PROBLEMS OF HOTEL INDUSTRY IN THE STUDY AREA

CHAPTER - V

PROBLEMS OF HOTEL INDUSTRY IN KERALA

A clear understanding of the problems affecting the hotel industry will certainly help in solving them. The survey forming of this study focused on operational problems of the hotel industry. The problems were studied in two dimensions: first, problems faced by hoteliers and second, problems faced by employees in the hotel industry. Hotel industry of the state is the base level support industry to tourism. However, what is lacking in the development of tourism is adequate promotional measures and supportive infrastructure. There can be no development in tourism without a good and functional hotel management. The problems faced by hotel industry in Kerala are categorized into two:

I. Operational problems faced by hoteliers

II. Problems faced by hotel employees

5.1. OPERATIONAL PROBLEMS FACED BY HOTELIERS
The hotel industry in Kerala is on a growing stage, so naturally the industry is facing large number of operational problems which can be categorized as follows:-

I. High price of inputs

II. Inadequate infrastructure

III. External problem

IV. Inadequate government support

V. Non - availability of inputs

✓ **High price of inputs**

The bought items are called inputs. The major inputs required for the hotel industry are electricity, water, cooking gas, food materials. The high cost of these items adversely affects the industry. The hoteliers opined that inputs for the industry are very costly.

✓ **High Electricity charges**

Hoteliers in Kerala pay the higher electricity charges i.e. Rs. 9/- per unit, whereas in Tamil Nadu the rate is Rs.8/- and in Karnataka it is only Rs. 6/-.
The penalty for delay in payment of electricity bill in Kerala is 24 per cent of the bill amount. The frequent power failure and the usual daily power cut compel them to install stand by generators incurring heavy financial burden and inconveniences. The hoteliers do not get any tariff concession on electricity.

✓ **High water charges and low quality of water**
The water charges in Kerala are relatively high. The Kerala water Authority charges Rs. 10.60/- per kilo litre at industrial rate; from hoteliers allowing no concessions. The service of KWA is inadequate and hoteliers depend upon private contractors. The quality of the water is also not satisfactory. At Kovalam though it is an International Tourist Centre, the availability is inadequate. Here the hoteliers pay Rs. 35 - 45/- per kilo litre to the private contractors. The recent decision of KWA to hike water rate by 30 per cent for the industrial consumer will be another burden to the hoteliers.

✓ **High Cost of Essential Commodities**

The high cost of essential commodities such as vegetables, fruits, provisions, meat, poultry products, cooking oil etc. are very high in Kerala, which imports all these from different states. Naturally transport cost, sales tax and labour charges for loading and unloading are added to the already high cost.

✓ **High Cost of Cooking Gas**

The hoteliers have to pay commercial rate for cooking gas, which is highly indispensable. No concession is given to hoteliers. Due to this, the overheads increase and often it is difficult to afford.

✓ **Heavy bar license fees**

The bar license fee in Kerala is very high compared to other states. Currently the bars license fee is Rs. 15, 00, 000/- in a year. In addition to this Rs. 1, 50,000/- is to be paid for selling foreign liquor. The license fee for beer parlour which is the monopoly of KTDC is Rs. 50, 000/- per annum. Moreover the government has made bar compulsory for all hotels with three star statuses and above, including heritage hotels.
5.2. Inadequate Infrastructure

The infrastructure for hotel industry consists of power, water, telecommunication, road access etc. Inadequate of these lowers the operational efficiency of the hotel, affecting even its survival.

✓ High Land Cost

The high land cost in Kerala impedes construction of hotels especially in the cities of the state. The state’s limited land area and high density of population exerts excessive pressure on land enhancing its cost.

✓ Garbage disposal arrangement

Garbage disposal is a serious problem faced by hoteliers in the state. The Corporations of Trivandrum, Cochin and Kozhikode adopt no specific measures for clearing and handling or recycling garbage.

✓ Harthaal and Bandh

Frequent harthalls and bandhs sponsored by big and small political parties adversely affect the hotel business. Unavailability of transport facilities and security problems prevent guest visits and occupancy on the hart hall or band day. The ban on bandhs and harthalls imposed by the high court of Kerala is not at all effectively implemented in the state.

