INDIAN TOURISM INDUSTRY : EXPLORING OPPORTUNITIES FOR ENHANCING GROWTH

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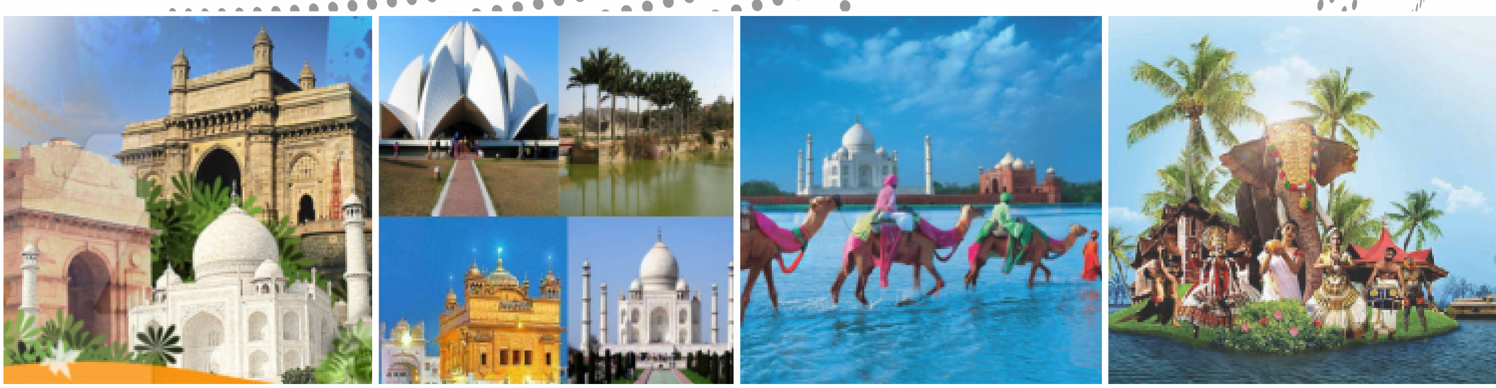

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EXECUTIVE SUMMARY

The tourism and hospitality sector, which includes travel and hospitality services such as hotels and restaurants, has been universally recognized as an agent of development, an engine for socio- economic growth and an important source of foreign exchange earnings in many countries. It has great capacity to create large scale employment of diverse kind – from the most specialized to the unskilled. It can also play an important role in achieving equitable growth in countries.

GLOBAL SCENARIO

Tourism accounts for a significant share of the global output and employment. According to World Travel and Tourism Council (WTTC) report on global economic impact of travel and tourism, the sector is estimated to account for 10.4 per cent of global GDP, generating 313 million jobs or 9.9 per cent of total employment, in 2017.

Analysis of tourist arrivals by region indicates that Europe is the world's most visited region, accounting for more than half of the international tourist arrivals and nearly 39 per cent of the international tourism receipts in 2017. Asia-Pacific has emerged as the second most visited region, reflecting strong intraregional demand, and facilitated by easier and more affordable air travel, enhanced visa facilitation and growing purchasing power of emerging economies. Among countries, the USA earned the highest receipts from international tourists in 2017, followed by Spain, France, Thailand and the UK.

Going forward, Qatar is expected to witness the highest increase in direct contribution of travel and tourism to GDP of 8.7 per cent during 2018 – 2028. India is expected to register the third highest increase of 7.1 per cent during this period. The promising growth in tourism would place the sector at the fulcrum of sustainable growth strategy in India.

INDIAN SCENARIO

Tourism is an incredible way to showcase India's rich and magnificent history, culture and diversity, while simultaneously reaping substantial economic benefits. According to the WTTC Report, the total contribution of travel and tourism to India's GDP was Rs. 15,239.6 billion (approximately USD 234.0 billion) which was nearly 9.4 per cent of GDP in 2017.

The number of foreign tourists visiting India has increased from 5.89 million in 2000 to 26.89 million in 2017. The trend has been positive overall, but there have been intermittent periods of decline in number of foreign tourist arrivals. This has been on account of myriad factors such as slowdown in the global economy, natural disasters, and terrorist attacks. The periods of substantial increase in foreign tourist arrivals have often been associated with positive initiatives from the Government of India.

During 2017, India earned foreign exchange of USD 27.31 billion from tourism, registering a y-o-y growth of 19.1 per cent and a CAGR of 10.4 per cent during 2013-17. Bangladesh is the largest source for foreign tourist arrivals in India, accounting for 21.49 per cent of foreign tourist arrivals in 2017. Other major source countries are the USA (share of 13.72 per cent), the UK (9.83 per cent), Canada (3.34 per cent) and Australia (3.23 per cent).

CHALLENGES AND STRATEGIES

The Indian tourism industry stands at a crucial juncture. Initiatives taken by the Central and State governments, along with the proactive measures in the realms of skill development, marketing and advertising, and trade shows and campaigns, have had a visible impact on the sector. Further improvements in the sector shall position the sector as an important channel for generating jobs, bridging infrastructure deficit and addressing the decline in exports. This would entail alleviation of challenges in the sector which cast a shadow on the success of this industry.

Tourism Infrastructure Development

One of the key challenges for the tourism industry in India is the lack of adequate infrastructure facilities. Comparison of India with other Asia-Pacific countries such as China, Singapore and Thailand in the Travel and Tourism Competitiveness Index indicates that the country fairs poorly on several key parameters such as air transport infrastructure, ground and port infrastructure, and tourist service infrastructure.

Hotel is one of the key supporting visitor infrastructure. One of the challenges for investments in the higher segment of hotels is the imposition of maximum rate of Goods and Services Tax (GST) in this segment. Room rates of Rs. 7,500 and above entail a GST rate of 28 per cent. This is in contrast to the 15 per cent service tax which was payable earlier for room tariffs exceeding Rs. 1,000. The GST rate could be reconsidered to encourage investments in the high end segment. Further, given the potential for revenue generation and foreign exchange earnings in the tourism sector, infrastructure status could also be accorded to all hotel projects over Rs. 50 crore.

There is also need to encourage foreign investments across various categories of tourism infrastructure. There is need for initiatives at the State level to attract investments in tourism. States need to showcase investors the value of investing in their States and should explore the digital channel to disseminate success stories. States could also consider providing fiscal incentives for promoting tourism.

Promotional Activities

As resources for promotional activities are limited, identification of target market forms an essential first step for tourism marketing. Exim Bank analysis indicates that marketing efforts should be intensified in the markets of the USA, Australia, Brazil, Thailand, Poland, Israel and Nigeria. These are the markets where growth in outbound tourist expenditure has been robust, but the Foreign Tourist Arrivals (FTAs) from these countries to India have been less than the growth in overall FTAs to India. These markets provide the best opportunity for growth.

The markets of South Korea, Argentina, and Indonesia are established markets for India. Outbound tourist expenditure in these markets has increased at a growth rate faster than the world average, and FTAs from these markets to India have also increased at a faster pace than the growth in total FTAs to India. Past marketing efforts in these markets have bode well for FTAs to India, and should continue at a steady pace.

Strengthening Medical Tourism Sector

A major constraint for the medical tourism industry is the limited number of hospitals with international accreditation in the country. Fiscal incentives could be considered by Central and State governments in India to encourage international accreditation of hospitals.

Another major issue is the lack of insurance portability. With growth in medical tourism, insurance companies are increasingly offering medical tourism insurance packages for specific medical facilities abroad, or extending coverage to foreign locations on a hospital-by-hospital basis. Indian hospitals need to engage with global insurance companies offering such coverage, and an international accreditation could be useful in this pursuit.

There is also need for more facilitators in the medical tourism space. Facilitators connect individual consumers, businesses, insurance carriers and agents, and third party administrators to affordable and innovative medical travel options. While several U.S. based and international facilitators operate in the Indian medical tourism market, there is need for more domestic companies in the segment. One such Indian start-up in this space is Hospals, which has built and scaled a platform model enabling international patients to get these services and is already catering to more than 200 patients per month. There is need to encourage more such initiatives, possibly through the Startup India scheme.

Tourist Insurance and Travel Assistance

The importance of good perception about the health and sanitation in context of tourism cannot be overemphasized. While a general improvement in healthcare infrastructure would be beneficial for tourism, there is also a need to adopt innovative mechanism for providing travel insurance to tourists. In Thailand, for example, the State-owned Krungthai Bank, offers tourists a debit card called the Miracle Thailand Card, which offers some medical and life insurance coverage in case of an accident. Similar initiative could be undertaken in India.

There is also need to enhance focus on tourists requiring special care as the population in key tourism generating countries is aging. Accessibility of the tourist sites is a major issue for the elderly, and it is important to make the tourist facilities accessible to the physically challenged, as also provide reliable information about the accessibility of the tourist sites. An important step in improving the accessibility of public buildings and transport is the Accessible India campaign. As part of the Accessible India Campaign, accessibility of public buildings and transport were to be made less challenging for the physically challenged. Achievement of the deliverables of the Accessible India campaign will significantly improve the prospects for visitor exports.

Promotion of Culinary Tourism

Since 2010, local food culture has also been included as an intangible cultural world heritage by the UNESCO. Currently, India does not have any culinary item or tradition in the UNESCO intangible cultural world heritage list. India needs to apply for UNESCO world heritage status for its local cuisines and food cultures as it would give a competitive advantage to culinary tourism in the country.

The Ministry of Tourism could also organize contests among various States to propose an idea for culinary tourism project which embodies various cultural and customary practices of the local people. Such projects can then be developed and promoted in an attempt to popularize culinary tourism in India. The competition route for identification of food tourism projects has been used in several countries such as France and Finland.

Marketing and promotion of food tourism projects would also be crucial. According to a survey conducted by UN World Tourism Organization (UN WTO), nearly 59.5 per cent respondents reported that food tourism promotion led to an increase in income from this kind of tourism. The Government of India has already undertaken several food promotion campaigns in the past, including the 'Incredible Tiffin' initiative. It could also attempt adopting innovative promotion initiatives taken up by other countries. In Korea, for example, a group of young Koreans undertook a promotion campaign for a well-known Korean dish, Bibimap. Known as the “Bibimbab Backpackers”, this group travelled to over 20 cities in 15 countries on a 255-day trip to cook bibimbap. Similar programme could be sponsored by the Indian Government for Indian cuisines. Such an initiative will also help in dissipating the negative perception about Indian food being greasy, spicy and unhealthy.

Tapping the Chinese Outbound Travel Market

Recognizing the potential for visitor exports from China, India has already taken several steps to attract Chinese tourists. For example, the Government of India has liberalised its visa norms for Chinese nationals. Recently, e-visa facility has also been extended to Chinese nationals for conference and medical purposes.

While ease of visa procedure is a clear driver for tourism growth, international direct flights are another important factor for market growth. In case of India-China route, carriers from each side are allowed to operate 42 flights a week. According to latest available estimates, while the Chinese carriers have used up to about 93 per cent of the quota, Indian carriers have used only 12 per cent of the quota. There is a need to encourage airlines to fly more flights on these routes, given the increasing outbound travel from the Chinese market.

Managing Overcrowding for Sustainable Tourism

India needs to adopt strategies which promote sustainable tourism, with overcrowding emerging as the major challenge on this front. The tourist experience in several heritage sites of India is deteriorating on account of long queues and crowding. The infrastructure in several cities has also not been able to keep pace with the tourism demand.

An essential starting point for sustainable tourism would be establishment of data systems which go beyond compilation of standard information pertaining to airports and hotels. Technology could be leveraged for providing live statistics on carrying capacity of destinations, traffic congestions, parking and hotel availability, among others. Such a system would help in identification, realization and acknowledgment of the problem of overcrowding in tourist destinations.

Once the problem of overcrowding is identified, there are several strategies which could be adopted. Tourism authorities could use a daily cap for limiting the number of tourists, or establish reservations and ticketing systems.

CONCLUSION

Indian tourism industry has witnessed consistent growth in the recent period, which can be attributed to the recovery in key tourism markets, positive initiatives taken by the Central and State governments, and the resultant improvement in competitiveness of India's travel and tourism sector. India is in fact expected to be among the top ten fastest growing destinations for leisure-travel spending during the period 2016-2026. While the growth in the sector is encouraging, several challenges plague the domestic tourism industry. Alleviation of these challenges will be essential for the industry to realize its full potential.

1. INTRODUCTION

Tourism and hospitality sector plays an important role in economic development of countries. The appeal of the sector lies in the multitude of its impact on any economy. The tourism and hospitality sector, which includes travel and hospitality services such as hotels and restaurants, has been universally recognized as an agent of development, an engine for socio-economic growth, and an important source of foreign exchange earnings in many countries. It has great capacity to create large scale employment of diverse kind – from the most specialized to the unskilled. It can also play an important role in achieving equitable growth.

According to World Travel and Tourism Council (WTTC) report on global economic impact of travel and tourism, the sector is estimated to account for 10.4 per cent of global GDP, generating 313 million jobs, or 9.9 per cent of total employment, in 2017. Promoting tourism not only creates jobs, drives exports, and generates prosperity across the world, but also leads to several intangible benefits. It acts as a cultural adhesive that can be wielded as a powerful tool for global peace and integrity. It also helps people of far flung areas to promote their culture and norms, and provides opportunity for a country to showcase various facets of its natural and cultural heritage across the world.

Tourism also creates incentive for conservation and preservation of natural and cultural heritage of countries. Tourism can help meet the cost for conservation of archaeological and historic sites and prevent deterioration or disappearance of these sites. Admission fees paid by tourists at some major museums in the world, for example, provide substantial revenues to maintain those institutions.

In multi-cultural countries, regional tourism can also help maintain the cultural identity of minority cultural groups that otherwise might be submerged into nation's dominant culture. It can be a major stimulus for conservation of important elements of the cultural heritage of an area because their conservation can be justified, in part or whole, by tourism. In other words, conservation of the cultural heritage acquires a certain economic incentive through tourism.

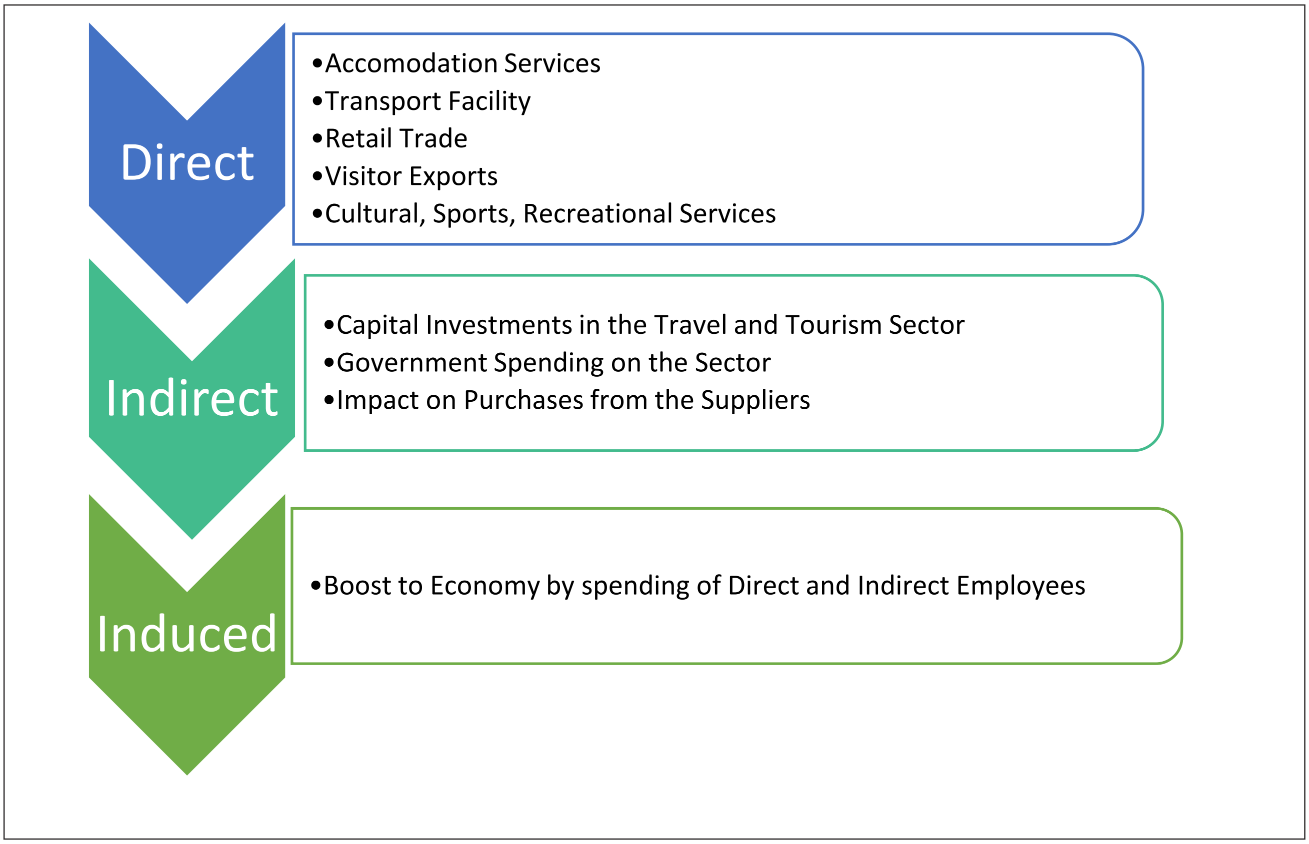
The tourism sector also has significant backward linkages and creates multiplier effects which extend to manufacturing sector in the form of demand for souvenirs, handicrafts and mementos, as also to the agriculture sector which supplies food products for tourists.

IMPACT OF TOURISM

Tourism can have direct, indirect and induced impacts on local economies. Direct impact represents the GDP generated by activities that directly deal with tourism such as hotels, travel agents, airlines and tour operators, as well as restaurants and other activities that cater to tourists. Indirect contribution includes investment spending and the government 'collective' spending in this sector, the latter referring to the general government spending in support of general tourism activity and inclusive of spending on tourism promotion, visitor information services, administrative services and other public services. Induced impact reflects the contribution to GDP and jobs supported by the spending of those who are directly or indirectly employed by the travel and tourism industry (Exhibit 1 and Box 1).

The direct, indirect and induced impacts can vary across countries depending on how well tourism linked activities are amalgamated with the local economy. Greater linkages generally translate into higher levels of local economic activity (and growth), which tend to occur when tourism enterprises source their goods and services (including labour) locally whilst low levels of economic linkages occur where tourism enterprises are dependent on imports (including staff) to supply their demands.

Exhibit 1: Components of Direct, Indirect and Induced Tourism Contribution to GDP



Source: Exim Bank Research

Box 1 : Calculation of Direct, Indirect and Induced Impact of Tourism

Direct contribution of travel and tourism to GDP is calculated to be consistent with the output, as expressed in National Accounting, of tourism-characteristic sectors such as hotels, airlines, airports, travel agents and leisure and recreation services that deal directly with tourists. The direct contribution of travel and tourism to GDP is calculated from total internal spending by 'netting out' the purchases made by the different tourism sectors.

