CHAPTER 1 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Economic development of a nation depends on the sectoral growth of its primary, secondary and tertiary sectors. It is indicated new-established industrial patterns that, during the early stages of industrialization, more concern must be on the primary sector that includes agriculture, animal husbandry and allied activities. This is followed by the secondary sector that includes industries, mines, processing, etc. In response to the growth of these two sectors, the tertiary sector that includes all the service sectors such as bank, communication, education, health, tourism, etc will eventually expand. The government provides autonomous investment during the initial stages in order to motivate the private establishments to come and coexist in expanding the scale of operation. The priority of the government and the policies for supporting a sector depends on the rate of return expected. However, since independence the industrial pattern in India has showed a deviation from the established patterns and the development has become lopsided, whereas the sectoral contributions have skewed towards the tertiary sector. Thanks to the economic reforms policies with an emphasis on the globalization and privatization and the structural adjustment policies that got further deepened such impartial growth of service sector. Although the development is lopsided, the service sector has huge prospects with its range of services including tourism services.
In the recent past, tourism industry has become a major force in the economies of the world, contributing to huge economic activity. Such prospects could be captured well by improving the infrastructure of tourism industry that will bring enormous forward and backward linkages of services extending employment and output. Hence, the economic impact of tourism is of utmost importance to both the developed and the developing countries that provides a plethora of benefits. Tourism industry plays a major role in maintaining the balance of payments of a country. The social and economic benefits of tourism infrastructure development in the form of investments in the related services contribute considerably to the regional development. Tourism has a special characteristic of providing multiplier effect in the economy, wherein every Rs 1000 spent by the tourist will generate multiple employment generation catering to different class of persons that are intangible. Finally, tourism is a foreign exchange-generating industry without much investment towards export or import promotion. The industry of such significance may be developed with entrepreneurial approach which is the need of the hour to reap the benefits of expansion of tourism demands. An entrepreneur must be innovative, creative and ever dreaming to progress.

1.2 ENTREPRENEURIAL APPROACH

The term entrepreneur is commonly used to refer a person who starts a small business. This definition, however, excludes government and non-profitable organizations that initiate tourism services by utilizing entrepreneurial strategies. Key identifiers of entrepreneurial approaches can include environmental scanning for trends and changes that have potential opportunities. The entrepreneur then utilizes common managerial functions to exploit the opportunities for profit or financial self-sufficiency. Therefore, the following definition is offered for entrepreneurial approach in tourism: the actions of tourism-related organization that searches for trends and changes in its environment, then brings together and manages resources to exploit those changes as an opportunity (John et al., 2012).
Entrepreneurial approach can be either a single or a combination of “Entrepreneurial Assessment” approach and “Multidimensional Approach” to examine the activities involved in entrepreneurship. Both these approaches are methods to measure the entrepreneurial initiatives of the enterprises. In the entrepreneurial assessment the main focus is on the process of entrepreneurial activity that includes the following components: (a) The Entrepreneur, (b) The Venture and (c) The Environment. The above three factors are analysed quantitatively, qualitatively, strategically and ethically. The two specific approaches of entrepreneurial activity are “Macro” and “Micro” views of entrepreneurs.

The integrative approach is built around the concept of contribution to the entrepreneurial process and outcomes from the process, which can decide the entrepreneurial strength. The multidimensional approach provides less distinct categories, giving it a specific and detailed process to entrepreneurship.

The entrepreneurial approach to tourism is the opposite of the bureaucratic methods of memos and meetings. Essentially, it is taking the same creative, free market, fun, energetic approach that are used to sell to customers and applying it to management. The entrepreneurial approach lets the people enjoy success, rarely they have to experience the bitterness of failure. When the management and staff learn how the business world works, they become more successful by thinking more positive, creative, proactive business people.

The fact simply is that tourism is a vast, complex and multifaceted field and that it is necessary to have a number of approaches to study the field, each geared to somewhat different task or objective. Hence this study “Entrepreneurial Approach to Tourism Development” is interdisciplinary, which integrates many approaches of tourism development.
1.3 NEED FOR ENTREPRENEURIAL APPROACH BY TOURISM SERVICE PROVIDERS

Tourism industry comprises of many small and medium tourism establishments (SMTEs). The roles played by these establishments are significant and crucial to provide the best of services and satisfaction to the tourists during their visit. It can be Airline, Travel agent, Hotels, Tour guides or Government departments. This makes the human resource component a vital factor in providing efficient service. When a tourist returns from the country of visit with full satisfaction, he or she serves as a brand ambassador for the country visited. This leads to word of mouth publicity and is cost effective. The meaning of Indian slogan “Athithi devo bhava” is “guests are like God”. Indians are known for their hospitality that continues still in modern India. It is significant to know that tourism entrepreneurs play a vital role in developing tourism of a region/country.

