 8.8 per cent during 2007-16, making the country as the 
second-fastest growing tourism market in the world.

According to the Tourism Satellite Accounting (TSA) research, released by 
World Travel and Tourism Council (WTTC) and its research partner Oxford 
Economics in March 2011 came out with the following observations:

Travel and tourism is expected to generate 24.93 million jobs directly in 
2011 (5 per cent of total employment). This includes employment by hotels, travel 
agents, airlines and other passenger transportation services. By 2021 industry will 
account for 30.44 million jobs directly, an increase of 5.51 million (22.1 per cent) 
over the next ten years. The industry is expected to attract capital investment of 
US$ 27.67 billion rising by 8.7 per cent p.a. to US$ 63.47 billion. Visitors and 
exports are expected to total US$ 15.23 billion in 2011, rising to US$ 30.18 billion 
in 2021.

According to ASSOCHAM, Medical Tourism is really gaining momentum 
in India and soon it will become the highest foreign exchange earner for the nation. 
India over the last few years has become a favorite medical tourist spot for millions
and is just after countries like Thailand, Philippines, Singapore, Malaysia, Hong Kong and Columbia

**IMPORTANCE OF TOURISM**

For the first time, the vast potential of tourism as a earner of foreign exchange earner and generator of employment opportunities was recognized. Several policy initiatives were taken up to develop the tourism sector.

In order to develop tourism in India in a systematic manner, position it as a major engine of economic growth and to harness its direct and multiplier effects for employment and poverty eradication in an environmentally sustainable manner, the National Tourism Policy was formulated in the year 2002. Broadly, the “Policy” attempts to:

- Position tourism as a major engine of economic growth.
- Harness the direct and multiplier effects of tourism for employment generation, economic development and providing impetus to rural tourism.
- Focus on domestic tourism as a major driver of tourism growth.
- Position India as a global brand to take advantage of the burgeoning global travel trade and the vast untapped potential of India as a destination.
- Acknowledges the critical role of private sector with government working as a pro-active facilitator and catalyst.
• Create and develop integrated tourism circuits based on India’s unique civilization, heritage, and culture in partnership with States, private sector and other agencies.

• Ensure that the tourist to India gets physically invigorated, mentally rejuvenated, culturally enriched, spiritually elevated and “feel India from within”.

STATUS OF THE TOURISM IN INDIA

Hospitality in India is based on the Sanskrit adage ‘Atithi Devo Bhava’ or ‘Guest is equal to God’. The concept was adapted by the Ministry of Tourism, Government of India which aims at creating awareness on the rich variety of tourism in India. According to the Travel and Tourism Competitiveness Report 2011 by the World Economic Forum (WEF) states that India is currently ranked the 12th in the Asia Pacific region and 68th overall in the list of the world's attractive destinations. It is well known for its natural resources (ranked 8th) and cultural resources (24th) with many World Heritage sites, both natural and cultural; rich fauna, many fairs and exhibitions and strong creative industries. It also has quite good air transport (ranked 39th), particularly given the country’s stage of development, and reasonable ground transport infrastructure (ranked 43rd).

POLICIES & INITIATIVES

Tourism being a concurrent subject under the Indian constitution, both the central and state governments regulates the hotel industry. The regulations include
statutory and regulatory sanctions (or approvals and licenses) from the Central and State departments or agencies.

This includes license to operate a restaurant, a hotel license (issued by corporation authorities), license from police (issued by local police) and a bar license (issued by excise department).

INDIAN GOVERNMENT’S MAJOR POLICY INITIATIVES ON TOURISM INCLUDE:

• Liberalization in aviation sector.

• Pricing policy for aviation turbine fuel which influences internal air fares.

• Rationalization in tax rates in the hospitality sector.

• Tourist friendly visa regime.

• Immigration services.

• Procedural changes in making available land for construction of hotels.

• Allowing setting up of Guest Houses.

CONCLUSION

The government recognized the desirability of maintaining a balanced growth of hotel accommodation of all star category to tourist of all income group. In this chapter growth of hotel industry has been having exposed and the next chapter is devoted to focus on financing and taxations of hotels which form one of the important aspects governing the development of hotel industry.