Visitor exports are a key component of the direct contribution of travel and tourism. Visitor exports are the spending within the country by international tourists for both business and leisure trips, including spending on transport, but excluding international spending on education.

Indirect contributions of the tourism sector include expenditure on food and beverage and contributions of suppliers to tourism enterprises. The indirect impacts are a function of factors like capital investment, government spending for tourism and supply chain effects which represent the purchase of domestic goods and services, as inputs to the production of their final outputs, by enterprises within the tourism sector.

The final component, i.e. the induced impact includes expenses of people working in the tourism sector (or benefitting from the sector) within the local economy. It represents the wider contribution of tourism through the expenditures of those who are directly or indirectly employed by the tourism sector.

Source: World Travel and Tourism Council

SCOPE OF THE STUDY

Tourism industry in India can have a positive impact on the economy and society. The benefits include generation of income and employment, poverty alleviation and sustainable human development. The sector is also a catalyst for investment and contributes substantially to foreign exchange earnings. By enabling percolation of economic benefits to less developed areas, tourism can also act as one of the channels to reduce interregional inequality. Tourism could also help preserve natural and cultural heritage of the country. Another key benefit of promoting the tourism industry is the impetus it provides to the development of multiple-use infrastructure that benefits the host community, including various means of transports, health care facilities, and sports centres, in addition to the hotels and high-end restaurants that cater to foreign visitors. However, key challenges like adoption of regulatory frameworks, mechanisms to reduce crime and corruption, etc., must be addressed if these benefits from the industry are to be realized.

In order to provide impetus to the holistic development of the sector and to create opportunities for investments, the Ministry of Tourism in collaboration with other ministries has launched schemes such as Swadesh Darshan, National Mission for Pilgrimage Rejuvenation and Spiritual Augmentation (PRASAD) and e-Tourist Visa (e-TV). Further, the Union Budget 2017-18 had made various provisions for the sector such as setting up of five Special Purpose Vehicle driven Special Tourism Zones and launch of the next phase of the Incredible India campaign. In the Union Budget 2018-19, an amount of Rs. 2,150 crore has been allocated to the Ministry of Tourism, which is a 21 per cent jump from the level of Rs. 1,776.4 crore during the last fiscal, and indicative of the substantial focus of the Government on this sector.

To sum up, the tourism industry has vast potential for generating employment and earning foreign exchange besides giving a fillip to the country's overall economic and social development. Tourism in India should be developed in such a way that it accommodates and entertains visitors, is minimally intrusive to the environment, and sustains and supports the native cultures. Since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organisations become active partners in the endeavour to attain sustainable growth in tourism sector of India. While there exists substantial opportunities in the sector, it will be important to address the various challenges faced by the sector in order to realise the full growth potential. The current study aims to analyse the current scenario in the sector, outline the challenges, and define a roadmap for growth.

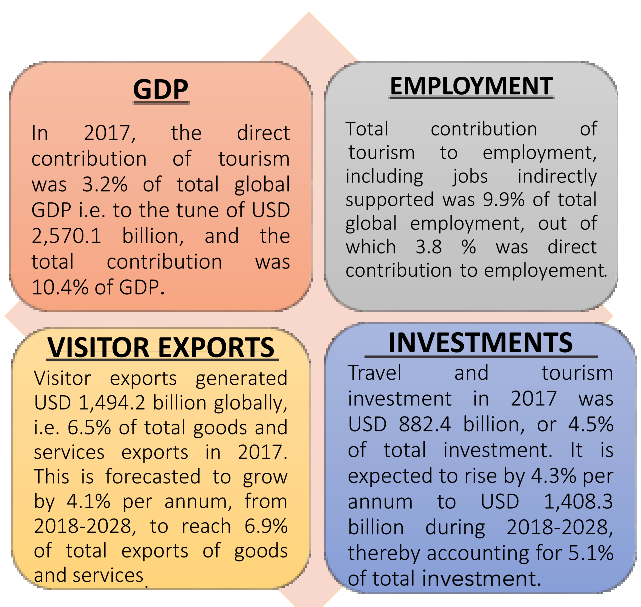
2. SCENARIO OF GLOBAL TOURISM INDUSTRY

The travel and tourism sector is expanding rapidly, on account of the positive growth trend in major economies, improved digital and physical connectivity, and steady increase in tourism spending. Across the globe, an increasing number of destinations have opened up and investment in tourism has increased, turning the sector into a key driver of socio-economic progress. The tourism sector has been fuelling economic growth through the creation of jobs and enterprises, export revenues, and infrastructure development.

As presented in Exhibit 2, tourism contributed to all major aspects of global economy - GDP, employment, investments and visitor exports. In 2017, the sector contributed roughly USD 882 Billion to capital investment, and accounted for nearly 10.4 per cent of global GDP, 9.9 per cent of global employment and 6.5 per cent of global exports of goods and services.

Direct contribution of tourism to GDP increased by 4.6 per cent in 2017, registering its highest growth since 2011. This growth was supported by improving economic conditions, strong consumer spending backed by historically low level of interest rates, declining unemployment rates, comparatively low (albeit recovering) oil prices which kept air fares low, and recovery in certain destinations which were affected from terror attacks in 2015 and 2016. Growth in travel and tourism has outperformed the growth in global economy for the seventh consecutive year[1]. In addition to outpacing global economic growth, the travel and tourism sector also outperformed all other major global economic sectors in 2017. Registering a growth of 4.6 per cent, the sector performed better than manufacturing sector which recorded a growth of 4.2 per cent (Exhibit 3).

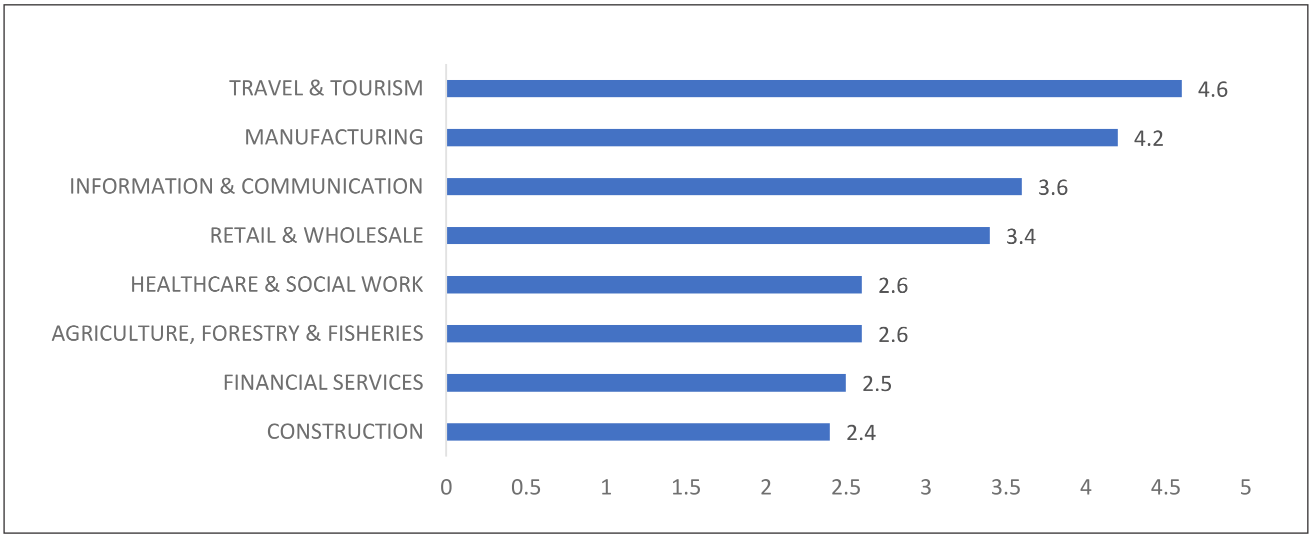
Exhibit 2: Snapshot of Impact of Tourism on the Global Economy



Source: WTTC Report 2018

[1] WTTC Report 2018

Exhibit 3: Sectoral GDP Growth - 2017 (in Per Cent)



Source: WTTC Report 2018

Tourism is also one of the leading job creators in the world, with more than 118 million people directly employed in the sector. This represents 3.8 per cent of all employment. Including indirect and induced impacts, the sector contributes to one in every 10 jobs worldwide. In fact, the share of world employment in tourism is greater than that for auto manufacturing and chemical manufacturing industries combined, across every region of the world. In 2017, more than 2 million net additional jobs were generated directly by the sector, and a total of around 7 million new jobs were created as a result of all the direct, indirect and induced activities. During the year, tourism accounted for around 18 per cent of total net global job creation.

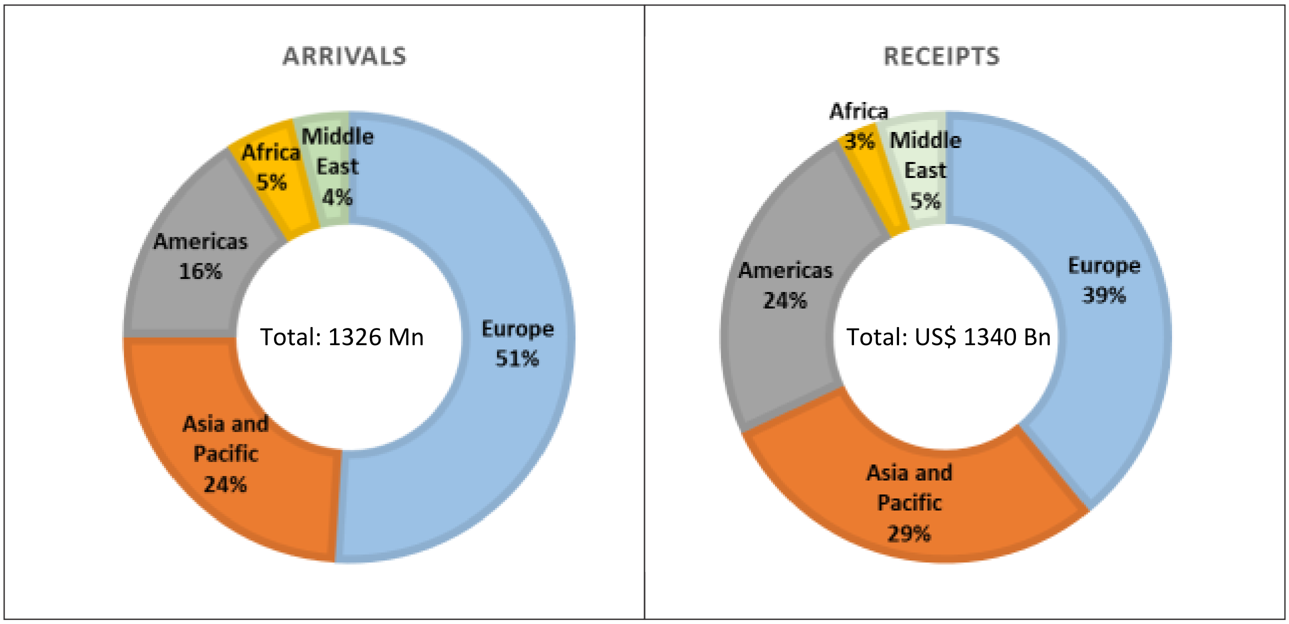
Visitor exports, which is the money spent by foreign visitors to a country, amounted to nearly USD 1,494.2 billion in 2017. The significance of visitor exports can be gauged from the fact that it accounted for nearly 27.3 per cent of the contribution of travel and tourism to GDP in 2017. In 2018, the world is expected to witness international tourist arrivals of nearly 1,395.7 billion, which is further expected to increase to 2,094.2 billion by 2028 and generate expenditure of nearly USD 2,311.4 billion.

TOP TOURISM DESTINATIONS AND SPENDERS

Europe is the world's most visited region, accounting for more than half of the international tourist arrivals and nearly 39 per cent of the international tourism receipts in 2017. Asia-Pacific has emerged as the second most visited region reflecting strong intraregional demand, and facilitated by easier and more affordable air travel, enhanced visa facilitation and growing purchasing power of emerging economies. In 2017, the region accounted for nearly 24 per cent of international tourist arrivals and 29 per cent of international tourism expenditure (Exhibit 4).

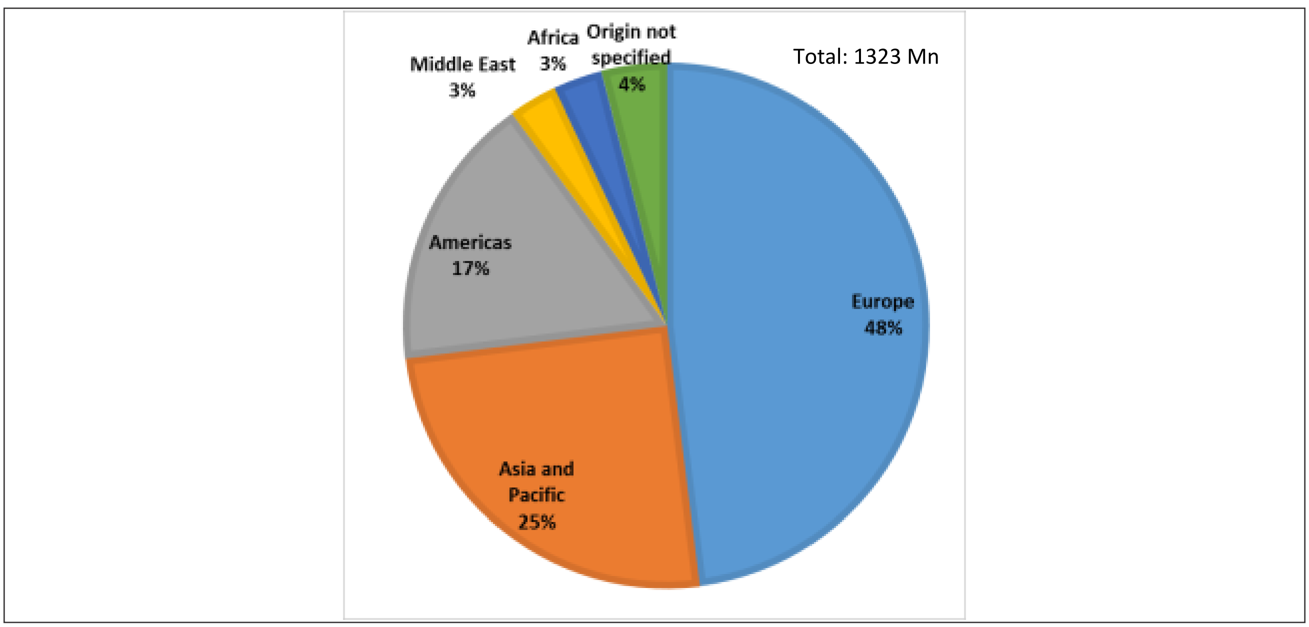
Advanced economies of Europe, Americas and Asia-Pacific have traditionally been the top source markets for tourism, but in recent times, emerging economies have also shown robust growth in outbound tourism, driven by increasing disposable income. In 2017, Europe was the largest source region, accounting for nearly half of the outbound tourism. The share of Asia-Pacific in outbound tourism has also been increasing, and currently nearly one out of four trip originates from the region (Exhibit 5).

Exhibit 4: Region-wise International Tourist Arrivals and Receipts (2017)



Source: UNWTO Tourism Highlights 2018

Exhibit 5: Outbound Tourism, Share by Region in 2017 (%)



Source: UNWTO

Table 1: International Tourist Arrivals (in Millions)

Country	2010	2016	2017	CAGR (2010-17)
France	77.6	82.7	86.9	1.6
Spain	52.7	75.3	81.9	6.5
The USA	60.0	76.4	76.9	3.6
China	55.7	59.3	60.7	1.2
Italy	43.6	52.4	58.3	4.2
Mexico	23.3	35.1	39.3	7.8
The UK	28.3	35.8	37.7	4.2
Turkey	31.4	30.3	37.6	2.6
Germany	26.9	35.6	37.5	4.9
Thailand	15.9	32.6	35.4	12.1

Source: UNWTO Barometer November 2018

Table 2: International Tourism Receipts (USD Billions)

Country	2010	2016	2017	CAGR (2010-17)
The USA	137.0	206.9	210.7	6.3
Spain	54.6	60.5	68.1	3.2
France	57.1	54.5	60.7	0.9
Thailand	20.1	48.8	57.5	16.2
The UK	34.0	47.9	51.2	6.0
Italy	38.8	40.2	44.2	1.9
Australia	32.6	37.0	41.7	3.6
Germany	34.7	37.5	39.8	2.0
Macao (China)	22.3	30.4	35.6	6.9
Japan	13.2	30.7	34.1	14.5

Source: UNWTO Barometer November 2018

Blessed with amiable weather, majestic heritage sites, different coastlines, several mountain ranges, and a wide spectrum of palatable options, France is the most popular destination for international tourists, with international tourist arrivals to the tune of 86.9 million in 2017. Spain, the USA, China and Italy were the other major countries in terms of international tourist arrivals. Thailand has witnessed one of the most remarkable growth in terms of international tourist arrivals, with a CAGR of 12.1 per cent during 2010-2017 (Table 1). India ranked 26th in international tourist arrivals with a share of 1.2 per cent in the overall international tourist arrivals. It also had the seventh largest international tourist arrivals in the Asia-Pacific region[2].

The USA earns the highest receipts from international tourists which amounted to nearly USD 137.0 billion in 2010 and increased to USD 210.7 billion in 2017, registering a CAGR of 6.3 per cent. Thailand and Japan witnessed robust increases in international tourism receipts during 2010- 2017, with a CAGR of 16.2 per cent and 14.5 per cent, respectively (Table 2). Ranked 13th in the world, India's position in terms of international tourism receipts is substantially higher than its position in terms of international tourist arrivals[3].

[2]Ministry of Tourism, Government of India
[3]Ibid.

Table 3: Direct GDP Contribution in 2017 (USD Billions)

Rank	Country	Contribution
1	The USA	509.4
2	China	402.3
3	Germany	146.3
4	Japan	107.4
5	Italy	106.8
6	France	93.9
7	The UK	93.5
8	India	91.3
9	Mexico	82.2
10	Spain	70.9

Source: WTTC Report 2018

As the USA accounted for the highest international tourist receipts, it is unsurprising that it ranks the highest in terms of direct contribution of the sector to GDP. Table 3 presents the top ten countries of the world when ranked according to direct contribution of tourism to the GDP. Countries such as the USA, China and Germany received the maximum contribution in 2017 to the tune of USD 509.4 billion, USD 402.3 billion and USD 146.3 billion, respectively (Table 3).

With a spending of USD 257.7 billion, China had the largest tourism expenditure in 2017. China's tourism expenditure has witnessed a CAGR of 24.7 per cent during the 2010-17 period (Table 4). According to a study by the UNWTO, Chinese outbound travel has increased substantially at the turn of the 21st century on account of ease in policies, diversifying consumer demands and profound changes in the market[4].

