

# UNIT- V

- Five year plans in tourism development
- Role of public and private sectors in tourism
- FDI, green field investment
- Impacts of tourism on indian economy

- **1951-1956 (1<sup>st</sup> Five Year plan):** In 1955, tourist traffic upgraded and offices opened in London and Paris, Melbourne and Colombo.
- **1956-1961 (2<sup>nd</sup> Five Year plan):** Attention in national level is started to given. Investment of INR 1.08 crore for the development of infrastructure.
- **1961-1966 (3<sup>rd</sup> Five Year plan):** The concentration is largely on accommodation and transport facilities. The investment plan is of INR 4 crore was sanctioned. ITDC was setup unifying HCI, ITTU and India tourism Corporation. In 1967, Ministry of Civil Aviation and tourism formed.
- **1969-1974 (4<sup>th</sup> Five Year plan):** The plan started looking at foreign exchange earnings as prime objective with investment of INR 25 crore.
- **1974-1979 (5<sup>th</sup> Five Year plan):** The tourism industry suffered a setback with reduction in investment to INR 23.62 crore.

- **1980-1985 (6<sup>th</sup> Five Year plan):** There is increase in fund to INR 72 crores. The focus shifted to social and economic benefits like employment, support of local art and artisans etc. Tourism policy formed.
- **1985-1990 (7<sup>th</sup> Five Year plan):** The investment increased to INR 138.68 crore leading to the development of tourism circuits, new forms of tourism, development of new destinations and formation of TFCI in 1989.
- **1992-1997 (8<sup>th</sup> Five Year plan):** The investment increased to INR 272 crore with the introduction of STAs for further growth. In 1992, Action plan was implemented to increase India's share and foreign exchange earnings.
- **1997-2002 (9<sup>th</sup> Five Year plan):** The approach here is concentrated in selected centers like promoting rural tourism etc.
- **2002-2007 (10<sup>th</sup> Five Year plan):** In this plan, there is lots of work done to promote tourism like Incredible India campaign.

- **2007-2012 (11<sup>th</sup> Five Year plan):** There is increment in International tourist arrivals approx. 10 million and schemes like PIDDC introduced.
- **2012-2017 (12<sup>th</sup> Five Year plan):** Incredible India 2.0 was introduced to promote the new destinations with notion of sustainable and clean destination with hassle free travel.

Travel and Tourism industry there are two main type of organization which is important to explain. They are:

- Private sectors
- Public sectors

### **Private sector**

Private companies and organizations produce goods and services to the consumer with the aim of making profit for the owners and shareholders of the private enterprise. Christine King (2005) describes private sector as 'Private sector businesses are owned by individuals, either as sole traders, partnership or limited companies. Their main aim is to make a profit to pay the owners or shareholders who invested their money into the organizations'.

Most of the organizations in the travel and tourism industry is owned and operated in the private sector. One of the examples is Marriott International, Inc. Marriott International, Inc is an international hospitality company formed in 1927. They manage, franchise, own and develop Marriot brand hotels and resorts around different areas of the world. They are in the private sector and are set up as a private limited company.

Private limited company is a type of company whose shares is not traded on a stock market and may only be sold if other shareholders agree. The capital in such a company is only contributed by the owners and shares cannot be issued to the general public. The shares of a private limited company are not traded on the stock exchange. Also shareholders may not be able to sell their shares without the agreement of the other shareholders. Maximum shareholders allowed are 50. Therefore more capital can be raised but growth may be limited.

## **Public sector**

Organizations which are run by the government are known as the public sector. The public sector is a part of the state that deals with the production, ownership, sale, provision, delivery and allocation of goods and services by and for the government or its citizens. In travel and tourism public sectors play a vital role making more aware of publicity with the business environment. It also helps to promote destinations and provide range of services to encourage tourism development. One example from the public sector is Air India.