It is a well-known fact that tourism has become a major force in the economy of the world, an activity of global importance and significance (Cooper et al., 1996). Given the importance of the tourism sector, the various participants who are service providers including travel agents contribute to the growth of the tourism sector and thereby to an increase in GDP. However, there is a lack of entrepreneurial approach without much professionalism, ability to introduce innovation and face competition among the existing travel agents (but a few are highly professional). The travel agents may need to integrate various services to retain the customers, enhance the services and get the feedback which would go a long way in sustenance of such enterprises.

While tourism seems to be a satisfying sector for investors and entrepreneurs, the concept of tourism entrepreneurship has not been completely understood. The limited literatures available in the field of tourism entrepreneurship put forward little entrepreneurial behaviour in the sector. However, reality proves to be the opposite. The hospitality and tourism industry have been fertile for entrepreneurial business. World renowned Thomas Cook’s tour packages, Ray Kroc’s McDonald’s, Walt Disney’s theme parks, JW Marriot’s and Conrad Hilton’s hotels are just a few classic entrepreneurial brands.
in the world of hospitality and travel enterprises. These great personalities were driven by their inner need to succeed and make a difference in some way, they were truly successful entrepreneurs and focused on their opportunities and pursued them with great dedication and courage in the face of opposition and stumbling blocks. Owing to their perseverance, all these entrepreneurial leaders have imprinted their names and businesses in the history of hospitality and travel industry. It can be concluded that an entrepreneurial approach is just as relevant and important in hospitality, leisure, sports and tourism as in other sectors, if not more so.

Tourism entrepreneurs play a key role in promoting the tourism business. Entrepreneur is one of the most essential inputs in the tourism development of a country or in the regions within the country. Entrepreneurial capacity and proficiency make a difference in the rate of tourism growth. Dynamic search of opportunities, entrepreneurial alertness, previous knowledge and social networks of entrepreneurs promote the tourism business. The centrality of entrepreneurship in contemporary management is echoed by Wickham (2004) who states that an “entrepreneurial approach” is no longer seen as an option but as the only option for managers seeking to enhance the performance of their organizations. It is important whether the business is a new start-up striving to establish itself in the marketplace, an established business seeking to strengthen itself, or a governmental or non-profitable organization meeting the opportunity and challenge of the shifting boundaries between the government and private sectors.

1.4 NEED FOR THE STUDY

On the basis of review of literature, it is apparent that tourism entrepreneurship was researched only in some aspects of entrepreneurship and very few studies were undertaken in a holistic approach covering the entire entrepreneurial approach perspective. Hence, this study of entrepreneurial approach in tourism is considered as significant for the success of tourism industry. It is important to ensure the contentment of the tourists which will lead to the development of tourism industry; this can be achieved by adopting an
entrepreneurial approach. From the literature review it is evident that most of the earlier studies on tourism entrepreneurship are in the context of overseas experience. Only a few studies have been undertaken in the Indian context. It is also observed that no study has related the “Entrepreneurial Approach” to “Tourism Development” in the Indian context. The approach adopted by entrants into tourism business, innovative ways of doing their business and current problems faced by entrepreneurs in travel agency business will be of significance as it will fill the research gap identified and to develop a linkage between tourism development and entrepreneurial approach. Tourism industry, being a service industry, does not require much physical investment. Such features of the industry help several men to venture into initiating services in tourism industry. Travel agency is one component that has recently emerged as a self employment unit in a microscale to a large-scale business tied up with Airlines, hotels and resorts and other private tourist operators.

Tamil Nadu has been known for pilgrimage tourism and hence attracts a lot of domestic tourist players. Tourism development is taking place all over the world. In India the state of Tamil Nadu has been a frontrunner because of its historical and temple architecture. Historical and cultural heritage, monuments are present in every district which attracts international tourists. Hence, Tamil Nadu has been chosen for the study for intensive analysis covering Tiruchirapalli and Coimbatore districts that are well connected with international and domestic airlines. Tiruchirapalli is a centrally located district in Tamil Nadu with Rockfort, Srirangam and other places of historical significance in the Asian context, connected well with an international airport since 1964.