Other major countries in terms of tourist expenditure are the USA, Germany, the UK and France. South Korea, which is the 9th largest country in terms of tourism spending, registered a CAGR of 7.2 per cent in tourism expenditure during the 2010-17 period (Table 4).

TYPE OF TOURISM SPENDING

At the global level, domestic spending on travel and tourism continues to account for majority of the direct contribution of the sector to GDP. Domestic travel spending generated 72.7 per cent of direct travel and tourism GDP in 2017, while visitor exports accounted for the remaining 27.3 per cent (Exhibit 6).

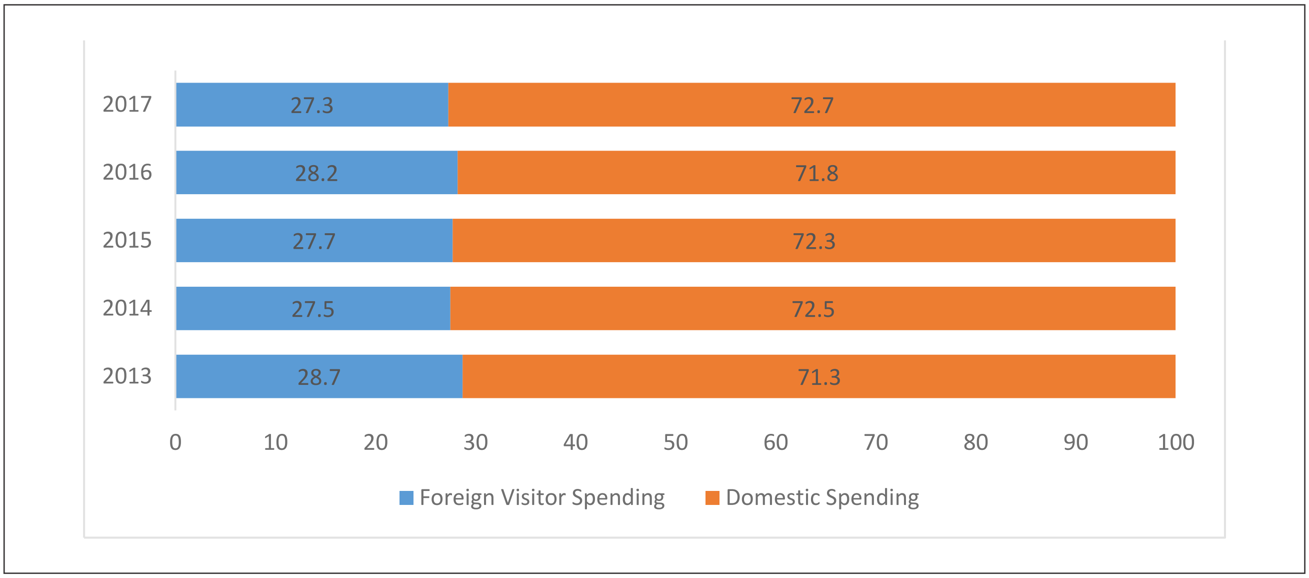
Table 4: Top Tourism Spenders (USD Billions)

Country	2010	2016	2017	CAGR (2010-17)
China	54.9	250.1	257.7	24.7
The USA	86.6	123.6	135	6.5
Germany	78.1	79.8	89.1	1.9
The UK	62.8	73.2	71.5	1.9
France	38.5	40.3	41.4	1.0
Australia	26.6	30.8	34.4	3.7
Canada	29.7	28.7	31.8	1.0
Russian Federation	26.7	24	31.1	2.2
South Korea	18.8	27.2	30.6	7.2
Italy	27.1	25.0	27.7	0.3

Source: UNWTO

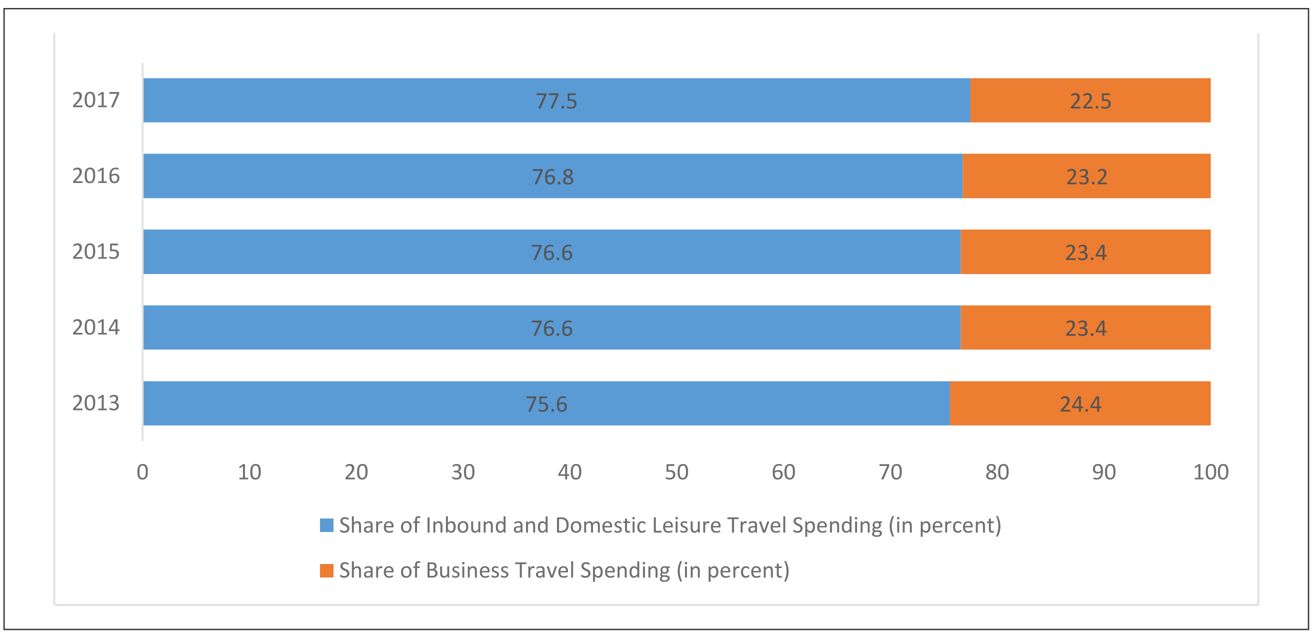
[4]World Tourism Organization (2017), Penetrating the Chinese Outbound Tourism Market – Successful Practices and Solutions, UNWTO, Madrid.

Exhibit 6: Share of Foreign and Domestic Spending in Direct Contribution of Travel and Tourism to GDP



Source: WTTC Report on Economic Impact of Travel & Tourism in the World, 2018

Exhibit 7: Share of Leisure and Business Tourism in Direct Contribution of Travel and Tourism to GDP



Source: WTTC Report on Economic Impact of Travel & Tourism in the World, 2018

Tourism can be for leisure or business. Leisure accounts for bulk of the direct contribution of travel and tourism to GDP, and is more cost sensitive than business tourism. Leisure travel spending (inbound and domestic) generated 77.5 per cent of direct travel and tourism GDP in 2017 (USD 4,233.3 Bn), while business travel spending had a share of 22.5 per cent (USD 1,230.6 Bn) (Exhibit 7).

During 2017, growth in tourism sector was driven by domestic leisure which grew by 4.9 per cent, while the visitor exports increased by 4.3 per cent. Many countries witnessed a decrease in visitor exports during the year. Major countries with declines in visitor exports included Hong Kong, South Korea and Taiwan, with all three facing declines due to developments in their main source market – China.

OUTLOOK

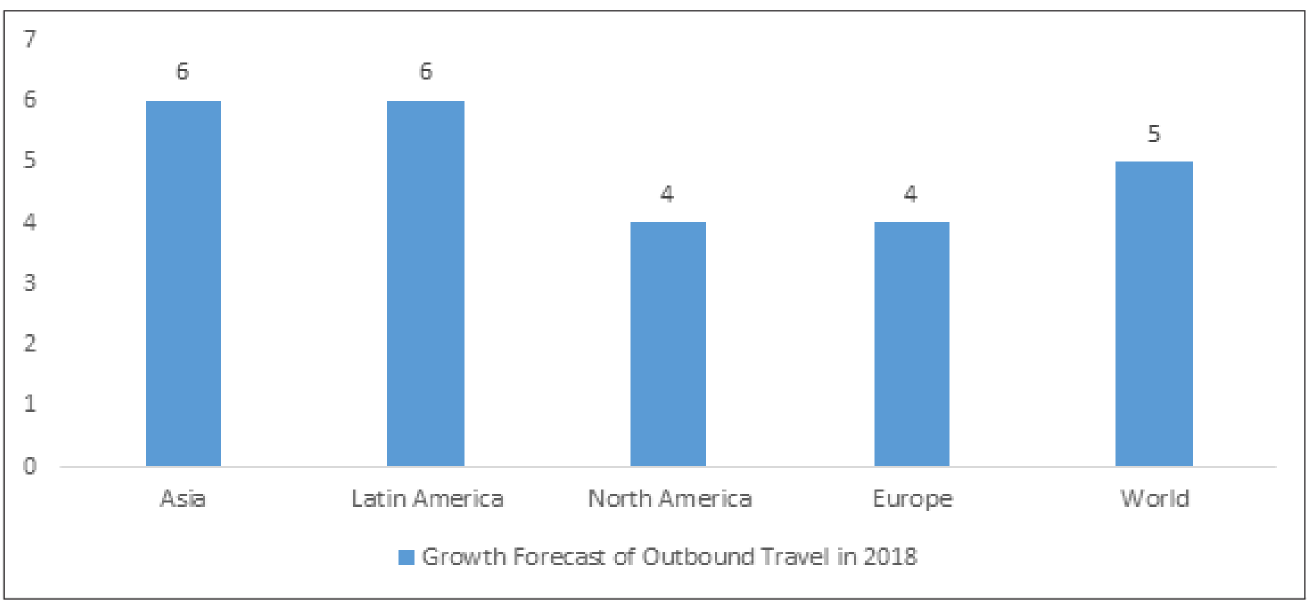
In the recent past, tourism has experienced continuous expansion and diversification to become one of the largest and fastest-growing economic sectors in the world. Many new destinations have emerged in addition to the traditional favourites of Europe and North America. Tourism has boasted virtually uninterrupted growth over time, despite occasional shocks, demonstrating the sector's strength and resilience in the face of economic downturn.

Going forward, business travel spending is expected to grow by 3.8 per cent in 2018 to USD 1,276.8 billion, and further by 3.2 per cent per annum to USD 1,756.1 Bn in 2028. Alongside, leisure travel spending is expected to grow by 4.1 per cent in 2018 to USD 4,407.2 billion, and rise by 4.1 per cent per annum to reach USD 6,605.3 billion in 2028. Visitor exports at the global level is forecasted to grow by 4.1 per cent per annum, from 2018-2028, to reach 6.9 per cent of total goods and services exports by 2028.

In 2018, outbound travel is expected to increase by 5 per cent with Asia and Latin America recording highest growth rates of 6 per cent each. Traditional destinations of North America and Europe are expected to witness relatively muted growth of 4 per cent each (Exhibit 8).

Qatar is expected to witness the highest increase in direct contribution of travel and tourism to GDP of 8.7 per cent during 2018 – 2028[5]. India is expected to register the third highest increase of 7.1 per cent during this period (Table 5). The promising growth in tourism would place the sector at the fulcrum of sustainable growth strategy in India. The subsequent section shall analyse the current performance of the travel and tourism industry in India and the impediments which need to be addressed to catalyse higher growth in the sector.

Exhibit 8: Growth Forecast of Outbound Travel 2018 (in Per Cent)



Source: World Travel Monitor® 1-8, 2017, IPK International

[5]Inflation adjusted Annualised growth

Table 5: Expected Growth in Direct GDP Contribution 2018–2028

Rank	Country	10 Year Real Growth (in per cent)
1	Qatar	8.7
2	Tanzania	7.2
3	**India**	**7.1**
4	Myanmar	7.0
5	China	6.7
6	Namibia	6.6
7	Azerbaijan	6.2
8	Nicaragua	6.2
9	Bangladesh	6.2
10	Indonesia	6.1

Source: WTTC Report 2018

3. SCENARIO OF INDIAN TOURISM INDUSTRY

India's visitor-friendly traditions as summed up by the phrase 'Atithi Devo Bhava', varied life styles and cultural heritage, and colourful fairs and festivals have always held abiding attractions for the tourists. Tourism is an incredible way to showcase India's rich and magnificent history, culture and diversity, while simultaneously reaping substantial economic benefits. The sector provides substantial employment and leads to considerable foreign exchange earnings.

CONTRIBUTION OF TOURISM TO THE INDIAN ECONOMY

The importance of tourism industry can't be overemphasised in a growing economy like India. The significance of the tourism sector is evident from its contribution to the output, employment, investment and exports.

According to the WTTC Report, the total contribution of travel and tourism to India's GDP was Rs. 15,239.6 billion (approximately USD 234.0 billion) which was nearly 9.4 per cent of GDP in 2017. Contribution of the travel and tourism sector to India's GDP is forecast to increase by 7.5 per cent in 2018, and by 6.9 per cent per annum during the 2018-2028 period. As a result of this increase in the contribution of this sector, its share in India's GDP is expected to reach 9.9 per cent in 2028.

Visitor exports are a key component of the direct contribution of travel and tourism. Visitor exports amounted to USD 27.3 billion in 2017, accounting for 5.8 per cent of total exports of goods and services during the year. In 2018, visitor exports is expected to grow by 8.8 per cent, and the country is expected to attract more than 18 million international tourist arrivals. By 2028, international tourist arrivals are forecast to cross the 30 million mark.

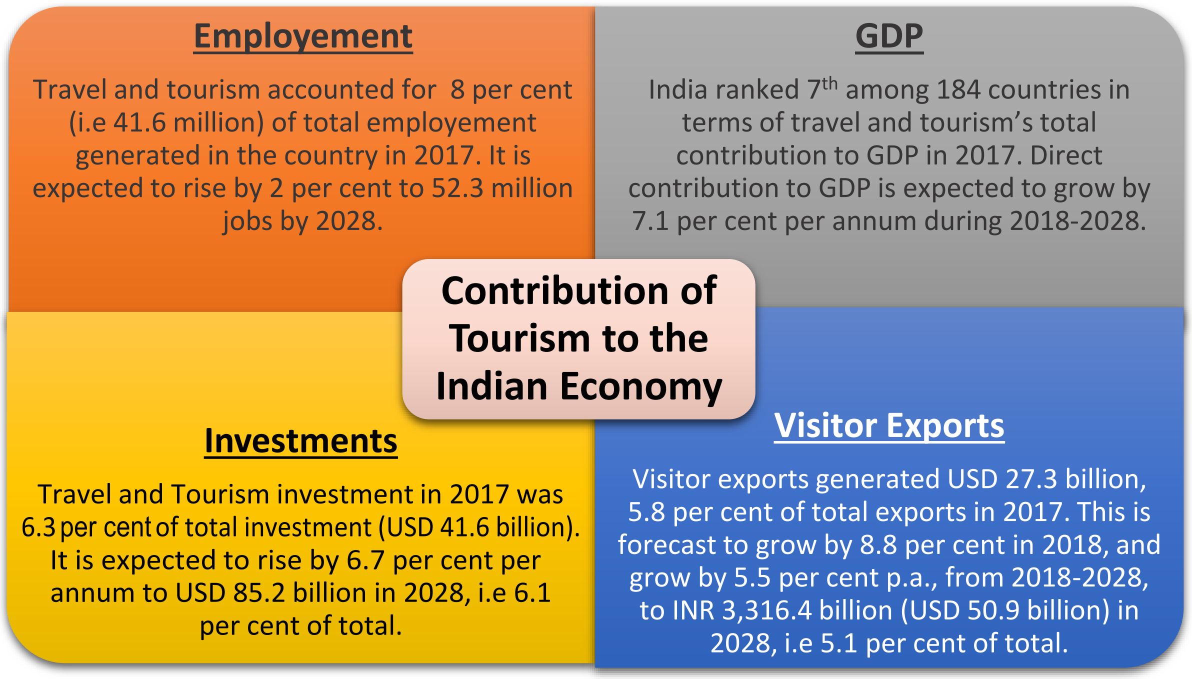
Travel and tourism also leads to substantial job creation in the country. The sector generated nearly 8 per cent of total employment in 2017. Roughly 26 million jobs or 5.0 per cent of total employment was created by the tourism sector directly in 2017. Overall jobs supported by the sector is expected to increase from the present level of 41.6 million to 52.3 million by 2028.

Travel and Tourism also led to nearly USD 41.6 billion of capital investments in 2017 which was 6.3 per cent of total investment in the country. Hospitality majors, such as Taj and Shangri-La, are entering into tie ups to penetrate deeper into the market. They have entered into strategic alliances to improve their reach and market share, as also launched loyalty programme aimed at integrating rewarded customers of both hotels.

Capital investment attracted by the sector is expected to rise by 6.7 per cent in 2018, and further by 6.7 per cent per annum during 2018 – 2028. This increase in capital investment is expected to change the share of travel and tourism in total investments from 6.3 per cent in 2018 to 6.1 per cent in 2028 (Exhibit 9).