Air India Ltd is a public Limited Company incorporated under the Companies Act on 1956. Air India is the oldest and the largest airline of India. According to them, they are the 16<sup>th</sup> largest Airline in Asia. It is a part of the Indian government-owned Air India Limited (AIL) which is renamed as Air India Ltd. Its policies are framed and implemented by the Management and the Board of Directors of the Company.

The benefit of public listing on the stock exchange is that a large number of shareholders can provide a large financial base for the company. They keep most of their money in the bank account in the state bank of India (SBI) for safety issues.

As being a public limited company, it can raise funds and capital by selling its shares to the general public. A public limited company can have five or more owners. Shareholders are the owners of the company. It has board of directors that is elected by shareholders and the company is managed by this elected board of directors.



Development of tourism infrastructure requires heavy investment in wide-ranging and diverse activities. Many of these activities are in the form of public utilities like power, water, gas and transport etc. These services are so vital to the society that government intervention is considered inevitable even in those countries which follow "free market" policies.

Due to its diversity, tourism has to inter-face with several other sectors of the economy. The Government has to play a major role in channeling of funds to various Federal and Provincial departments for undertaking development and maintenance of Roads, Highways, Motorways, Bus Terminals, Railways, Air-services, Sea-ports etc. Provision of land at concessional rates and supply of utilities in the tourism priority areas is also essential. In the absence of these basic requisites, private sector initiatives would not sprout, let alone grow. Therefore, comprehensive long and short term plans for development of tourism super-structure are to be identified, coordinated and implemented by the Government.

Public Sector tourism organisations at the Federal and the Provincial levels shall continue to play leading and catalyst role in development of tourism infrastructure (eg hotels, restaurants, road-side facilities, resorts, amusement parks, theme parks, etc) in the areas where private sector is either shy to invest or where Government desires to bring the benefits of tourism development to local population.

Encourage foreign and domestic investors by facilitating and providing incentives but at the same time by regulating them to save ecology, environment, religious & cultural traditions and ideological limits of the country besides ensuring that locals are being benefited from such investment.

**FDI  
&  
GREEN FIELD  
INVESTMENT**

## **What Is a Foreign Direct Investment (FDI)?**

A foreign direct investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country. Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets in a foreign company. However, FDIs are distinguished from portfolio investments in which an investor merely purchases equities of foreign-based companies.

## **What is a Greenfield Investment?**

In economics, a greenfield investment (GI) refers to common type of foreign direct investment (FDI) where a company establishes operations in a foreign country. Under greenfield investment, the firm that is set to invest constructs new facilities (sales office, manufacturing facility, etc.) cross-border from the ground up. A Greenfield investment is the best way to enter a foreign market if the investing company wants to achieve the highest degree of control over foreign activities.

Other forms of foreign direct investment include the purchase of foreign securities or the acquisition of a majority stake in a foreign company in which the parent company exercises little to no control over daily business operations.

The Indian tourism industry is interwoven with the country's monetary development. As GDP continues to mature, it increases deals in fundamental infrastructure like transportation systems, which is necessary to support the tourism industry. The hotel industry is directly connected to the tourism industry in India. Over the last decade, India has transformed into one of the most popular tourism destinations in the world, largely as a result of the government's "Incredible India" campaign which showed India in a new light to overseas tourists. In 2005, the appearance of global tourists improved by 16 percent, leading the resurgence of Indian tourism.

As new destinations extend the tourist entry is likely to rise. Numerous procedures have been taken in infrastructure, which will shine Indian hospitality for overseas guests.

Under the automatic path, 100 percent FDI is allowed in hotels and tourism. Travel and tourism is a US\$32 billion business in India with an input to 5.3 percent of Indian GDP. Many worldwide hotel groups are setting up their businesses in India and many global tour operators are establishing operations in the country.

