



Mr. B S Rathor

## Tourism and its contribution to the Economy

B.S Rathor is the Advisor & Member Executive Committee Member, All India Resort Development Association (AIRDA), a national body of Vacation (Timeshare) Resort Developers in India. He has been a past Chairman of AIRDA for over a decade and was instrumental in establishing the Association from the roots.

An Honors' Graduate in Electrical Engineering from the Indian Institute of Technology (IIT) Kharagpur, B S Rathor joined AIRDA after his retirement from Ford India, where he was a Vice President.

B.S Rathor has been actively involved with major industry and business associations throughout his professional career. B.S Rathor has been a regular contributor to The Hindu group of publications on industry and economic issues. He is an accredited member of the Foreign Correspondents Club, New Delhi.

E-mail: anil.rathor100@gmail.com | info@airda.org

**T**ourism is an activity difficult to define and more difficult to comprehend in view of its complexities. It is not a product nor a service but a rare blend of both or neither. In simple terms and as best understood it is travel for an objective - be it leisure, business or other purposes. I call it a unique experience through the combination of multitudes of objects bordering from the mundane to the spectacular under its umbrella. More than its definition it is important to know that this amalgam has the capability to deliver an experience which only can be felt by the traveling mass that are ever ready to savor its glory.

Tourism is embraced by almost all the countries on the globe in some form or another because it has the power to drive economies, add value as well as a platform for creating opportunities and aspiration.

"Tourism can be domestic or international, and international tourism has both incoming and outgoing implications on a country's balance of payments. Today, tourism is a major source of income for many countries, and affects the economy of both the source and host countries, in some cases being of vital importance" – (source WTTC).

The three major types of tourism include **domestic tourism** - involving

residents of the given country traveling only within the country, **inbound tourism** - involving non-residents traveling in the given country, and **outbound tourism** - involving residents traveling in another country. The terms travel, tourism and hospitality are complementary and are commonly used in the parlance of tourism.

As a part of evolution and recognition by various governments in greater measure, several offshoots of tourism are emerging. These are classified under "Niche Tourism" and comprise agro tourism, heritage tourism, wellness/medical tourism, wildlife tourism, cultural tourism amongst others. **I have deliberately excluded two large segments which are arguably country specific which I will treat separately. These are "leisure tourism & spiritual tourism" not only because they have a large market but have high growth potential and better included in the mainstream tourism in India.**



**Figure 1 - JAISALMER DESERT RAJASTHAN**

### Global Macroeconomic and Tourism Outlook

There are various research reports available - the mother source of all being WTTC, and the rest being country and segment-specific, based on studies conducted by major market research companies. The global macroeconomic situation has a direct impact on the growth of tourism and its correlation with the GDP. The global GDP growth forecast for 2017 is 2.6% and is expected to pick up beyond.

The fastest growing world region in 2016, 2017, and 2016-20 will be South Asia, **led by strong growth in India**, whose economy is expected to outperform China.



**Figure 2 – ADDING VALUE TO THE LOCAL COMMUNITY**

The world direct travel & tourism GDP growth will outpace the overall economy, was resilient in 2016 and will continue to grow faster than the wider global economy at around 3.1% and rise by 4.2% pa from 2016-2020. Tourism in India is expected to make a direct contribution GDP at around

8.6% during 2016-20 (WTTC). This arguably could be the highest compared with other regions.

There is now an increasing awareness of tourism related environmental issues and revenues generated out of tourism activity are used to measure the economic value of protected areas. Tourism earnings are partially from informal employment of agencies which facilitate smooth functioning down the last mile as vendors, guides, local transport providers, roadside restaurants and the like. The revenues generated are reinvested in the local economy and have a great multiplier effect. As per WTO estimates indirect contribution of tourism is equal to 100% of direct tourism expenditures.

Travel & tourism generated US\$ 7.2 trillion (9.8% of global GDP and 284 million jobs (1 in 11 jobs) to the global economy in 2015. Despite challenges the sector is forecast to continue outperforming global growth in the coming years. The fastest growing G20 countries for total travel & tourism GDP to 2026 will be China, India, Indonesia, Mexico and South Africa. India's strong forecast will propel it into the top ten travel & tourism economies by 2026 in terms of total travel and tourism GDP

### Major Tourism Segments in India

➤ Domestic travel spending generated 82.5% of direct Travel & Tourism GDP in 2015 as compared with 17.5% for visitor exports (i.e. foreign visitor spending or international tourism receipts).

➤ Leisure travel spending (domestic and inbound) generated 83.2% of direct Travel & Tourism GDP in 2015 as compared with 16.8% for business travel spending.

➤ Domestic travel spending is expected to grow by 6.6% in 2016 to INR 6,284.4bn, and rise by 7.8% pa

to INR 13,305.5bn in 2026. Visitors exports are expected grow by 5.3% in 2016 to INR 1,315.9bn, and rise by 7.2% pa to INR 2,625.6bn in 2026.