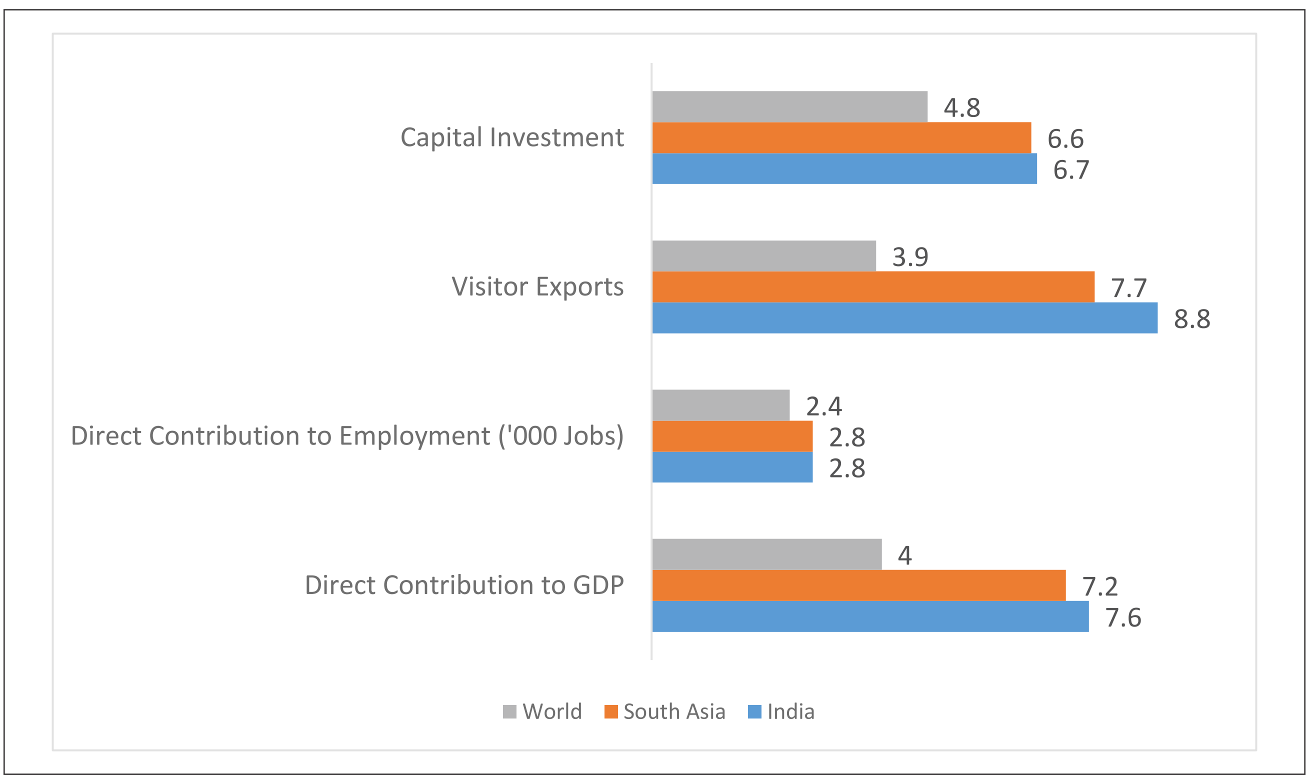
A comparative analysis of the growth rate of the industry across various macro-economic parameters in India, South Asia and the World presents a promising picture. The expected Indian growth rate for capital investment, visitor exports, direct contribution to GDP and employment in the travel and tourism sector during 2018, adjusted for inflation was higher or equal to that of South Asia and the global average. The growth rate for visitor exports for India is expected to be 8.8 per cent, while that for South Asia stands at 7.7 per cent and the global figure at 3.9 per cent (Exhibit 10). It is noteworthy, however, that even though the expected growth figures are promising, the absolute values of these parameters for India still has a lot of catching up to do, especially when compared to countries like China and Thailand.

Exhibit 9: Snapshot of Contribution of Tourism to Indian Economy



Source: World Travel and Tourism Council Report, March 2018

Exhibit 10: Comparative Real Growth Rates Adjusted for Inflation in Travel and Tourism (in Per Cent; 2018)



Source: WTTC Report 2018, Exim Bank Research

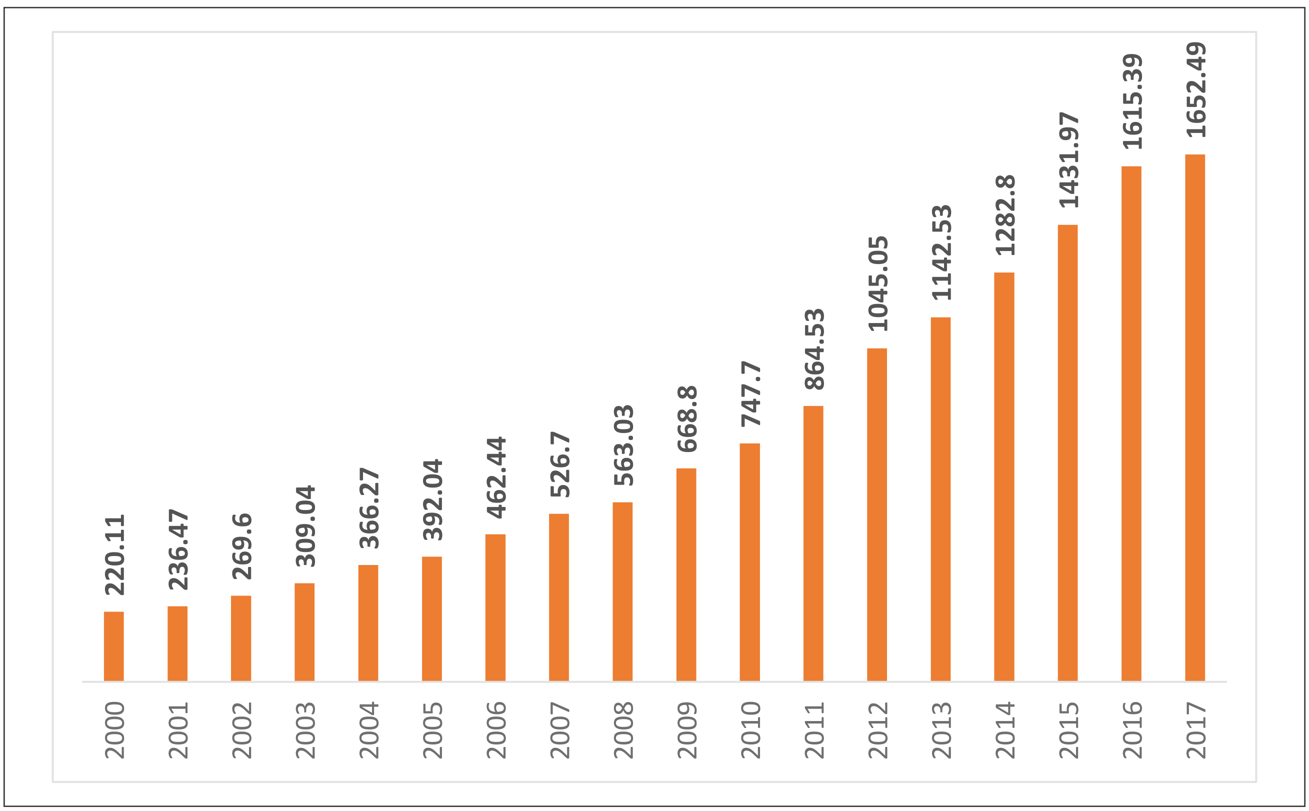
DOMESTIC TOURISM INDUSTRY

Indian domestic tourism sector has been steadily growing. Domestic tourist traffic is in fact one of the main drivers of growth in Indian tourism. Inbound tourism is being fostered by several factors such as rapidly increasing purchasing power of the middle-class, availability of economic package offers, better road and rail connectivity, better accommodation options, and evolving lifestyles. The growing domestic tourism has also led to diversification of tourism options in the country. While popular destinations such as Agra, Delhi, Jaipur, Kerala, Goa and temples of Tamil Nadu, are always sought after, the young Indians are also exploring other options like luxury train journeys, Buddhist circuit, and wildlife circuit, among others.

Trends in Domestic Tourist Arrivals to India

The number of domestic tourist visits to all States/Union Territories (UTs), including the visits for religious and medical purpose, has increased to 1,613.55 million in 2016 from 1,431.97 million in 2015, registering a y-o-y growth of 12.7 per cent (Exhibit 11). During 2007-2016, number of domestic tourist visits witnessed a robust CAGR of 13.2 per cent. Changing lifestyles, increasing disposable income levels, rising urbanisation and growing fleet of low-cost airlines are factors that have contributed to the growth of travel and tourism market in India in the past few years, and the momentum is expected to continue. Simultaneously, rising trend of competitive pricing and online bookings is anticipated to fuel growth in Indian travel and tourism industry in the coming years.

Exhibit 11: Number of Domestic Tourist Visits to all States/ UTs during 2000-2017 (in Millions)



Source: India Tourism Statistics at a Glance 2018

Table 6: Share of Top 10 States/UTs of India in Number of Domestic Tourist Visits in 2017

S.No.	State/ UT	Number of Domestic Tourists Visits (In Million)				CAGR	Share %
		2014	2015	2016	2017	(2014-17)	(2017)
1	Tamil Nadu	327.56	333.46	343.81	345.06	1.8	20.9
2	Uttar Pradesh	182.82	204.89	211.71	233.98	8.6	14.2
3	Karnataka	118.28	119.86	129.76	179.98	15.0	10.9
4	Andhra Pradesh	93.31	121.59	153.16	165.43	21.0	10.0
5	Maharashtra	103.40	92.63	116.52	119.19*	4.9	7.2
6	Telangana	72.40	94.52	95.16	85.27	5.6	5.2
7	West Bengal	49.03	70.19	74.46	79.69	17.6	4.8
8	Madhya Pradesh	63.61	77.98	150.49	78.04	7.1	4.7
9	Gujarat	30.91	36.29	42.25	48.34	16.1	2.9
10	Rajasthan	33.08	35.19	41.50	45.92	11.6	2.8
Total of top 10 States		1074.40	1186.60	1358.82	1380.90	8.7	83.6
Others		*208.40*	*245.38*	*254.73*	*271.59*	9.2	16.4
Total		**1282.80**	**1431.97**	**1613.55**	**1652.49**	**8.8**	**100.0**

*Figures are estimates based on all-India growth rate
Source: India Tourism Statistics at a Glance 2018

Top Destination States for Domestic Tourists

At 345.06 million, Tamil Nadu had the largest number of domestic tourist visits in 2016, accounting for 20.9 per cent of the total domestic tourist visits during the year. Other major states for domestic tourists were Uttar Pradesh (share of 14.2 per cent in total), Karnataka (10.9 per cent), Andhra Pradesh (10.0 per cent) and Maharashtra (7.2 per cent) (Table 6). There is substantial concentration of domestic tourists in the top ten states/UTs, as they accounted for nearly 83.6 per cent of the total number of domestic tourists during 2017. This was slightly lower than the share of 84.2 per cent recorded by the top ten states/ UTs during the previous year.

The topmost destination for domestic tourists, Tamil Nadu, is renowned for its temple towns and heritage sites and has some of the most remarkable temple architecture in the country. The State boasts of rich tradition of music, dance and folk arts. Famous temples of Tamil Nadu include Meenakshi Amman Temple, Great Living Chola Temples, Group of Monuments in Mahabalipuram and famous Lord Shiva Temples. Uttar Pradesh, the second most popular destination for domestic tourists, also has a large number of historical monuments and places of religious significance. Home to some of India's most visited sites, such as the Taj Mahal, and holy city of Varanasi, the State is one of the most popular and established tourist destination for both domestic and international tourists.

During the period 2014-2017, the States of Andhra Pradesh, West Bengal, Gujarat, Karnataka and Rajasthan witnessed double digit CAGR, thereby increasing their share in the total number of domestic tourist visits in India.

FOREIGN TOURISM INDUSTRY

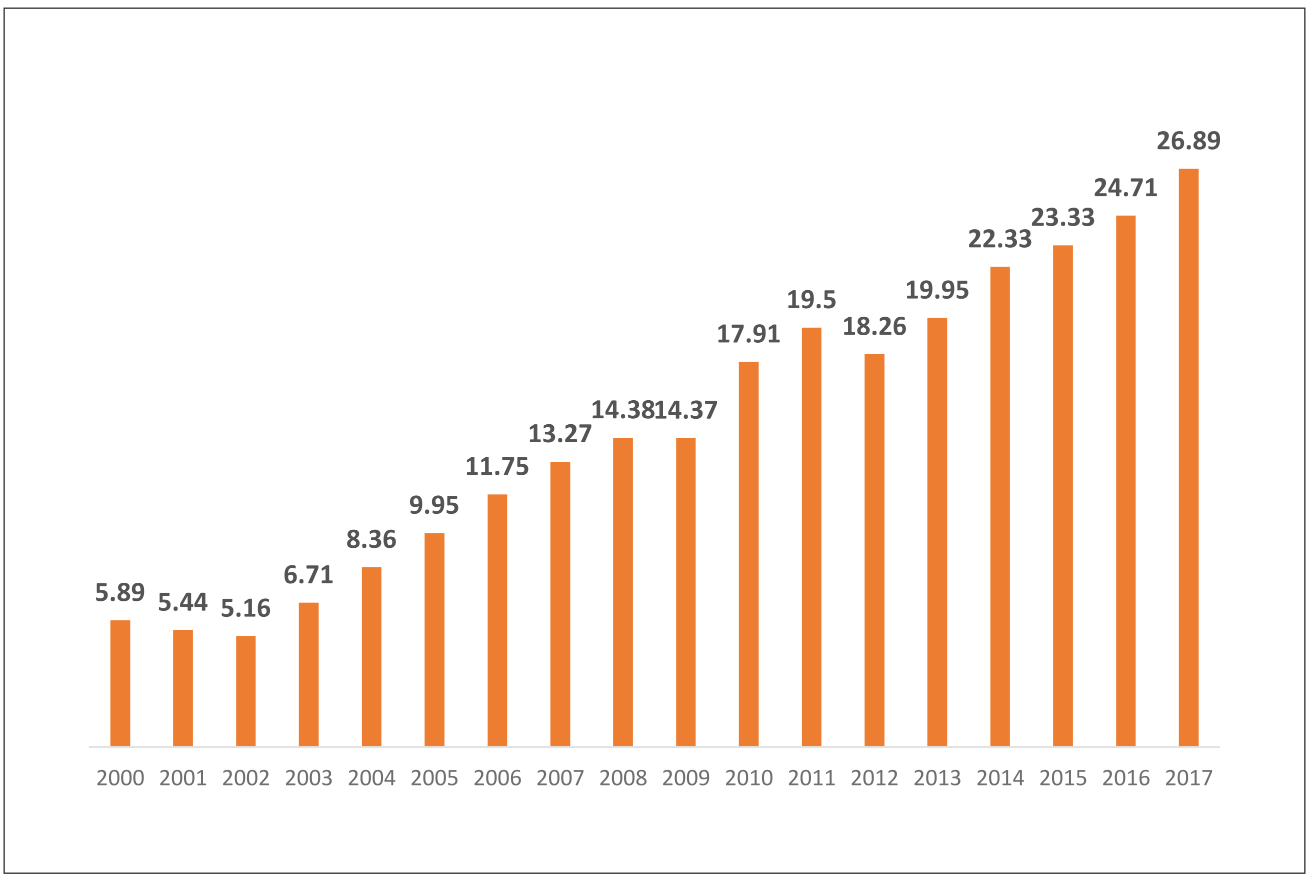
Trends in Foreign Tourist Arrivals to India

The number of foreign tourists visiting India has increased from 5.89 million in 2000 to 26.89 million in 2017. The trend has been positive overall, but there have been intermittent periods of decline in number of foreign tourist arrivals. This has been on account of myriad factors such as slowdown in the global economy, natural disasters, and terrorist attacks. The periods of substantial increase in foreign tourist arrivals have often been associated with positive initiatives from the Government of India.

In 2002, the Ministry of Tourism launched an international campaign — Incredible India, to promote India as a popular tourist destination. The Ministry formulated an integrated communication strategy with the aim of promoting India as a destination of choice for the travellers. A well-publicised promotional campaign was launched that projected India as an attractive tourist destination by showcasing different aspects of Indian culture and history like yoga, spirituality, etc. The campaign was conducted globally and received appreciation from tourism industry, observers and travellers alike. The success of this campaign can be gauged from the major increase in annual growth rate of foreign tourist visits during 2003. Since then, growth in foreign tourist visits moderated each year and even turned negative in 2009. The onset of the financial crisis in 2008 brought a major disruption in the Indian tourism sector's steady performance. In 2009, there was a slight fall in foreign tourist arrivals, but since then tourist inflow has grown in all years except 2012 (Exhibit 12). In recent times, the government has eased visa norms and extended e-visa services which has resulted in a substantial increase in tourist arrivals, with the foreign tourist visits to India registering a CAGR of 7.7 per cent during the period 2013-2017.

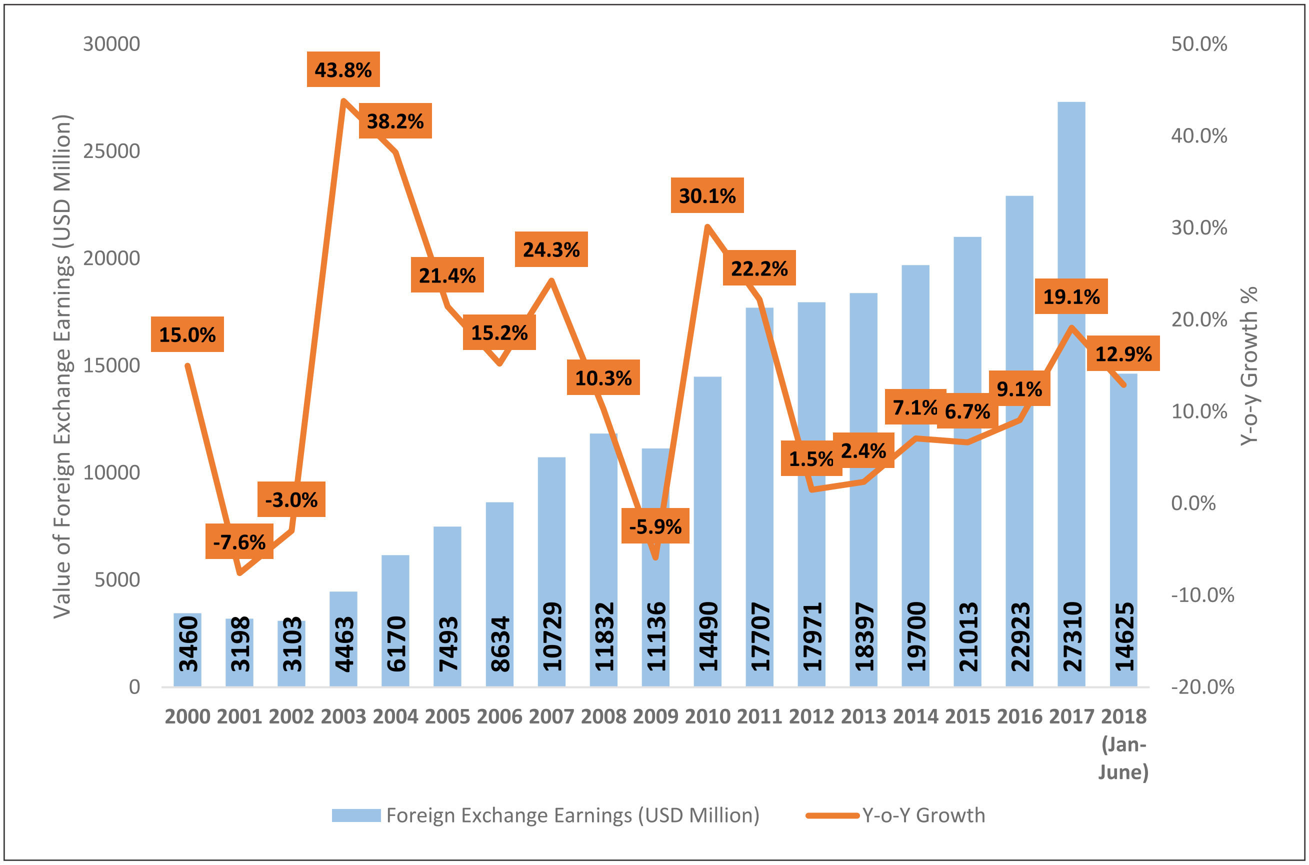
Tourism is an important source of foreign exchange in India, similar to many other countries. Rising foreign tourist arrival in the country has helped boost the foreign exchange earnings from the sector. During 2017, India earned foreign exchange of USD 27.31 billion from tourism, registering a y-o-y growth of 19.1 per cent and a CAGR of 10.4 per cent during 2013-17. Foreign Exchange Earnings registered further growth of 12.9 per cent during January-June 2018 (Exhibit 13).