5.3. External Problems
Hotel industry is an ancillary industry that supports and is supported by a number of government agencies which control the industry in several ways. Hotels have to get clearance from these agencies and departments from the commencement of the project onwards. Excessive interference of such agencies creates problems to the industry. The identified problems under this head are listed below:

✓ **Multiplicity of Control by various departments**

The excessive control of a number of government departments causes a lot of inconvenience to the hotelier who often feels being harassed. Currently in Kerala, several Government departments such as Tourism, Local Self-Government, Sales Tax weight and measures, Electricity Board, Water authority, Labour enforcement, ESI, PF, Fire Service, Police, Reserve Bank, Excise, State Pollution Control Board, International Airport Authority etc. have several types of control over hotels, which is often exercised conflictingly and uncoordinated by.

✓ **Political interference**

Political interference in the functioning of hotels and forceful collection of donations etc., affect the industry very badly. Some hoteliers reported that an amount up to Rs.1.25 lakhs had to be paid for a mere Corporation election without regard to jurisdiction of constituency.

✓ **No professional Consultancy Service**

In spite of being the capital city of the state Trivandrum does not have any expert consultancy service, as pointed by some hoteliers.
**Lack of professional approach in management**

The hoteliers in general believe that the hotels can be run by themselves without appointing qualified hotel professionals. This adversely affects the industry.

**5.4 Inadequate Government Support**

It has been observed that hoteliers have a feeling that the government is yet to recognize their industry as a truly significant and supporting one in the hospitality sector. Government support in the form of incentives for the hotel industry financial support through government agencies, appropriate taxation policies, creating conducive environment for growth etc. are lacking.

The specific problems identified were:

**High Taxation**

The hotel industry is squeezed by imposing a number of taxes such as building tax charged by the local authorities, luxury tax, expenditure tax, service tax, sales tax on food etc. Luxury tax in Kerala is reported to be the highest in South India and without threshold limit.

Sales tax rates too are high in Kerala, especially for liquor. A new tax called Preservative Tax is imposed by the state and its imposition has been stayed by the High Court of Kerala. A comparison of on tax rates in southern states is given below in table No. 5.1.
**TABLE NO. 5.1**

**COMPARATIVE STATEMENT OF LUXURY TAX AND SALES TAX IN SOUTH INDIAN STATES**

<table>
<thead>
<tr>
<th>State</th>
<th>Luxury Tax</th>
<th>Sales Tax</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>Room Rates:</td>
<td>On Food &amp; Beverage</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>Below Rs.300/-</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Above Rs.300/-</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Karnataka</td>
<td>Room Rates:</td>
<td>On Food &amp; Confectionery</td>
<td>15.75%</td>
</tr>
<tr>
<td></td>
<td>Up to Rs.150/-</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rs.150/- to Rs.250/-</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rs.250/- to Rs.400/-</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rs.401/- &amp; above</td>
<td>12.5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Soft drinks</td>
<td>Indian Liquor</td>
<td>10.5%</td>
</tr>
<tr>
<td></td>
<td>Indian wine, Cigar and Mineral water</td>
<td>Imported Liquor</td>
<td>63%</td>
</tr>
<tr>
<td></td>
<td>Nil</td>
<td>Nil</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>Room Rates:</td>
<td>Food</td>
<td>Turnover tax on local liquor</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------</td>
<td>-------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Kerala</td>
<td>Non A/c 7.5% A/c 15%</td>
<td>Imported Liquor 9.2%</td>
<td>100% 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Food</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>room rates:</td>
<td>Foreign Liquor 20%</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>Below Rs. 1000/- Above Rs.1000/-</td>
<td>Liquor from other state 25%</td>
<td>50%</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


- **High Licence fee for Restaurants**

  The state government is planning to increase the license fee for restaurants by 700 per cent, which will increase the financial burden of the hoteliers. This is pointed out by the KHRA, to be a serious threat to the very survival of hotels.

- **Less Incentive for new hotel projects**

  It is observed that new hotel projects are not given proper incentives. Even though the DOT, Government of Kerala promises tariff concession for electricity, concession on building tax and all incentives applicable to the hotel industries, but the hoteliers get either of these in neither time nor infancy level protection.

- **Too much delay in getting licenses from government**
The hoteliers opined that there is inordinate delay in getting license and permits from various departments, due to red tapism, complex formalities and rules and above all, the unfriendly attitude of the government employees.

✓ **No separate Catering Establishment Act**

The present law applicable to hotels in Kerala is Kerala (Shops and Commercial Establishment) Act, 1960, which is highly inadequate considering the needs of the hotel industry.