1.5 PERFORMANCE OF TOURISM INDUSTRY

Globally the tourism industry posted 9% of global GDP (USD6.6 trillion) of Economic activity (Total Demand) in 2012, and this is projected to grow at 7.3% pa from 2013 to 2023, to USD104.0bn in 2023 (in constant 2012 prices). Tourism has indeed grown to become a major social and economic force in the World (McIntosh et al., 1995). The total contribution of Travel & Tourism to
GDP was USD147.8bn (6.6% of GDP) in 2012, and increased to 7.0% in 2013, and it is forecasted to rise by 7.6% pa to USD327.6bn in 2023. In India the total contribution of Travel & Tourism to GDP was INR6, 385.1bn (6.6% of GDP) in 2012, increased by 7.3% in 2013 and it is forecasted to rise by 7.9% pa to INR14, 722.3bn in 2023 (World travel and tourism council). From the above data it is apparent that there is a good growth in the tourism sector worldwide and the forecast for south East Asia is promising with excellent growth forecasts. Tourism plays a pivotal role in socioeconomic development. It fosters international understanding as a part of “Global Village Concept”.

With the advantages in terms of connectivity, tourism potential, inbound tourism of these two sample districts, it is quite possible to promote tourism to its maximum. It is observed that only a very negligible number of entrepreneurs operate in the study area. They promote only the outbound international tourism which is more profitable than promoting the inbound tourism. Inbound tourism promotion is carried out by the corporate tourism entrepreneurs such as Sita, Travel Corporation of India, Kuoni Travel India, Cox and Kings and Thomas Cook. Tourism entrepreneurs who started a decade or two ago as entrepreneurial organizations had good business initially.

Tourists need a complete experience of a visit to museums, historical monuments and exposure to cultural activities. The other activities entertainment, sports, dance, music, festival, cuisine, adventure, health, education and business add colours to their experience. With the progress of transportation, communication and economic status, the demand for tourism has increased alongside.

**Table 1.1 Tourist Arrivals in Tamil Nadu**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Year</th>
<th>Domestic (Rs. in Lakhs)</th>
<th>Foreign (Rs. in Lakhs)</th>
<th>Total (Rs. in Lakhs)</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2010</td>
<td>1030.10</td>
<td>28.05</td>
<td>1058.15</td>
<td>31.60</td>
</tr>
<tr>
<td>2</td>
<td>2011</td>
<td>1367.51</td>
<td>33.08</td>
<td>1400.59</td>
<td>32.36</td>
</tr>
<tr>
<td>3</td>
<td>2012</td>
<td>1841.37</td>
<td>35.62</td>
<td>1876.99</td>
<td>34.01</td>
</tr>
</tbody>
</table>

*Source:* Policy Note 2013–2014 of Tamil Nadu Tourism, Culture and Religious Endowments Department
It is clear from Table 1.1 that the tourism industry is growing year after year with inflow of both domestic and foreign tourists. However, the rate of growth is negligible. Adequate policies with incentives to promote tourism industry will help to expand the scale of operation.

1.6 ENTREPRENEURSHIP IN TOURISM

Entrepreneurship is a multidisciplinary subject that has attracted researchers with different backgrounds; it has addressed the topic from varied methodological traditions using diversity of theoretical frameworks (Cornelius et al., 2006). From the perspectives of entrepreneurship, tourism provides a specific context that is perceived to be different from other industrial sectors in terms of identification of entrepreneurial opportunities and the process of their consumable tourism product. In this process, there is more often a multiplicity of stake holders with individual motivation for a coordinated approach to develop a vital component of the economy through a strategy that is focused on economic yield while considering environmental, social and cultural values.

Since 1980s, tourism has traditionally been viewed by government and public sector agencies as a growth sector with a potential to stimulate entrepreneurship, new firm formation, employment growth and regeneration of local economies. There has been little questioning of these fundamental relationships as towns, cities and districts face global competition to retain, develop and nurture national and local economies. The public sector has largely endorsed the role of tourism and economic development to maximize the use of the unique assets to differentiate their tourism offering, but there is now global competition among localities pursuing these strategic goals. When failure to innovate across the tourism sector occurs at a destination level, there is a high likelihood that loss of destination competitiveness could lead to a downward spiral of decline in the destination lifecycle. Innovation is the essence of tourism as a service sector and vital to remain competitive as well as ensuring continuous improvement to the visitor experience.
Hjalager (2002) explains on the typical areas of innovation, based on her observations on the initial work of Schumpeter (1954), which outlined the main areas for industrial innovation that include product innovations, process innovations (eg new ways of delivering services), market innovations (ie new ways of communicating with the customer, eg the internet) and logistical innovations (ie innovations in supply chain delivery of services such as vertical integration to deliver a seamless tourism experience). Hjalager (2002) has reviewed many of the academic studies of tourism and innovation, highlighting that to revamp the limited levels of innovative behaviour that characterize the tourism industry is not an insurmountable problem, a feature also observed by Hall and Williams (2008). Indeed, Sundbo et al. (2007) suggest that most innovation that occurs in tourism is not technological; it comprises a change in behaviour by businesses — a culture shift. Some of the principal factors that affect the culture of innovation in a country are the attitude, support structures and approach of the state.