Exhibit 12: Number of Foreign Tourist Visits to all States/UTs (in Millions)



Source: India Tourism Statistics at a Glance 2018

Exhibit 13: Foreign Exchange Earnings from Tourism in India



Source: India Tourism Statistics at a Glance 2018

Source Countries for Foreign Tourist Arrivals

Bangladesh is the largest source for foreign tourist arrivals in India, accounting for 21.49 per cent of foreign tourist arrivals in 2017. Other major source countries are the USA (share of 13.72 per cent), the UK (9.83 per cent), Canada (3.34 per cent) and Australia (3.23 per cent) (Table 7).

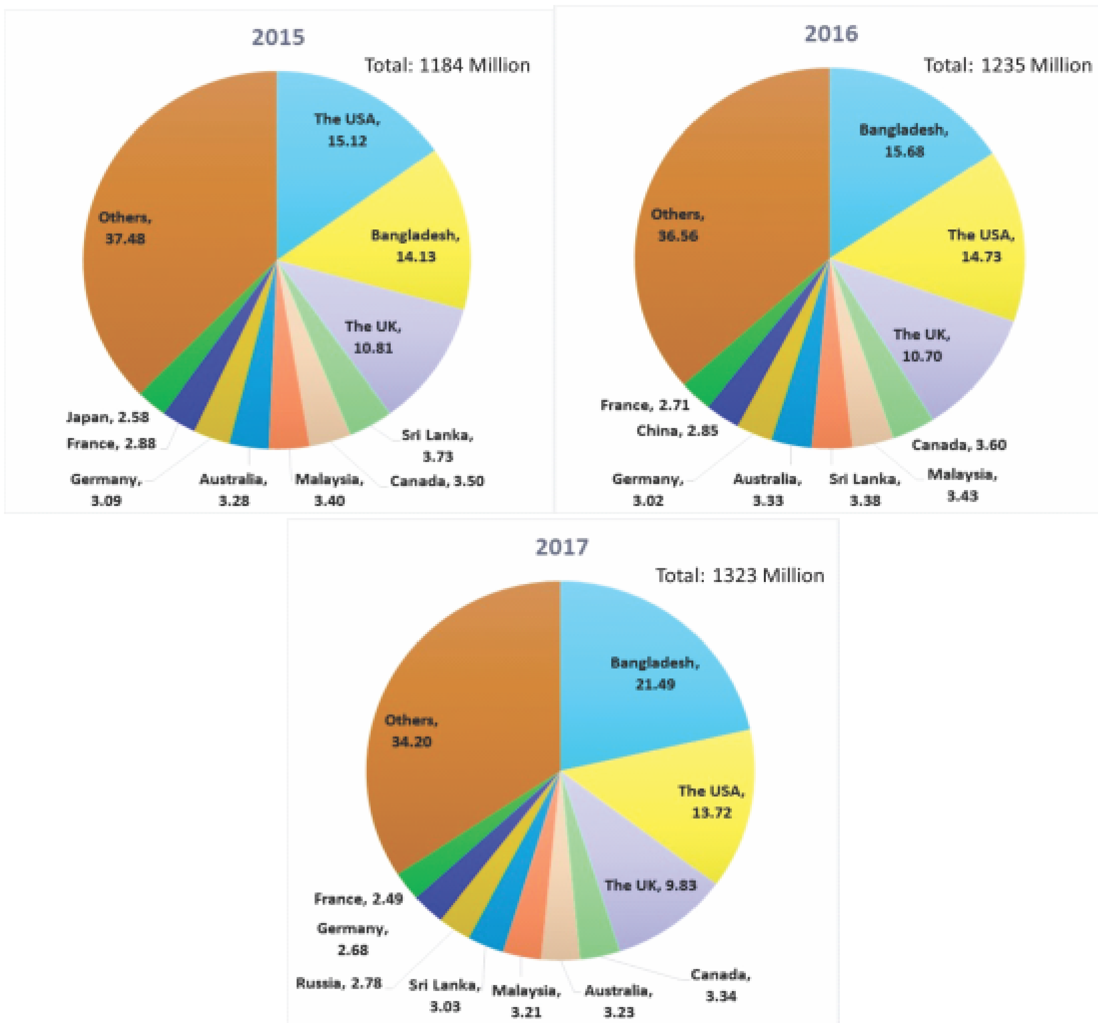
Table 7: Country-wise Foreign Tourist Arrivals in India (2017)

Country	Number of Tourist Arrivals	Share %	Y-o-Y Growth
Bangladesh	2156557	21.49	56.2
The USA	1376919	13.72	6.2
The UK	986296	9.83	4.7
Canada	335439	3.34	5.7
Australia	324243	3.23	10.4
Malaysia	322126	3.21	6.7
Sri Lanka	303590	3.03	2.1
Russia	278904	2.78	22.5
Germany	269380	2.68	1.3
France	249620	2.49	4.6

Source: Bureau of Immigration, Government of India

The USA was the largest source for foreign tourist arrivals in 2015, and accounted for 15.12 per cent of the total foreign tourist arrivals during the year. Its share has thereafter declined to 14.73 per cent in 2016 and further to 13.72 per cent in 2017. Bangladesh took over the USA in 2016 to become the topmost source of foreign tourists with a share of 15.68 per cent, up from a share of 14.13 per cent in 2015. The share of Bangladesh further increased to 21.49 per cent in 2017. Countries such as the UK, Canada and Australia have maintained a more or less constant share over the years (Exhibit 14).

Exhibit 14: Change in Share of Top Ten Countries in Foreign Tourist Arrivals in India (2015-2017)



Source: Bureau of Immigration, Government of India

Top Destinations States for Foreign Tourists

Top destination States/UTs for foreign tourists is at variance from the top States/UTs for domestic tourists. Madhya Pradesh, Andhra Pradesh, Telangana, Karnataka and Gujarat feature high on the list of domestic tourist arrivals but fare relatively lower in terms of foreign tourist arrivals. Delhi, Kerala, Punjab, Bihar and Goa, on the other hand, are more popular destinations for the foreign tourists as compared to the domestic ones.

Maharashtra with 50.8 lakh tourists in 2017, up from 46.7 lakhs in 2016, is the topmost destination for foreign tourists (Table 8). The rock-cut caves, forts and natural heritage of Maharashtra, the moderate weather in the State and the well-connected Mumbai airport have helped the State in consistently attracting foreign tourists. Also, the city of Mumbai offers comfortable stay options, with an array of world class hotels. The allure of Bollywood and good connectivity to nearby tourist destinations like Pune, Lonavala, Nashik and Mahabaleshwar by road or railway, also bode well for tourism.

Tamil Nadu, which was the topmost destination for domestic tourists in 2017 (Table 8), was also the second most popular destination among foreign tourists. Apart from being endowed with majestic temples and picturesque beaches, the State also has four UNESCO Heritage sites[6]. Infrastructure development, improvement in air connectivity and innovative tourism policies have helped in positioning the State as a preferred destination for both domestic and foreign tourists. The State is well connected with sea ports, and has robust roads and rail connectivity, besides being the only State with four international airports offering direct connectivity to many countries. The medical tourism sector of Tamil Nadu is yet another affirmative in the tourism growth story of the State. The affordable, as well as the trusted medical facilities in the State, has not only allured Indians but also medical tourists from Bangladesh, Malaysia, Sri Lanka and even from Europe and North America. The high foreign tourist inflow might also be attributable to non-resident Indians frequently travelling to visit family and friends in the State.

At the third position is Uttar Pradesh (Table 8) which has been an all-time favourite for foreign tourists, mainly due to the Taj Mahal in Agra, as also on account of the Buddhist Circuit in the State. In fact, Taj Mahal and Agra Fort are among the most popular centrally protected ticketed monuments for foreign visitors. The proximity of Agra to Delhi also makes the historical city easily accessible for tourists. Delhi itself is a major tourist destination and ranks fourth in terms of foreign tourist visits. Being the capital city, Delhi receives substantial foreign tourist inflows. The inflows can be further attributed to the historical landmarks in the city and the connectivity it offers to other parts of the country by air, rail and road.

Table 8: Share of Top 10 States/UTs of India in Number of Foreign Tourist Visits in 2017

S.No.	State/ UT	Number of Foreign Tourists Visits (In '000s)				CAGR (2014-17)	Share % (2017)
		2014	2015	2016	2017		
1	Maharashtra	4389.1	4408.9	4670.0	5078.5	5.0	18.9
2	Tamil Nadu	4657.6	4684.7	4722.0	4860.5	1.4	18.1
3	Uttar Pradesh	2909.7	3104.1	3156.8	3556.2	6.9	13.2
4	Delhi	2319.0	2379.2	2520.1	2740.5	5.7	10.2
5	Rajasthan	1525.6	1475.3	1513.7	1610.0	1.8	6.0
6	West Bengal	1375.7	1489.5	1528.7	1574.9	4.6	5.9
7	Punjab	255.4	242.4	659.7	1108.6	63.1	4.1
8	Kerala	923.4	977.5	1038.4	1091.9	5.7	4.1
9	Bihar	829.5	923.7	1010.5	1082.7	9.3	4.0
10	Goa	513.6	541.5	680.7	842.2	17.9	3.1
Total of top 10 States		*19698.7*	*20226.73*	*21500.72*	*23545.98*	*6.1*	*87.6%*
Others		*2635.3*	*3099.4*	*3207.0*	*3340.7*	*8.2*	*12.4%*
Total		**22334.0**	**23326.2**	**24707.7**	**26886.6**	**6.4**	**100.0%**

Source: Ministry of Tourism, Government of India

[6]These include Airavateswara Temple near Kumbakonam, Brihadeeswarar Temple (Big Temple) at Thanjavur, Monuments at Mahabalipuram near Chennai and Gangaikonda Cholapuram Temple at Jayankondam.

In line with increasing number of foreign tourists visiting India, the absolute number of foreign tourists visiting the top ten destination States has been steadily rising from 19.70 million in 2014 to 23.55 million in 2017 (Table 8). Share of top ten States in terms of foreign tourist arrivals reduced from 88.2 per cent to 86.7 per cent in 2015, before increasing again in the following two years. This indicates that the growth in tourism sector is still driven by the major tourist states.

TYPE OF TOURISM

Tourism can be for the purpose of business and leisure. As noted in Chapter 2 of the Study, nearly 22.5 per cent of the global spending on tourism is on account of business travel. In case of India, the share of expenditure incurred during business and professional trip is much lower at 11.8 per cent. However, the expenditure by business travellers as share of the total expenditure, has significantly increased from 5.3 per cent in 2012 to 12.2 per cent in 2014, before moderating in the recent period (Table 9). As the Indian economy is increasingly getting integrated in the global production chains, business travellers are becoming increasingly common. In fact, the strongest growth in travel to India in recent years has been from business and professional travellers, with nearly three-fold increase in travel expenditure for business reasons during the period 2012-2016.

FOREIGN CAPITAL EXPENDITURE IN TOURISM

According to data from fDi markets[7], during January 2003 and June 2018, a total of 218 FDI projects were recorded in the hotels and tourism industry, with a total foreign capital investment of USD 12.39 billion, and an average investment of USD 56.8 million per project. As shown in Table 10, the major source

Table 9: Inbound Tourism Expenditure by Purpose of the Trip

	2012	**2013**	**2014**	**2015**	**2016**
Personal	17013	16530	17301	18662	19778
Share %	*94.7%*	*89.9%*	*87.8%*	*88.8%*	*88.2%*
Business and Professional	959	1867	2399	2351	2649
Share %	*5.3%*	*10.1%*	*12.2%*	*11.2%*	*11.8%*
Total	**17972**	**18397**	**19700**	**21013**	**22427**

Source: UNWTO

Table 10: Top Source Countries and Destination States for Investment in India's Hotel and Tourism Industry (Jan'03 to Jun'18)

Source Country	**Number of Projects**	**Capex (USD Million)**	**Avg capex (USD Million)**	**Destination State**	**Number of Projects**	**Capex (USD Million)**	**Avg capex (USD Million**
The USA	71	5,317.5	74.9	Maharashtra	39	1831.5	47
The UK	29	2,262.6	78.0	Karnataka	28	1563.4	55.8
UAE	25	570.7	22.8	Delhi	23	830.1	36.1
France	18	1,662.1	92.3	Tamil Nadu	14	774.9	55.4
Germany	15	63.9	4.3	Haryana	13	525.8	40.4
Saudi Arabia	11	9.9	0.9	Andhra Pradesh	12	566.1	47.2
Singapore	8	490.4	61.3	Rajasthan	8	646.3	80.8
Italy	7	636.3	90.9	Kerala	7	342.3	48.9
Hong Kong	5	345.6	69.1	Gujarat	6	218.2	36.4

Source: fDi Markets

[7]fDi Markets from the Financial Times tracks cross border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency

countries for FDI include the USA, the UK and France with investments to the tune of USD 5.3 billion, USD 2.3 billion and USD 1.7 billion, respectively. The state which attracted the maximum FDI was Maharashtra (USD 1.8 billion), followed by Karnataka (USD 1.6 billion) and Delhi (USD 830.1 million) (Table 10).

While Maharashtra is the topmost destination state for investments in India's hotel and tourism industry, it is the second favourite destination for investments from the USA in this sector. Karnataka is the topmost destination for investors from the USA (Table 11). Unsurprisingly, the topmost destination states for investments in this sector are those receiving substantial amount of domestic and foreign tourist visits. Exceptions to this are the states of Haryana and Himachal Pradesh which are the top destinations for several of the key investor countries, but do not feature among the top states in terms of domestic and foreign tourist arrivals.

Table 11: FDI Flows from Top Ten Source Countries to Top Ten Destination States (Jan 2003- June 2018; Value in USD Million) in India's Hotel and Tourism Industry

Source Country	Destination State	Value of Investment (USD Million)	Share %
The USA	Karnataka	758.4	14.3%
	Maharashtra	614.2	11.6%
	Tamil Nadu	516.6	9.7%
	Haryana	329.9	6.2%
	Himachal Pradesh	300.0	5.6%
	Total	**5317.5**	**100.0%**
The UK	Maharashtra	274	12.1%
	Delhi	273.6	12.1%
	Karnataka	134.6	5.9%
	Kerala	93.5	4.1%
	West Bengal	91.8	4.1%
	Total	**2262.6**	**100.0%**
France	Maharashtra	563.1	33.9%
	Goa	181.8	10.9%
	Karnataka	90.9	5.5%
	Rajasthan	90.9	5.5%
	Andhra Pradesh	90.9	5.5%
	Total	**1662.1**	**100.0%**
Italy	Maharashtra	90.9	14.3%
	Karnataka	90.9	14.3%
	Delhi	90.9	14.3%
	Rajasthan	90.9	14.3%
	Andhra Pradesh	90.9	14.3%
	Total	**636.3**	**100.0%**
UAE	Maharashtra	191.2	33.5%
	Delhi	93.6	16.4%
	Karnataka	91.8	16.1%
	Andhra Pradesh	90.9	15.9%
	Haryana	5.2	0.9%
	Total	**570.7**	**100.0%**

Source: fDi Markets

OUTLOOK

The travel and tourism industry has witnessed substantial growth in the recent period. However, there remains immense potential for further expansion in the tourism sector on account of the vast palette of natural and cultural heritage in the country. According to WTTC research, India will be among the ten fastest growing destinations for leisure-travel spending during 2016 to 2026. It will therefore be necessary to create adequate capacity for leveraging the growing interest of leisure-travellers. Alongside, it will also be necessary to identify new markets for attracting visitor exports.

The latter sections analyze the key markets which can be targeted for attracting foreign tourists and generating visitor exports, as also the strategies which can be undertaken for alleviating some of the core challenges in the sector.

4. TRADE IN TRAVEL SERVICES

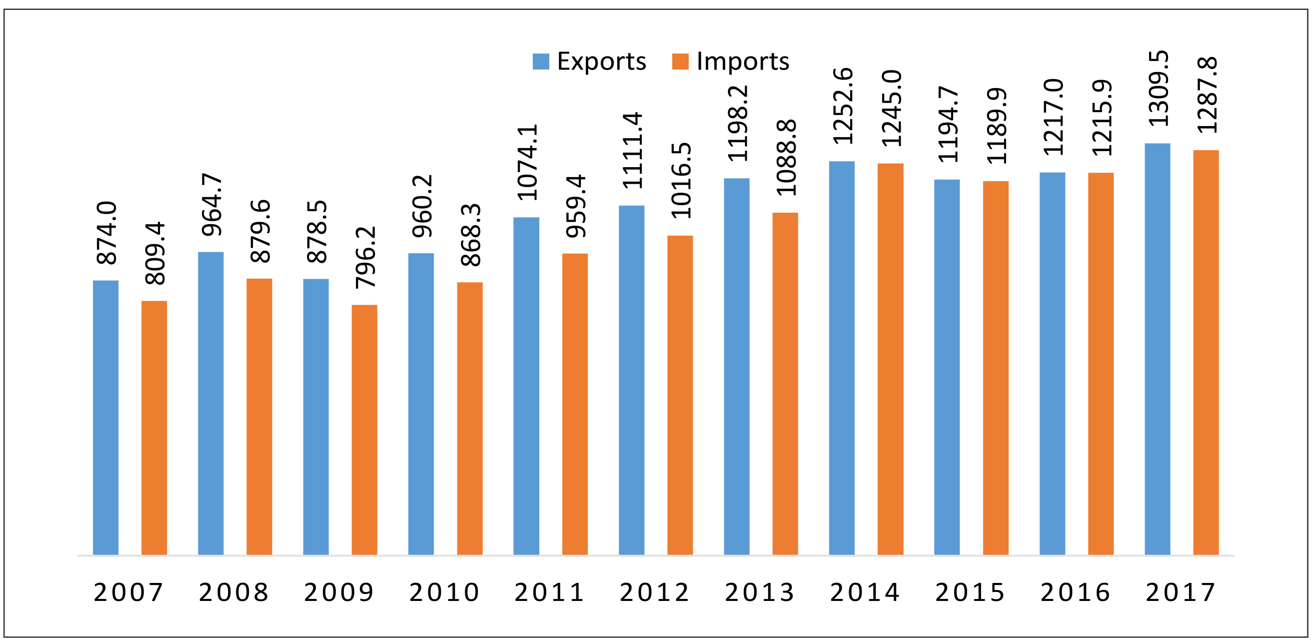
Travel refers to the activity of traveller, while tourism refers to the activity of visitors. The UNWTO defines a traveller as someone who moves between different geographic locations for any purpose and any duration, while a visitor is a traveller taking a trip to a main destination outside his/her usual environment, for less than a year, for any main purpose (business, leisure or other personal purpose) other than to be employed by a resident entity in the country or place visited. Data on travel services, as available in the Balance of Payment statistics of countries, covers expenditure by residents of one economy that are traveling in another, and can be used for analysing the expenditure pattern of international travellers.