✓ **Fear of Eviction**

As per the new Building Lease and Rent Control Act, 2002, which is yet to be implemented, the tenements can be evicted any time. This will adversely affect restaurants since 90 per cent of the restaurants are running in let out premises.

✓ **Problems in repayment of loans**

Kerala Financial Corporation Ltd. (KFC) is a leading government owned financing Company in the state. In 2002, 60 per cent of the loan given by KFC was for tourism and hotel industry. If any default in repayment is made, huge penal interest is realized disregarding the seasonal nature of the business. In tourist centres like Kovalam there are several hotels, attached by the KFC for repayment default, waiting for public auction.

✓ **Taxation on liquor**

According to the present taxation policy, tax on liquor remaining unsold at the close of the financial year will have to paid twice i.e. in the year of purchase and in the year of usage. As such the tax on sale of imported liquor is the highest in Kerala, as evident from Table No. 5.2.
TABLE NO. 5.2
DISTRIBUTION SHOWING COMPARATIVE STATEMENT OF SALES TAX ON IMPORTED LIQUOR (STATE -WISE)

<table>
<thead>
<tr>
<th>State</th>
<th>Sales tax on imported liquor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>Nil</td>
</tr>
<tr>
<td>Assam</td>
<td>Nil</td>
</tr>
<tr>
<td>Bihar</td>
<td>Nil</td>
</tr>
<tr>
<td>Chattisgarh</td>
<td>Nil</td>
</tr>
<tr>
<td>Delhi</td>
<td>Nil</td>
</tr>
<tr>
<td>Goa</td>
<td>21%</td>
</tr>
<tr>
<td>Gujarat</td>
<td>Nil</td>
</tr>
<tr>
<td>Haryana</td>
<td>Nil</td>
</tr>
<tr>
<td>State</td>
<td>Percentage</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>Nil</td>
</tr>
<tr>
<td>Jammu &amp; Kashmir</td>
<td>Nil</td>
</tr>
<tr>
<td>Kerala</td>
<td>100%</td>
</tr>
<tr>
<td>Karnataka</td>
<td>63%</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>63%</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>63%</td>
</tr>
<tr>
<td>Orissa</td>
<td>63%</td>
</tr>
<tr>
<td>Punjab</td>
<td>63%</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>49.45%</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>Nil</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>70%</td>
</tr>
<tr>
<td>West Bengal</td>
<td>30%</td>
</tr>
</tbody>
</table>


The prevalence of high liquor tax was cited by hoteliers as a major problem, which hampers the growth of tourism and hotel industry in the state.

5.5 Non - availability of Inputs

A number of other significant problems affecting the industry were pointed out. Some of those problems were:

✓ Non availability of trained manpower

The basic input deficiency in hotel industry specifically in the star sector is of qualified and trained manpower. Even though Kerala is a highly literate state, hoteliers face the problem of getting properly skilled staff to work in operational areas. Getting good cooks and labour turnover are universal
problems faced by hotel industry and Kerala is not an exemption. In Kerala, labour turnover is more among the Kitchen staff and guest contact departments where the requirement is of staff who can communicate properly in English. The strict instruction of the State government that hoteliers must buy liquor from Kerala State Beverages Corporation (Manufacturing and Marketing Ltd.) only deprives from the hotels with adequate brand choice.

✓ **Unqualified lower level staff**

    In the state public sector (KTDC) most of entry level staff are unqualified and need adequate training.

✓ **Unauthorised absence of employees**

    Hoteliers in Kozhikode said that there is constant problem of unauthorized absence of employees. Due to this, a number of hotels and restaurants are forced to close.

    The problems faced by hoteliers constitute only one aspect of the challenges faced by the industry and the second crucial aspect relates to problems pertaining to employees of the industry. The survey covered the problems faced by the employees to understand whether HR initiatives would help to better their performance.

**5.6. Problems pertaining to employees**
The success of any organization depends on the efficiency and effectiveness of its employees which in turn would depend on the job satisfaction well being, and ultimate motivation of the employees. The problems faced by the employees of the hotel industry are diverse, varying with class and type of the hotel. Problems pertaining to hotel employees in Kerala can be categorized as:

1. Lack of training and development
2. Lack of promotional opportunities and career growth
3. Low salary and long working hours
4. Problems related to medical benefits
5. Inadequate job security
6. Deprivation of statutory benefits
7. Other problems
8. Specific problem of State Public Sector

✓ Lack of training and development

Majority of employees in operational areas except those in five star hotels do not have proper exposure especially, to house keeping food and beverage service etc. Only very few staff and supervisors are qualified from Food Craft Institute, KIHMS etc., whereas most of the Managers and qualified graduates of IHMCT and these Institutes. Most of the hotel employees are not given proper training in first aid and fire fighting. Most of the employees are not getting incentive for learning foreign languages. Employees are not given suitable training for career development. Language proficiency award is not at all given in hotel industry.