# FDI in tourism

With a view to stimulate domestic and international investments in this sector, the government has permitted 100 percent FDI in the automatic route –allowing full FDI into all construction development projects including construction of hotels and resorts, recreational facilities, and city and regional level infrastructure. 100 percent FDI is now allowed in all airport expansion projects subject to the condition that FDI for upgradation of existing airports requires Foreign Investment Promotion Board (FIPB) approval beyond 74 percent. A five year tax holiday has been given to organizations that set up hotels, resorts and convention centers at specific destinations, subject to fulfillment with the agreed conditions. Some international hospitality majors such as Hilton, Accor, Marriott International, Berggruen Hotels, Cabana Hotels, Premier Travel Inn (PTI) and InterContinental Hotels group have already announced major venture plans in India in recent years. It is expected that the hospitality division is expected to see an additional US\$11.41 billion in inbound investments over the next two years.

## **Why one should invest in Indian tourism?**

- Economic liberalization has given a new force to the hospitality industry
- The Indian hospitality industry is increasing at a rate of 15 percent yearly. The current gap between supply and demand is predicted to grow as the economy opens and grows
- The government predicted an additional requirement of 200,000 rooms in the next five years
- Due to stable political and social conditions in India, there will be an increase in the number of tourist arrivals. India is ranked fourth among the world's must see countries
- The present government in its process has taken a few projects like opening of the partial sky policy. This allows private domestic airline operators to fly on the Indian skies

- An increasingly growing middle class group, the arrival of corporate incentive travel and the multinational companies into India has bright prospects for tourism. India's easy visa rules, public freedoms and its many attractions as an ancient civilization makes tourism development easier than in many other countries
- The 5 star hotel sector has increased the fastest during the last five years at a CAGR of 12 percent. In the coming years, this sector can be divided into three sub-segments Luxury, Business and Leisure. The growth in this segment shows that segment of travelers coming into India. In the last few years India has seen a large inflow of business travelers in the country courtesy to relaxation of the government's stand on FDI for most of the sectors in the country
- It costs an average of US\$50-80 million to set up 5 star hotels with three hundred rentable rooms in India. The gestation period is generally between 3-5 years
- Some suggestion to attract more FDI in tourism**
- Reconsideration the taxation policy on the hotel industry
- Service tax should be calculated based on the value of services given by the company.



# **Impact of tourism in Indian economy**

Tourism in India is important for the country's economy and is growing rapidly. The World Travel and Tourism Council calculated that tourism generated ₹16.91 lakh crore (US\$240 billion) or 9.2% of India's GDP in 2018 and supported 42.673 million jobs, 8.1% of its total employment. The sector is predicted to grow at an annual rate of 6.9% to ₹32.05 lakh crore (US\$450 billion) by 2028 (9.9% of GDP). In October 2015, India's medical tourism sector was estimated to be worth US\$3 billion, and it is projected to grow to US\$7–8 billion by 2020. In 2014, 184,298 foreign patients travelled to India to seek medical treatment.

Over 18.93 million foreign tourists arrived in India in 2019 compared to 10.56 million in 2018, representing a growth of 3.5%. Domestic tourist visits to all states and union territories numbered 1,036.35 million in 2012, an increase of 16.5% from 2011. In 2014, Tamil Nadu, Maharashtra and Uttar Pradesh were the most popular states for tourists. Delhi, Mumbai, Chennai, Agra and Jaipur were the five most visited cities of India by foreign tourists during the year 2015. Worldwide, Delhi is ranked 28<sup>th</sup> by the number of foreign tourist arrivals, while Mumbai is ranked 30<sup>th</sup>, Chennai 43<sup>rd</sup>, Agra 45<sup>th</sup>, Jaipur 52<sup>nd</sup> and Kolkata 90<sup>th</sup>.

The Ministry of Tourism designs national policies for the development and promotion of tourism. In the process, the Ministry consults and collaborates with other stakeholders in the sector including various central ministries/agencies, state governments, union territories and private sector representatives. Concerted efforts are being made to promote niche tourism products such as rural, cruise, medical and eco-tourism. The Ministry of Tourism maintains the Incredible India campaign focused on promoting the tourism in India.

**Thank you.!**