According to World Trade Organization, global exports of travel services was estimated at USA 1.3 billion during 2016, registering a CAGR of 2.2 per cent during 2013-17. Following the global financial crisis, exports and imports of travel services had witnessed a y-o-y decline in 2009, but recorded a consistent increase thereafter till 2015. During 2015, global travel exports registered a decline of 4.6 per cent. This decline was not on account of decline in demand for tourism, but rather stemmed from the strong exchange rate fluctuations, especially the appreciation of the US dollar against major world currencies[8].

As in the case of visitor exports highlighted in Chapter 2, the USA and Spain were the top two countries in terms of travel services exports in 2017. China, which was not among the top ten countries for visitor exports, ranked 9th in terms of travel services exports in 2017. China, the USA, Germany, the UK and France were the top ten importers of travel services (Table 12).

In 2017, India was the 13th largest exporter of travel services, with a share of 2.1 per cent in global exports, and the 17th largest importer of these services, accounting for 1.4 per cent of global imports. During the year, India's trade balance was positive at USD 9 billion (Table 12).

Exhibit 15: Global Trade in Travel Services (Values in USD Bn)



Source: World Trade Organization, Exim Bank Research

[8]World Trade Statistical Review 2016

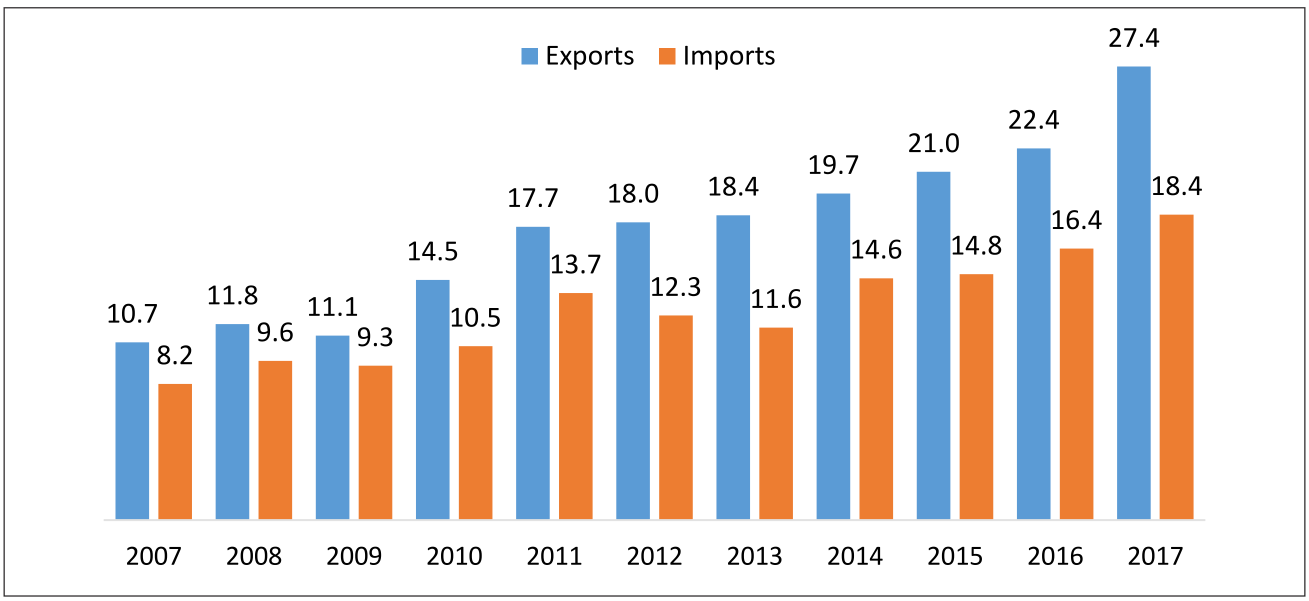
Table 12: Top Exporters and Importers of Travel Services (2017)

Rank	Top Exporters	Value (US$ Bn)	Share %	Rank	Top Importers	Value (US$ Bn)	Share %
1	The USA	203.7	15.6%	1	China	254.8	19.8%
2	Spain	68.3	5.2%	2	The USA	135.2	10.5%
3	Thailand	57.5	4.4%	3	Germany	84.1	6.5%
4	France	47.4	3.6%	4	The UK	63.4	4.9%
5	Italy	44.2	3.4%	5	France	41.7	3.2%
6	The UK	43.8	3.3%	6	Australia	34.2	2.7%
7	Australia	41.7	3.2%	7	Canada	31.9	2.5%
8	Germany	39.9	3.0%	8	Russia	31.1	2.4%
9	China	38.8	3.0%	9	South Korea	30.6	2.4%
10	Macao	35.7	2.7%	10	Italy	27.2	2.1%
13	*India*	*27.4*	*2.1%*	*17*	*India*	*18.4*	*1.4%*
World		**1309.5**	**100.0%**	**World**		**1287.8**	**100.0%**

Source: World Trade Organization, Exim Bank Research

India's exports of travel services reached its highest level of USD 27.4 billion in 2017, recording a CAGR of 10.4 per cent during 2013-17. Imports of travel services registered a higher CAGR of 12.2 per cent during this period, to reach USD 18.4 billion in 2017. Exports of travel services have witnessed consistent increase after a slight decline in 2009 following the global financial crisis. Even in 2015 when the global imports of travel services declined, the exports of travel services from India witnessed significant growth (Exhibit 16).

Exhibit 16: India's Trade in Travel Services (Values in USD Bn)

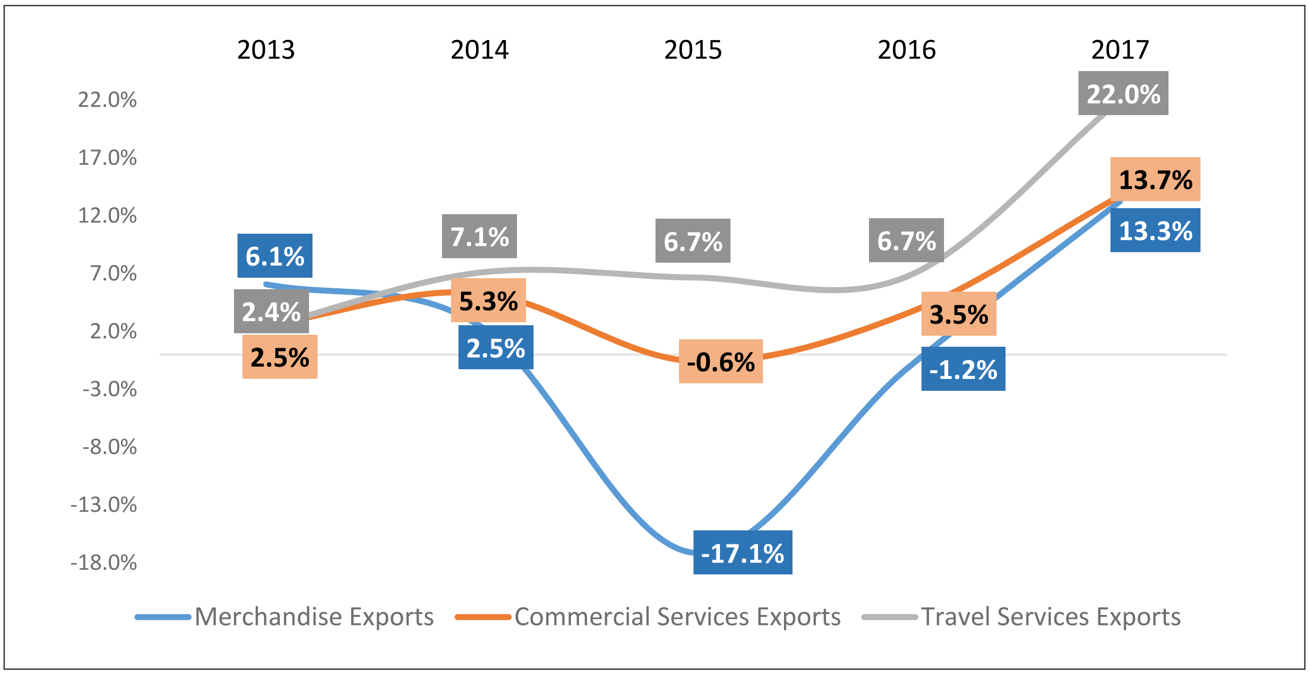


Source: World Trade Organization, Exim Bank Research

India's exports of travel services remained relatively immune to the recent slowdown in global slowdown. In 2015, while merchandise exports from India registered a y-o-y decline of (-) 17.1 per cent and commercial services exports recorded a decline of (-) 0.6 per cent, travel services exports recorded a positive growth of 6.7 per cent during the year (Exhibit 17). The growth in travel services exports continues to remain robust. In fact, for the fourth consecutive year in 2017, growth in India's exports of travel services was higher than the growth in exports of merchandise exports and commercial services (Exhibit 17).

The recent performance of travel services exports from India positions it as a key sector for imparting resilience to India's exports basket. The unique, varied and inimitable heritage of India, which is intricately linked to the country's natural wealth, culture, art, and traditions, would be a primary source of appeal for travel services exports. This needs to be complemented by a robust strategy for creating new tourist products, improving the existing ones, building support infrastructure, and focusing on long-term management and sustainable use of tourist sites.

Exhibit 17: Comparison of Growth in India's Exports in Travel Services vis-à-vis Merchandise and Commercial Services Exports



Source: World Trade Organization, Exim Bank Research

5. CHALLENGES AND STRATEGIES

The Indian tourism industry stands at a crucial juncture. The industry has witnessed substantial growth in the recent period, and contributed significantly to economic output, employment and exports. This is unsurprising given the rich cultural and natural heritage of the country which is aptly summarized by the famous Orientalist, Max Mueller as “If we were to look over the whole world to find out the country most richly endowed with all the wealth, power and beauty that nature can bestow – in some parts a veritable paradise on the earth-I should point to India. If I were asked under what sky the human mind has most fully developed some of its choicest gifts... I should point to India”.

Initiatives taken by the Central and State governments, along with the proactive measures in the realms of skill development, marketing and advertising, and trade shows and campaigns, have had a visible impact on the sector. These positive initiatives have helped improve the travel and tourism competitiveness of India, and according to the Travel and Tourism Competitiveness Report 2017, the country ranked 40th among 136 economies across the world, up from 65th in 2013. In fact, India was among the countries which witnessed maximum improvement in the performance on Travel and Tourism Competitiveness Index (Table 13). Improvement in international openness on account of easier visa policies, has contributed towards the rise in India's ranking on the Index.

Table 13: Countries registering Maximum Improvement in the Travel & Tourism Competitiveness Index 2017

Rank	Country	Global Rank	Change in performance score (in per cent) since 2015	Change in rank since 2015
1	Japan	4	6.18	+5
2	Azerbaijan	71	5.98	+13
3	Tajikistan	107	5.01	+12
4	Vietnam	67	4.8	+8
5	Israel	61	4.79	+11
6	Algeria	118	4.68	+5
7	Bhutan	78	4.52	+9
8	Gabon	119	4.47	+5
9	South Korea	19	4.33	+10
10	Egypt	74	4.32	+9
11	Peru	51	3.93	+7
12	**India**	**40**	**3.86**	**+12**
13	Mexico	22	3.86	+8
14	Chad	135	3.38	+6
15	Albania	98	3.81	+8

Source: The Travel & Tourism Competitiveness Report 2017, World Economic Forum

Further improvements in the sector shall position it as an important channel for generating jobs, bridging infrastructure deficit and addressing the decline in exports. This would entail alleviation of challenges in the sector which cast a shadow on the success of this industry.

TOURISM INFRASTRUCTURE DEVELOPMENT

One of the key challenges for the tourism industry in India is the lack of adequate infrastructure facilities. Tourism infrastructure can be broadly divided into two categories—demand drivers and supporting visitor infrastructure. Demand drivers are those which enhance the attractiveness of a destination for the tourists and help encourage visitation or extend the length of stay. Examples of demand drivers include convention and exhibition centres, visitor attractions such as national parks, museums, art galleries, etc. Supporting visitor infrastructure, on the other hand, helps provide the basic support infrastructure which impacts the experience of visitors. Examples of such tourism infrastructure include airport, road and rail networks, and hotels, among others.

Comparison of India with other Asia-Pacific countries such as China, Singapore and Thailand in the Travel and Tourism Competitiveness Index indicates that the country fairs poorly on several key parameters such as air transport infrastructure, ground and port infrastructure, and tourist service infrastructure (Table 14).

Government of India has taken several steps to improve the tourism infrastructure in the country, and currently has two major schemes for this purpose—Swadesh Darshan and Pilgrimage Rejuvenation and Spiritual, Heritage Augmentation Drive (PRASHAD). Swadesh Darshan scheme has a vision to develop theme based tourist circuits on the principles of high tourist value, competitiveness and sustainability in an integrated manner by synergizing efforts to focus on needs and concerns of all stakeholders to enrich tourist experience and enhance employment opportunities. PRASHAD focuses on development of tourism infrastructure in the historical places and heritage cities of India. Apart from these, assistance is also provided to central agencies such as Archaeological Survey of India, Port

Table 14: Comparison of India with other Asia-Pacific Countries in Various Travel and Tourism Competitiveness Parameters

Parameter	India	China	Singapore	Thailand
Business Environment	4.3	4.2	6.1	4.7
Safety and Security	4.1	5.0	6.5	4.0
Health and Hygiene	4.4	5.4	5.5	4.9
Human Resources and Labour Market	4.4	5.2	5.6	4.9
ICT Readiness	3.2	4.6	6.1	4.8
Prioritization of Travel & Tourism	3.9	4.8	6.0	5.0
International Openness	3.7	3.0	5.2	3.8
Price Competitiveness	5.8	5.3	4.7	5.6
Environmental Sustainability	3.1	3.2	4.3	3.6
Air Transport Infrastructure	3.9	4.3	5.3	4.6
Ground and Port Infrastructure	4.5	4.0	6.3	3.1
Tourist Service Infrastructure	2.7	3.2	5.4	5.8
Natural Resources	4.4	5.3	2.4	4.9
Cultural Resources and Business Travel	5.3	6.9	3.1	2.8
Overall Score	**4.2**	**4.7**	**4.9**	**4.4**

Source: Travel & Tourism Competitiveness Report 2017

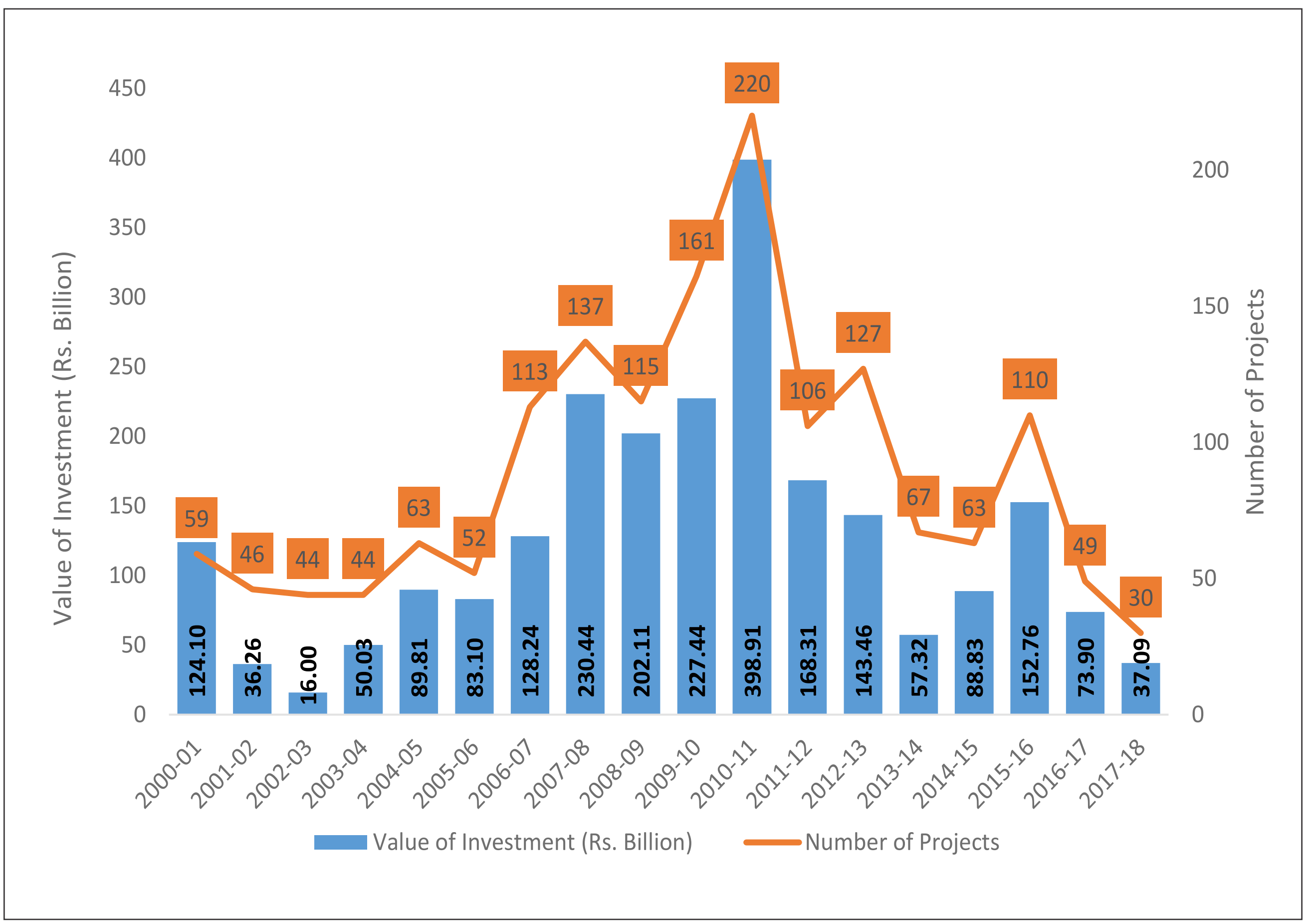
Trust of India, etc. for tourism infrastructure development. Government also provides assistance for large revenue generating projects like tourist trains, gold courses, etc. either through public funding or public private partnership.

Foreign investment regulations have also been eased in the sector with 100 per cent FDI allowed in the tourism and hospitality, and tourism construction projects, through the automatic route. Moreover, an investment-linked deduction is provided for setting up new hotels in the 2-star category and above.