✓ Lack of promotional opportunities and career growth
Employees in hotel industry are deprived of promotional opportunities. In Public Sector Hotels, the criteria for promotion are seniority whereas in private sector, it is the discretion of management and is adhoc.

✓ Low salary and long working hours

Salary of employees of hotel industry in Kerala is low, compared to their counterpart in other service sectors. There is a wide gap between salary and experience of the staff. In private sector hotels, there are no criteria for awarding increment and the Minimum Wages Act prescribed any. In fixing scale of pay in private sector hotels, weightage is not given for qualification and experience but pay is fixed on mutual understanding. The pay scale envisaged in Minimum Wages Act is very low. Inadequate job security, low wages and long working hours in private sector hotels are reflected in the high rate of labour turn over in the sector. Employees in the private sector hotels who work for 12 - 15 hours are not given corresponding overtime salary. It is observed that the industrial exposure trainees of IHMs and FCIs are exploited during their training the trainees are forced to work for a minimum of 12 hours, without overtime wages and compensatory off. No risk allowance is given to Cashiers in front offices, restaurants etc., in private sector.

Low salary and nominal benefits coupled with long working hours are acting as a major deterrent in the hotel sector. This industry is turning out to be less attractive and less encouraging as it ignores the career growth of employees. Professional Organisations too find it difficult to place their well trained students in a suitable organization where pay packages commensurate with student’s expertise.
✓ Problems related to medical benefits

Quality medicines and costly medicines are not available in the ESI dispensaries. The attitude of ESI staff towards patients is very discouraging and to add the ESI hospitals are mostly located in inaccessible places.

5.6.5. Inadequate job security

In private sector hotels, there is no job security due to lack of strong trade unions. In central and state public sector hotels, there exists lots of discrimination with regard to disciplinary action.

5.6.6. Deprivation of Statutory Benefits

Compensation payable by employer in the case of accident arising out of and in the course of employment, as per Workmen Compensation Act, 1923, is not given to employees of private sector hotels. Private Sector employees are not getting statutory benefits such as gratuity, retrenchment compensation etc. because no proper documents are maintained by the management. The periodical medical check up is not done strictly. ESI benefits, membership in Kerala Labour Fund, PF coverage, Bonus are extended only to very few employees of private sector for lack of proper documents.

5.6.7. Other problems
Quality of staff food provided in some hotels is sub-standard. Educational assistance to children of employees is very rare. Child care facility is not at all provided in the hotel industry in Kerala. Employees have to face frequent mental harassment from the guests and management. The schemes, rules and regulations laid down are only for the staffs, which has the support of unions. Middle management level employees are thoroughly squeezed and given no benefit. They work only for brand name and for work experience in leading private sector chain hotels. This industry lacks teamwork, professionalism and good reward for hard work. Safety clothes are not provided in public sector hotels. Nevertheless, some private sector hotels are providing this. Majority of the employees are not aware of the benefits of Labour Welfare Fund to which they contribute.

The above said problems point to the lack of motivation among employees in general. Consequently the efficiency and productivity decline.

5.7 Specific problems of State Public Sector

The Head Office of the KTDC gives the employees of the decentralized units like Samudra, Chaitram, Mascot, Aranya Nivas and Bolgathay Palace who joined the KTDC before, 1991, a fixed service charge; regardless the units are making profit or loss. Thus two categories of employees are created in a unit those who get the benefit and those who do not get the same, affecting harmonious work environment within the organization.
The above survey reveals the fact that the hotel industry of Kerala state is facing severe problems. These problems are multifaceted and have diverse implications. Hoteliers feel that high taxation and non-availability of trained labour are major problems. The industry is affected with external problems, which create cost consequences for them. The employees feel that their interests are not being fully protected in terms of wages, promotion, statutory benefits and the like. The organization cannot survive without its labour and the labour cannot exist without the organization. This understanding would help in mutual resolution of issues involved. The government too has a major role to play in supporting the hotel industry, considering its relevance in boosting tourism.