1.7 RESEARCH QUESTIONS

1. What are the socio demographics of the tourism entrepreneurs and their significance to tourism development?
2. What are the motives of the tourism entrepreneurs to start travel agency business and its significance to tourism development?
3. What are the significance of human resources and physical infrastructure of the organization towards tourism development?
4. How do the business tie-ups and collaboration contribute to the business development?
5. What are the innovative services provided by the tourism entrepreneurs and their significance to tourism development?
6. What are the constraint and difficulties which the tourism entrepreneurs face during the initial stage and the impact on the tourism development?
7. What is the level of growth of the tourism entrepreneurs from the inception to the present stage?
8. How do travel agencies as a component of tourism industries contribute to economic development?

There is lack of adequate research on tourism entrepreneurship in general and entrepreneurial approach in particular which constitute the major handicap in the research field. Accordingly there is no much literature about the role of entrepreneurs in tourism in the study area. It is also important to highlight the gap in our understanding of how small medium tourism establishments, in destinations influence overall economic development (Shaw and Williams, 2004). The tourism entrepreneurs are mainly in the business of travel agents, tour organizers and tour operators, hospitality and related supplementary businesses. The role played by these entrepreneurs by marketing the essential products and services to the tourists have significantly fuelled the growth of tourism in the study areas. The research on tourism entrepreneurs will help to have better understanding of its progress and potential.

1.8 OBJECTIVES

The present study has been undertaken to study the entrepreneurial approach adopted by the tourism entrepreneurs in Tiruchirapalli and Coimbatore Districts. The study has the following specific objectives:

a) To study the socioeconomic profile and the nature of services offered by travel agencies as tourism entrepreneurs in the study regions of Tiruchirapalli and Coimbatore Districts of Tamil Nadu.
b) To analyse the performance of travel agencies as tourism entrepreneurial firms in terms of flow of customers, various kinds of services offered, access to different kinds of infrastructure, forms of collaboration and tie-up with other institutions.
c) To examine the contributions of travel agencies as tourism entrepreneurs in promoting tourism in the study area.
d) To find out the financial and human resource management, the challenges faced by the travel agencies as tourism entrepreneurs in sustaining in the competitive environment.

e) To suggest based on findings to enhance the performance of the tourism sector through travel agencies for further research and policies.

### 1.9 HYPOTHESES OF THE STUDY

H1: There is a relationship between Contribution of the entrepreneur, with their level of motivation, human resources, human resources constraints and general constraints towards tourism development.

### 1.10 SCHEME OF PRESENTATION

The present study is presented in six chapters.


Chapter 2: Review of existing literature in the area of tourism and tourism entrepreneurship.

Chapter 3: Materials and Methods, Statement of the Problem and Conceptualization of the Research Topic, Research Design, Sampling, Data Collection, Scope and Period of the Study, Variables Identified in the Study and the Tool Used for Analysis.

Chapter 4: Profile of the Study Area with Tourism Destinations, Festivals, Tourist Arrivals, Accessibility and Airports.

Chapter 5: Analysis and Discussion.

Chapter 6: Summary of Findings and Recommendations and Conclusion.
1.11 LIMITATIONS OF THE STUDY

Only two districts namely Tiruchirapalli and Coimbatore districts were covered that may not represent the entire universe given the diversity in the nature of services being offered by travel agencies. The study is limited to approved and unapproved tourism entrepreneur that may not represent the entire tourism industry. Moreover, the approved and the unapproved tourism entrepreneur may have wide differences which may be different in cities or regions where only approved travel agencies work. Hotels, Airlines, Tour guides and cruise operators (both Private and Government) were not included in the study which constitutes the tourism sector. The inbound tourism activities were only focused in this study as such the findings may have limited application. Out of the total number of interviews conducted, there were a few with poor response rate where all the questions were not answered in total, and they were excluded from the analysis. Thus out of 70 samples attempted, only 68 were complete and taken for the study. The outcomes of the study are pertinent only to the study area and may not qualify for generalization. However, efforts have been made to analyse the qualitative and quantitative data with all care and concern to generalize the findings and contribute towards improvement of the travel agencies to expand their market.

1.12 SUMMARY

In this Chapter Background of the study is dealt outlining the Entrepreneurial Approach and the need for it to be adopted by the entrepreneurs. The Need for the study is dealt mentioning the performance of tourism industry, highlighting the Entrepreneurship in tourism. The research questions, objectives and the hypotheses of the study are discussed. Finally the limitations of the study are stated. The following Chapters, Review of the Literature, Materials and Methods, Profile of the Study Area, Analysis and Discussion, Summary of Findings, Recommendations and Conclusion are discussed.