In spite of the growth prospects of the sector and the government impetus, new investments in the hotels and tourism industry has declined for two consecutive years. In 2017-18, the sector registered new investment announcement of Rs. 37.09 billion in 30 projects (Exhibit 18). Going forward, there will be a need to revive investments in the hotel and tourism sector, so as to drive the growth in infrastructure projects.

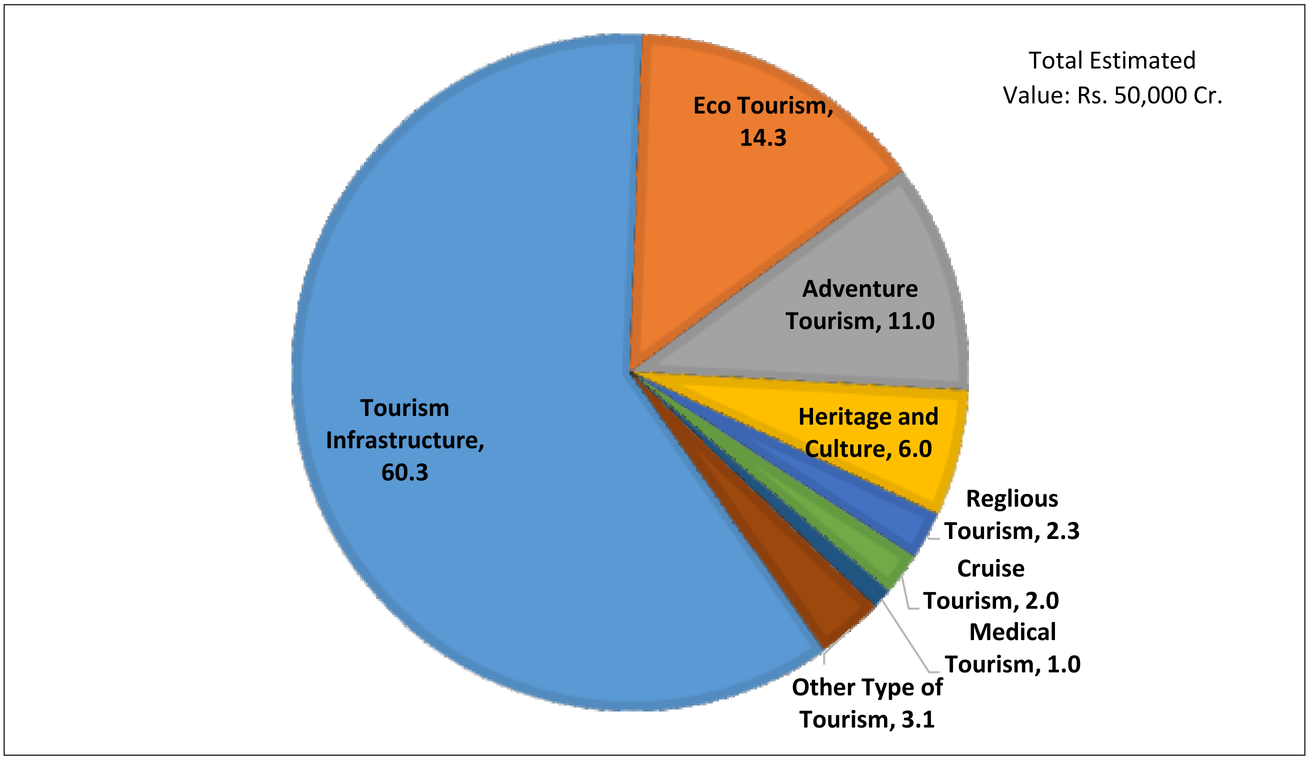
Tourism infrastructure has also been showcased as the area where most of the investment opportunity in tourism sector is available. According to the Incredible India Tourism Investors Summit, nearly 60.3 per cent of the investment in tourism is envisaged in the tourism infrastructure segment, followed by eco-tourism and adventure tourism (Exhibit 19). The tourism infrastructure mentioned herein refers largely to the supporting visitor infrastructure.

Exhibit 18: Value and Number of New Investment Projects in Hotels and Tourism Sector



Source: CMIE, Exim Bank Research

Exhibit 19: Type of Investment Opportunity in the Tourism Sector



Source: Incredible India Tourism Investors Summit, FICCI

Rationalization of Tax Rates

Hotel is one of the key supporting visitor infrastructure. One of the challenges for investments in the higher segment of hotels is the imposition of maximum rate of GST in this segment. Room rates of Rs. 7,500 and above entail a GST rate of 28 per cent (Table 15). This is in contrast to the 15 per cent service tax which was payable earlier for room tariffs exceeding Rs. 1,000. The GST rate could be reconsidered to encourage investments in the high end segment.

Table 15: Hotel Category-wise GST Rates

Room Rate Bracket	GST Rate (%)
Below Rs. 1,000	Exempt
Rs. 1,000 - 2,500	12%
Rs. 2,500 - 7,500	18%
Rs. 7,500 and above	28%

Source: Press Information Bureau, Ministry of Finance (July 21, 2018)

Foreign Investments in Tourism Infrastructure

There is also need to encourage foreign investments across various categories of tourism infrastructure. Estimates of revealed comparative advantage for FDI at sub-national level indicates that only few of the States currently have a revealed comparative advantage in the sector for inward FDI. The RCA for FDI at sub-national level is given by the formula:

$$FDI\text{-}RCA_k^r = \frac{(FDI_k^r / FDI^r)}{(FDI_k / FDI)}$$

Where,

FDI_k^r: FDI in sector k of region r

FDI^r: total FDI in region r

FDI_k: FDI in sector k of India

FDI: total FDI of India

The normalized revealed comparative advantage (NRCA) index has been demonstrated capable of revealing the extent of comparative advantage more precisely and consistently than other alternative RCA indices in the literature. NRCA can be defined in the following manner-

$$\text{FDI- NRCA}_{ij} = \frac{\text{FDI-RCA}_k{}^r - 1}{\text{FDI-RCA}_k{}^r + 1}$$

It is assumed that sub-national regions are primarily competing for FDI with other regions within their country. A score of more than zero indicates that the region has a revealed comparative advantage in the sector for inward FDI. Calculation of the FDI-NRCA Index for states in India during the 2013-2017 period indicates that only three states had a comparative advantage in terms of FDI in the tourism sector. There is need for other states to attract investments in their tourism sector. States need to showcase investors the value of investing in their states and explore the digital channel to disseminate success stories. States could also consider providing fiscal incentives for promoting tourism in their states. Uttar Pradesh, which exhibited a comparative advantage in terms of FDI inflows in the tourism sector, has a wide array of fiscal incentives for investments in tourism infrastructure (Annexure). Similar initiatives could be provided by other states to units in key tourist destinations/ circuits in their respective state.

Table 16: Performance of the States on FDI-NRCA Index (2013-2017)

States	FDI-RCA Index
Delhi	**0.6**
Uttar Pradesh	**0.4**
Karnataka	**0.2**
Haryana	-0.1
Maharashtra	-0.4
Goa	-0.5
Puducherry	-0.6
Orissa	-0.8
Kerala	-0.9
West Bengal	-0.9

Note: All other states had an NRCA of -1.0
Source: fDi Markets, Exim Bank Research

Infrastructure Status for Lower Value Hotel Projects

Hotel projects above Rs. 200 Crore have been accorded 'infrastructure' status. This has reduced the cost of borrowing and improved access to finance for investors in hotel projects. To encourage small and mid-segment hotel projects, the tourism ministry had put up a cabinet proposal for granting infrastructure status to all hotel projects over Rs. 50 crore. However, there has been no update to the 'Harmonized Master List of Infrastructure Sub-sectors'. Given the potential for revenue generation and foreign exchange earnings in the tourism sector, Government could consider providing infrastructure status to all hotel projects over Rs. 25 crore.

PROMOTIONAL ACTIVITIES

The Government of India has undertaken a series of promotional activities to encourage visitor exports in India. Road shows are organized in key tourist generating markets, with wide scale participation from the travel and tourism industry. Apart from this, the Ministry of Tourism has several overseas offices which help position India as a preferred tourism destination in the tourism generating markets.

As resources for promotional activities is limited, identification of target market forms an essential first step for tourism marketing.

The present section provides an analysis of markets which have witnessed growth in outbound tourists in recent times. This shall help identify tourism generating markets which are already being tapped adequately, and those where there remains substantial potential for further growth.

The tourist generating markets can be classified into four categories (Exhibit 20), based on two dimensions — growth in outbound tourist expenditure from the markets, and the growth in FTAs from these markets to India. The growth in both cases refers to the annual average growth rate over the period 2015-17.

Exhibit 20: Classification of Tourist Generating Markets

Source: Adapted from Perdue, R. R. (1996). Target Market Selection and Marketing Strategy: The Colorado Downhill Skiing Industry. Journal of Travel Research, 34(4), 39-46. https://doi.org/10.1177/004728759603400406

It will be important to maintain a marketing position in the 'established markets', where the outbound tourist expenditure has increased at a growth rate faster than the world average, and FTAs from these markets to India has also increased at a faster pace than the growth in total FTAs to India. These are the well-established markets for India. Past marketing efforts in these markets have bode well for FTAs to India, and should continue at a steady pace. The areas where marketing efforts should be intensified are the 'opportunity markets'. These are the markets where growth in outbound tourist expenditure has been robust, but the growth in FTAs from these countries to India have been less than the growth in overall FTAs to India. These markets provide the best opportunity for growth.

Some countries, classified as 'inept markets', are not suitable for promotional investments as they have witnessed low growth in overall outbound tourism expenditure, and the growth in FTA arrivals from these countries to India has also been lacklustre. As far as 'question markets' are concerned, source of growth in FTA arrivals to India needs to be analysed, in order to prepare a promotional plan for these markets. The growth may emerge from some niche areas which can be focused on.

For the purpose of analysis, only those markets have been considered where the outward tourist expenditure is at least 1 per cent of the global tourist expenditure. The opportunity markets for India are the USA, Australia, Brazil, Thailand, Poland, Israel and Nigeria, while the established markets are South Korea, Argentina, and Indonesia (Table 17). Going forward, promotional activities could be focused on these markets.

Table 17: Classification of Tourist Generating Markets

Country	Outward Tourist Expenditure AAGR (2015-17)	Share %	FTA to India AAGR (2015-17)
Established Markets			
South Korea	9.3	3.9%	18.0
Argentina	20.4	1.6%	26.2
Indonesia	5.8	1.3%	12.9
Question Markets			
Russian Federation	0.3	4.2%	27.3
Mexico	3.8	1.6%	13.6
Inept Markets			
Germany	3.9	10.9%	4.2
France	2.7	5.9%	4.0
Belgium	4.4	2.7%	6.9
The Netherlands	4.4	2.6%	7.6
Switzerland	1.9	2.3%	3.7
Saudi Arabia	-3.6	2.2%	-8.8
United Arab Emirates	3.0	2.1%	10.2
Norway	3.0	2.1%	2.8
Philippines	2.7	1.5%	6.2
Opportunity Markets			
The USA	7.7	20.6%	6.5
Australia	17.5	4.7%	11.0
Brazil	9.3	2.7%	9.1
Thai land	10.4	1.4%	10.2
Poland	5.9	1.1%	4.3
Israel	12.2	1.1%	8.1
Nigeria	14.9	1.0%	-27.8
Average	*5.7%*	-	*11.8*

Note: Average outward tourist expenditure has been calculated based on expenditure of only those countries which reported expenditures for all three years taken into consideration.

Source: World Tourism Organization, Ministry of Tourism, Government of India, Exim Bank Research

STRENGTHENING MEDICAL TOURISM SECTOR

Medical tourism refers to patients travelling across borders to receive medical treatment of some form. According to estimates, the global market for medical tourism was valued at USD 61.2 billion during 2016, and is estimated to reach USD 165.3 billion by 2023[9]. India is a preferred destination for medical tourists on account of the low treatment costs for several medical procedures (Table 18).

[9]Allied Market Research

Table 18: Treatment Costs across Countries for Select Medical Procedures

Medical procedure	USA	Costa Rica	Colombia	India	Jordan	South Korea	Mexico	Israel	Thailand	Vietnam	Malaysia	Poland	Singapore	Turkey	India's Rank (Out of 14) in low cost treatment
Heart Bypass	1,23,000	27,000	14,800	*7,900*	14,400	26,000	27,000	28,000	15,000	N/A	12,100	14,000	17,200	13,900	1
Angioplasty	28,200	13,800	7,100	*5,700*	5,000	17,700	10,400	7,500	4,200	N/A	8,000	5,300	13,400	4,800	5
Heart Valve Replacement	1,70,000	30,000	10,450	*9,500*	14,400	39,900	28,200	28,500	17,200	N/A	13,500	19,000	16,900	17,200	1
Hip Replacement	40,364	13,600	8,400	*7,200*	8,000	21,000	13,500	36,000	17,000	9,250	8,000	5,500	13,900	13,900	2
Hip Resurfacing	28,000	13,200	10,500	*9,700*	9,000	19,500	12,500	20,100	13,500	N/A	12,500	9,200	16,350	10,100	3
Knee Replacement	35,000	12,500	7,200	*6,600*	9,500	17,500	12,900	25,000	14,000	8,000	7,700	8,200	16,000	10,400	1
Spinal Fusion	1,10,000	15,700	14,500	*10,300*	10,000	16,900	15,400	33,500	9,500	6,150	6,000	6,200	12,800	16,800	6
Dental Implant	2,500	800	1,200	*900*	900	1,350	900	1,200	1,720	N/A	1,500	925	2,700	1,100	2
Lap Band	14,000	9,450	8,500	*7,300*	7,000	10,200	6,500	17,300	11,500	N/A	8,150	6,700	9,200	8,600	4
Gastric Sleeve	16,500	11,500	11,200	*6,000*	7,500	9,950	8,900	20,000	9,900	N/A	8,400	9,400	11,500	12,900	1
Gastric Bypass	25,000	12,900	12,200	*7,000*	7,500	10,900	11,500	24,000	16,800	N/A	9,900	9,750	13,700	13,800	1
Hysterectomy	15,400	6,900	2,900	*3,200*	6,600	10,400	4,500	14,500	3,650	N/A	4,200	2,200	10,400	7,000	3
Breast Implants	6,400	3,500	2,500	*3,000*	4,000	3,800	3,800	3,800	3,500	4,000	3,800	3,900	8,400	4,500	2
Rhinoplasty	6,500	3,800	4,500	*2,400*	2,900	3,980	3,800	4,600	3,300	2,100	2,200	2,500	2,200	3,100	4
Face Lift	11,000	4,500	4,000	*3,500*	3,950	6,000	4,900	6,800	3,950	4,150	3,550	4,000	440	6,700	2
Liposuction	5,500	2,800	2,500	*2,800*	1,400	2,900	3,000	2,500	2,500	3,000	2,500	1,800	2,900	3,000	7
Tummy Tuck	8,000	5,000	3,500	*3,500*	4,200	5,000	4,500	10,900	5,300	3,000	3,900	3,550	4,650	4,000	2
Lasik (both eyes)	4,000	2,400	2,400	*1,000*	4,900	1,700	1,900	3,800	2,310	1,720	3,450	1,850	3,800	1,700	1
Cornea (per eye)	17,500	9,800	N/A	*2,800*	5,000	N/A	N/A	N/A	3,600	N/A	N/A	N/A	9,000	7,000	1
Cataract surgery (per eye)	3,500	1,700	1,600	*1,500*	2,400		2,100	3,700	1,800	N/A	3,000	750	3,250	1,600	2
IVF Treatment	12,400	N/A	5,450	*2,500*	5,000	7,900	5,000	5,500	4,100	N/A	6,900	4,900	14,900	5,200	1

Source: Medical Tourism Association

Several other countries are emerging as competitors for India in terms of cost of medical procedures. It is therefore imperative for the medical tourism industry to focus on other aspects such as quality, alternative healthcare systems such as Ayurveda, and better visa facilitation services for medical tourism. Over the years, the Government of India has taken several steps to promote alternative healthcare systems, as also to improve the visa process for medical tourism. This has bode well for the medical tourism industry in India. However, certain challenges remain in this segment.

A major constraint for the medical tourism industry is the limited number of hospitals with international accreditation in the country. Government has made it compulsory for hospitals to be 'National Accreditation Board for Hospitals & Healthcare Providers (NABH)' accredited if they are empanelled under the Central Government Health Scheme. Resultantly, there are a large number of NABH- accredited hospitals in the country. However, number of hospitals receiving international accreditation from agencies such the Joint Commission International (JCI) is still low. JCI is the world's leading health care accreditation, and evaluates hospitals on most rigorous international standards in quality and patient safety. Currently, there are 38 JCI accredited hospitals in India, which is significantly low as compared to other competing destinations such as Thailand (64) and Turkey (44).

Several countries offer fiscal incentives for domestic or international accreditation. In Malaysia, for example, private hospitals which incur expenses in obtaining accreditation from domestic or international agencies such as the Malaysian Society for Quality in Health or JCI, qualify for double deduction for the purpose of income tax computation. The success of financial incentives for increase in participation in accreditation programmes was also noted in case of Poland[10]. Fiscal incentives could be considered by central and state governments in India to encourage international accreditation of hospitals.

Another major issue is the lack of insurance portability. Most medical tourism expenditures are out-of-pocket expenses on account of incongruence of insurance schemes across geographies. This lack of insurance portability is a major constraint for medical tourism industry in developing countries, including India. With growth in medical tourism, insurance companies are increasingly offering limited medical tourism insurance packages for specific medical facilities abroad, or extending coverage to foreign locations on a hospital-by-hospital basis. For example, in 2008, Blue Cross Blue Shield of South Carolina launched a subsidiary, Companion Global Healthcare, for helping patients in the US to plan trips to overseas locations for lower-cost medical procedures. Since then, several insurance companies have started programs for extending insurance coverage in select hospital locations abroad. Indian hospitals need to engage with such global insurance companies, and a JCI accreditation could be useful in this pursuit.

There is also need for more facilitators in the medical tourism space. Facilitators connect individual consumers, businesses, insurance carriers and agents, and third party administrators to affordable and innovative medical travel options. While several US based and international facilitators operate in the Indian medical tourism market, there is need for more domestic companies in the segment. One such Indian start-up in this space is Hospals, which has built and scaled a platform model enabling international patients to get these services and is already catering to more than 200 patients per month. There is need to encourage more such initiatives, possibly through the Startup India scheme of the Government of India.

TOURIST INSURANCE AND TRAVEL ASSISTANCE

India scores low on the health and hygiene parameter of the Travel and Tourism Competitiveness Index, as compared to other key tourist destinations in the Asia-Pacific. The importance of good perception about health and sanitation in context of tourism cannot be overemphasized. While travellers would

[10]Shaw C. (2004). Developing hospital accreditation in Europe, Division of Country Support, WHO Regional Office for Europe

consider the natural and cultural heritage of a country before selecting a destination, personal safety and security are also key considerations. In fact, in the past, security shocks have led to substantial losses for several developing economies. For example, in 2009, the Mexican tourism industry suffered a loss of nearly USD 5 billion on account of the H1N1 flu. Similarly, the tourist arrivals in Egypt reduced from 14 million in 2010 to 9.5 million in 2013 on account of the Arab Spring and related unrest[11].

While a general improvement in healthcare infrastructure would be beneficial for tourism, there is also a need to adopt innovative mechanism for providing travel insurance to tourists. In Thailand, for example, the State-owned Krungthai Bank, offers tourists a debit card, which provides some medical and life insurance coverage in case of an accident. The Tourism Authority of Thailand partnered with state-owned Krungthai Bank, the national bank of Thailand, to offer tourists a debit card called the Miracle Thailand Card. The card has an issuance fee of 100 baht (approximately USD 3) and functions as a debit card which can be used in department stores, as also for admittance to some tourist spots. The card also comes with life and personal accident insurance in case of accident while on holiday in Thailand. The coverage is of up to 10,000 baht (approximately USD 333) for outpatient treatment and up to 500,000 baht (approximately USD 16,666) for inpatient treatment. Similar initiative could be undertaken in case of India.

There is also need to enhance focus on tourists requiring special care as the population in key tourism generating countries is aging. According to the United Nations (2015), globally, there were 901 million people aged 60 years or over in 2015, up from 607 million in 2000. By 2030, the population of people aged 60 years or over is expected to reach 1.4 billion, accounting for nearly 16.5 per cent of the world population[12]. The tourism sector needs to respond to this change in demographics over the next decade. Accessibility of the tourist sites is a major issue for the elderly, and it is important to make the tourist facilities accessible to the physically challenged, as also provide reliable information about the accessibility of the tourist sites.

An important step in improving the accessibility of public buildings and transport is the Accessible India campaign. As part of the Accessible India campaign, accessibility of public buildings and transport were to be made less challenging for the physically challenged. As on end-2017, all 38 international airports and all 48 domestic airports in India were provided with accessible features viz. ramps, accessible toilets, lifts with Braille symbols and auditory signals. Several railway stations and buses are yet to be provided with accessibility features. Similarly, several websites of State Governments/ UTs also need to be made accessible through ERNET India. Achievement of the deliverables of the Accessible India campaign will significantly improve the prospects for visitor exports.

PROMOTION OF CULINARY TOURISM

Culinary tourism is a nascent sector of the tourism industry in India whose potential is yet to be fully realized. According to the World Food Travel Association, culinary tourism is the pursuit and enjoyment of unique and memorable food and drink experiences. Examples of culinary tourism activities include activities such as cooking with the locals; cooking workshops; eating at the homes of local people, at local restaurants or the street food; food and drink tasting sessions, food and drink tours and trails; collecting ingredients or participating in local harvest; and visiting farms, orchards, wineries, distilleries, food markets, fairs or festivals.

Since 2010, local food culture has also been included as an intangible cultural world heritage by the UNESCO. Several countries have applied for a UNESCO world heritage status for their local cuisines, which is favourable for the marketing of culinary

[11]World Economic Forum. (2017). Incredibly India 2.0: India's US$ 20 Billion Tourism Opportunity
[12]United Nations. (2015). World Population Ageing

tourism in their countries. Lavash in Armenia, tradition of kimchi making in Democratic People's Republic of Korea, Palov in Uzbekistan, Washoku in Armenia are examples of culinary traditions which have received the UNESCO world heritage status (Table 19). Currently, India does not have any culinary item or tradition in the UNESCO intangible cultural world heritage list. World heritage status could give a competitive advantage to culinary tourism in India. Both Central and State Governments could build their image as a culinary tourism destination around these statuses.

Culinary tourism projects could also be developed in the country. Inspiration could be taken from France which has developed 'Cities of Gastronomy', which consists of cultural spaces with tourism facilities dedicated to gastronomy (Box 2). Other countries such as Belgium and Switzerland are also developing such concepts—the former with beer, and latter with the feast of vineyards, 'Vevey'. In all these cases, government involvement has played a decisive role.

As in the case of 'Cities of Gastronomy', the Ministry of Tourism can organize a contest among various states to propose an idea for culinary tourism project which embodies various cultural and customary practices of the local people. Such projects can then be developed and promoted in an attempt to popularize culinary tourism in India. The competition route for identification of food tourism projects was also used by Finnish authorities in 2015. The Finnish Food Tourism Competition was organized by Haaga-Helia University of Applied Sciences and financed by several government institutions. The evaluation criteria for the competition were: customer

Table 19: Culinary Traditions with UNESCO World Heritage Status

Culinary Tradition	Countries
Dolma making and sharing tradition, a marker of cultural identity	Azerbaijan
Nsima, culinary tradition of Malawi	Malawi
Beer culture in Belgium	Belgium
Flatbread making and sharing culture: Lavash, Katyrma, Jupka, Yufka	Azerbaijan – Iran – Kazakhstan – Kyrgyzstan – Turkey
Khidr Elias feast and its vows	Iraq
Oshi Palav, a traditional meal and its social and cultural contexts in Tajikistan	Tajikistan
Palov culture and tradition	Uzbekistan
Arabic coffee, a symbol of generosity	United Arab Emirates – Saudi Arabia – Oman – Qatar
Oshituthi shomagongo, marula fruit festival	Namibia
Tradition of kimchi-making in the Democratic People's Republic of Korea	Democratic People’s Republic of Korea
Lavash, the preparation, meaning and appearance of traditional bread as an expression of culture in Armenia	Armenia
Ancient Georgian traditional Qvevri wine-making method	Georgia
Kimjang, making and sharing kimchi in the Republic of Korea	Republic of Korea
Mediterranean diet	Cyprus – Croatia – Spain – Greece – Italy – Morocco – Portugal
Shrimp fishing on horseback in Oostduinkerke	Belgium
Turkish coffee culture and tradition	Turkey
Washoku, traditional dietary cultures of the Japanese	Japan
Gingerbread craft from Northern Croatia	Croatia

Source: UNESCO

Box 2: Case Study: Cities of Gastronomy, France

In 2010, the "Gastronomic meal of the French" was included in UNESCO's world heritage list. The French Government in its nomination for inclusion in the list, pledged to create an international city of gastronomy, an original, large scale initiative aimed at embodying the values of social and festive customary practices.

Pursuant to this, the French Government organized a competition among French regional and local authorities to propose an idea for an original project which showcases the gastronomy of the region. Five major French cities, including Paris, Lyon and Dijon had participated in the contest.

Dijon was chosen as the first 'City of Gastronomy', and is scheduled to open in 2018. Dijon will specialize in oenology. Another location, Paris-Rungis, which is purportedly the location of the largest wholesale food market in the world, will specialize in international "farm to table" value-chains.

Source: Second Global Report on Gastronomy Tourism, UNWTO

orientation, local colour, stories, local food, experiences, co-operation, entrepreneurship, cost-effectiveness, and versatility in the use of sales and marketing channels.

While an essential first step would be development of the tourism projects, promotion of these projects would also be crucial. According to a survey conducted by the UNWTO of 77 destination marketing organizations, educational institutions, marketing and consultancy firms, hotels, meeting planners and food and beverage providers from 29 countries, nearly 59.5 per cent respondents reported that food tourism promotion led to an increase in income from this kind of tourism (Table20).

The Government of India has undertaken several food promotion campaigns in the past, including the 'Incredible Tiffin' initiative. It could attempt to use innovative promotion initiatives used by other countries. In Korea, for example, a group of young Koreans undertook a promotion campaign for a well-known Korean dish, Bibimap. Known as the "Bibimbab Backpackers", this group travelled to over 20 cities in 15 countries on a 255-day trip to cook bibimbap. The campaign started in 2011 and was mostly paid for by the Agriculture Ministry and a major Bibimbap chain. They served over 9,000 bowls of bibimbap at 100 events at universities and other places, and received domestic and international media coverage. Similar project was undertaken by a group of Turkish volunteers, who started the "Turkish Coffee Truck" initiative to promote Turkish coffee culture across the USA. In 2012, a group of volunteers travelled to five cities in the USA to spark interest in

Turkish culture, as also enhancing relations between the two countries. The programme was sponsored by a coffee company, the American-Turkish Business Association, and the Ministry of Culture and Tourism

Table 20: Impact of Food Tourism Marketing

Type of Impact	Per cent of Respondents
Promoting food tourism increased our positive media coverage	77.2%
Promoting food tourism had an impact on increasing our website traffic	65.0%
Promoting food tourism increased our income from this kind of tourism	59.5%
Promoting food tourism increased sales at food-related businesses	52.5%
Promoting food tourism increased bookings from tourists interested in food	44.0%
Promoting food tourism had no impacts at all	14.0%
Source: UNWTO	

of Turkey. Similar programme could be sponsored by the Indian government. Such an initiative will also help in dissipating the negative perception about Indian food being greasy, spicy and unhealthy.

TAPPING THE CHINESE OUTBOUND TRAVEL MARKET

China had the highest tourist expenditure in 2017, registering a CAGR of 24.7 per cent during the period 2010-2017. In fact, more than half of the absolute growth in global travel and tourism spending over the past seven years has come from China alone. It is also encouraging that nearly 67 per cent of the Chinese tourists had travelled to other Asian countries or regions in 2017. Clearly, there is need for targeting the outward tourist market of China.

Recognizing the potential for visitor exports from China, India has already taken several steps to attract Chinese tourists. For example, the Government of India has liberalised its visa norms for Chinese nationals. Recently, e-visa facility has been extended to Chinese nationals for conference and medical purposes.

While ease of visa procedure is a clear driver for tourism growth, international direct flights are another important factor for market growth. The number of travellers from Shanghai to Mauritius increased fourfold upon launch of the Shanghai-Kuala Lumpur- Port Louis route. The passenger traffic further increased from 4000 in 2012 to more than 10,000 in the following year when a non-stop flight was started between Shanghai and Mauritius. Other than Beijing, Shanghai and Guangzhou, there are several other less developed cities which are now connected by international flights. In fact, in 2015, nearly two-third of the new air routes between China and Thailand, and nearly half of the Sino-Japan new routes departed from inland cities[13].

In case of India-China route, carriers from each side are allowed to operate 42 flights a week. According to latest available estimates, while the Chinese carriers have used up to about 93 per cent of the quota, Indian carriers have used only 12 per cent of the quota. There is a need to encourage airlines to fly more flights on these routes, given the increasing outbound travel from the Chinese market.

MANAGING OVERCROWDING FOR SUSTAINABLE TOURISM

The environment, society, and aesthetics of many tourist destinations are rendered vulnerable by their own popularity. This could be in the form of an environmental degradation, threat to cultural heritage, overuse of infrastructure, displacement of local population, or deterioration in tourist experience. To counter these challenges, economies are increasingly focusing on sustainability aspect of tourism. World Tourism Organization defines sustainable tourism as satisfying current tourist and host community needs, while protecting and improving future opportunities. It entails management of all resources in a way that economic, social, and aesthetic needs are met, and cultural integrity, essential ecological processes, biological diversity, and life support systems are maintained.

India needs to adopt strategies which promote sustainable tourism, with overcrowding emerging as the major challenge on this front. The tourist experience in several heritage sites of India is deteriorating on account of long queues and crowding. The infrastructure in several cities has also not been able to keep pace with the tourism demand. In Jaisalmer for example, tourism witnessed strong growth and contributed to the economic development of the area, but the sewage system in the city was not able to match the growing requirement, and posed a threat to the integrity of the city's classical sandstones[14].

There is also evidence of environment threats in some of the key tourism sites of India. According to Report of Working Group II on Sustainable Tourism in the

[13]UNWTO (2017), Penetrating the Chinese Outbound Tourism Market – Successful Practices and Solutions

[14]McKinsey and Company. (2017). Coping with Success: Managing Overcrowding in Tourism Destinations.

Indian Himalayan Region released by the NITI Aayog, the environmental index in most of the Himalayan states is very low. Further, according to a World Bank survey in 2015, conditions in these Himalayan States may not necessarily be favourable for tourism business, and that despite the fragility of the region, environmental compliance may have been compromised[15].

An essential starting point for sustainable tourism would be establishment of data systems which go beyond compilation of standard information pertaining to airports and hotels. Technology could be leveraged for providing live statistics on carrying capacity[16] of destinations, traffic congestions, parking and hotel availability, among others. Such a system would help in identification, realization and acknowledgment of the problem of overcrowding in tourist destinations.

Once the problem of overcrowding is identified, there are several strategies which could be adopted. Tourism authorities could use a daily cap for limiting the number of tourists, or establish reservations and ticketing systems. Some tourist destinations in India already have a daily cap aimed at conservation of the tourist sites, but ticketing system is the more popular strategy for alleviating overcrowding concerns. One of the tourist sites where the carrying capacity has been assessed and number of tourists has been restricted is Kaas plateau in Maharashtra (Box 3). There are proposals for similar arrangements in other popular tourist sites. While in case of Kaas plateau, the conservation effort was undertaken by the Forest Department, at other places, the onus shall be on the tourism authorities to be more vigilant of overcrowding of tourist sites and development of strategies for overcoming these challenges.

Box 3: Strategies for Managing Overcrowding at Kaas Plateau

Kaas plateau in the Satara district of Maharashtra is a UNESCO World Heritage site. It has been recognized as a biodiversity hotspot on account of its unique ecosystem. The high degree of endemism of Kaas plateau can be attributed to the composition of the plateau, which is largely made of basalt. More than 850 species of flowering plants are reportedly found in the Kaas plateau, of which 624 are in the Red Data Book of rare and endangered species. Among these 624 endangered species, 39 are found only in the Kaas region.

Given the significance of the plateau from the perspective of environmental conservation, it is among the first few major sustainable tourism initiatives in the country. The popularity of Kaas plateau had significantly increased the number of tourists and vehicles which posed a threat to its bio-diversity. According to a proposal by UNESCO, only 2,000 tourists should be permitted on the site per day. As against this, the number had touched nearly 50,000 tourists per day before the conservation plan was put in place. This was a clear case of overcrowding of tourist sites, way beyond their carrying capacity.

Several steps were taken by Forest Department for conservation of the plateau. Among the various strategies, one key measure for practicing controlled tourism was compulsory online registration for tourists. The Department developed a special website for providing tourists with information pertaining to the plateau, as also for registering themselves for their next visit. Currently, a total of 3,000 individuals are allowed to visit the plateau. An entry fee is also charged for the visits. Further, vehicles are not allowed on the plateau, and controlled nature trails are conducted on designated pathways in the tourist zones. These measures shall help maintain the bio-diversity of the plateau, and will ensure that the tourist experiences do not deteriorate on account of environmental degradation.

Source: Environment Department, Government of Maharashtra; Official website of Kaas Plateau

[15] NITI Aayog. (2018). Report of Working Group II Sustainable Tourism in the Indian Himalayan Region

[16] The maximum number of people that may visit a tourist destination at the same time, without causing destruction of the physical, economic, and sociocultural environment and an unacceptable decrease in the quality of visitors' satisfaction

CONCLUSION

Tourism is the world's third largest export sector, and accounts for nearly 10.4 per cent of the global GDP and 9.9 per cent of the global employment. It also plays a significant role in the domestic economy of India, accounting for nearly 9.4 per cent of GDP, 8 per cent of employment, 6.3 per cent of investment, and 5.8 per cent of total exports in 2017. The domestic tourism industry has witnessed consistent growth in the recent period, and is expected to be among the top ten fastest growing destinations for leisure-travel spending during the period 2016-2026.

The growth in tourism earnings can be attributed to the recovery in key tourism markets, positive initiatives taken by the central and state governments, and the resultant improvement in competitiveness of India's travel and tourism sector. In fact, India's rank has improved by 12 places on the Travel and Tourism Competitiveness Index during the 2015-2017 period.

While the growth in the sector is encouraging, several challenges plague the domestic tourism industry. Alleviation of these challenges will be essential for the industry to realize its full potential. Some of the strategies which can be adopted are rationalization of taxation rates; providing incentives at the state level for FDI in the tourism sector; according infrastructure status to hotel projects above Rs. 25 crore; organising road shows in the identified opportunity markets of the USA, Australia, Brazil, Thailand, Poland, Israel and Nigeria; providing fiscal incentives for encouraging international accreditation of hospitals; encouraging facilitators in the medical tourism space; improving accessibility of public buildings and transport; launching of innovative schemes for travel insurance; building India's image as a culinary tourism destination by inclusion of food culture in UNESCO intangible cultural world heritage; developing food tourism projects; tapping the Chinese outbound market which has witnessed remarkable growth in the recent period; and managing overcrowding in key tourist destinations.

Annexure: Types and Description of Incentives provided by the Government of Uttar Pradesh for Tourism Infrastructure Development

	Eligible capital investment (except land cost)	Capital investment (In Rs. Cr.)	Percentage of subsidy against fixed capital investment	Minimum ceiling of subsidy (In Rs. Cr.)	Other Conditions
Fiscal Incentives	Establishment of New Hotel	10-50	15%	7.5	
		>50	15%	10	
	Establishment of New Budget Hotel	2-10	15%	1.5	Location where 10 units are eligible
		2-10	20%	1.75	Location where 5 units are eligible
	New Resort	10-50	15%	7.5	
		>50	15%	10	
	New Sports Resort	1	10%	1	Only on Equipment cost
	New Tented Accommodation	0.2	20%	0.5	Only on successful permanent installation
	New Wellness Centre	2-50	15%	7.5	
		>50	15%	10	
	New Convention Centre	Up to 50	15%	7.5	
		>50	15%	10	
	Adventure Tourism, Cruise Tourism, Houseboat	1	10%	1	Creation of Infrastructure & installation of permanent facility
	Light and Sound/ Laser Show	1	25%	2.5	Investment in equipment cost only
	New Theme Park	2	10%	1	Creation of infrastructure along with installation of equipment

Interest Subsidy to eligible tourism units in tourism circuits	If bank loan amount is not more than Rs 5 Crs., interest subsidy is to be awarded at the rate of 5% of the loan amount, with maximum amount of Rs. 25 lakhs/ annum
Stamp duty exemption	Eligible Tourism Units qualify for 100% exemption of stamp duty and registration fee on sale/ lease/ transfer of land
Conversion and land development charges	Land Use Conversion and development charges is waived off for all new tourism units
Support for sustainable tourism for carrying out energy audit	Assistance is provided to eligible units up to 75 per cent of the cost of carrying out Energy Audit by recognized institutions

Note: Units in Ramayana Circuit, Braj Circuit, Buddhist Circuit, Wildlife Eco – Tourism Circuit, Bundelkhand Circuit, Mahabharat Circuit, Shakti Peeth Circuit, Aadhyatmmik Circuit, Sufi / Kabir Circuit, Jain Circuit are eligible for these incentives
Source: Uttar Pradesh - A new growth driver of tourism investment in India, FICCI, August 2018

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