➤ The total contribution of travel and tourism to employment including jobs indirectly supported by the industry was 8.7% of total employment (37.3 million jobs) in 2015. This is expected rise to 46.4 million jobs in 2026.

➤ The total contribution of travel and tourism to GDP is three times greater than its direct contribution.

The above data reinforces the view that there is enormous latent potential in leisure travel which provides a ready platform to expand exponentially. One could say that leisure travel encompasses most of the niche tourism segments mentioned in this paper including spiritual tourism. This market is awaiting profitable development

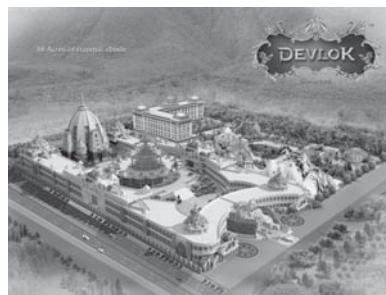


Figure 3 - **TIMESHARE PROJECT TIRUPATHI**

through new investments. The tourism basket provides a diverse range of products and services to enhance the tourism experience. One such product is **vacation ownership (timeshare)** which is perhaps the fastest growing segment amongst its peers. But before this, let us spend a little time on some tourism statistics.

The vacation ownership (timeshare) industry forms an integral part of the leisure tourism segment. It will be apt to mention it briefly. This concept

originated in the sixties in Europe and over the years, it has become a popular leisure-cum-vacation format, and a first option for a wide range of customer profiles. Today's leisure travelers have a wide range of destinations to choose from - in the country and around the globe. Customers around the world are turning to vacation ownership / timeshare as their preferred option for holidays. More than 16 million households own vacation interval products across 5,300 resorts in over 120 countries.

Vacation ownership in India is clearly a front runner in the tourism (hospitality) industry. The vacation ownership in India has been growing at a CAGR of over 15% during the last five years. There is a visible increase in the number of timeshare owners; because holidayers are seeking new leisure options – an indication of rapidly changing lifestyles where holidaying has become a necessity. The timeshare industry in India is fairly new and is in its developmental and growth stage. Studies have revealed there are 80 timeshare companies having more than 180 resorts. Over 500000 families take to leisure travel every year in timeshare resorts in attractive destinations throughout the country. The scales are small but have a tremendous potential to grow in view of the fast changing demographic patterns in India. **Timeshare is a great driver of domestic tourism and is less vulnerable to external disturbances – political, economic or geo-physical.**



Figure - 4 **TIMESHARE PROJECT AMRITSAR**

The Ministry of Tourism, Government of India has recently prepared a draft National Tourism Policy 2015 which is awaiting final approval. The draft policy has been prepared with the suggestion of all stakeholders in the travel, tourism and the hospitality segments. The centre in partnership with the states is giving high priority to the development of tourism activity in the country. The draft policy is comprehensive and has a radical approach. It may not be possible to talk about the policy in my article but it is pertinent to note that the policy has a focus on domestic tourism which will become a base for attracting inbound tourists. The policy mentions in detail all niche segments which largely are offshoots of domestic cum leisure segment which warrant special attention. Other areas include inclusion of tourism in the concurrent list of the constitution to make it a national agenda, review of restrictive / obstructive clauses in current hotel classification guidelines, applicable benefits to hotels to be given to all recognized hospitality segments as timeshare resorts, home stays etc.

The draft policy suggests a review of dated legislation, encourage non-traditional categories of accommodation such as Home Stays, Tented Accommodation, Compiling Sites, Timeshare Resorts etc.; classifying hotels and resorts as infrastructure under section 80 1A / 1B of the IT Act; declaring all hospitality projects as industrial sector for the purposes of utility charges & property cess and levy of industrial rates; applicability of lower GST slab for all tourism and hospitality businesses.

A growing recognition of tourism's contribution to employment and economic growth, the availability of better infrastructure, focused marketing and promotion efforts, liberalization of air transport, the

growth of online travel portals, growing intra-regional cooperation and more effective PPPs are seen as key growth drivers for tourism in the next decade.

Hundred percent FDI is allowed under the automatic route in tourism and hospitality, subject to applicable regulations and laws. 100% FDI allowed in tourism construction projects, including the development of hotels, resorts and recreational facilities.

Investment-linked deduction under Section 35 AD of the Income Tax Act is in place for establishing new hotels in the 2-star category and above across India, thus permitting a 100% deduction in respect of the whole or any expenditure of a capital nature excluding land, goodwill and financial instruments incurred during the year.

Incentives offered by state governments include subsidized land cost, relaxation in stamp duty, and exemption on sale/lease of land, power tariff incentives, concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies and special incentive packages for mega projects. Incentives are provided for setting up projects in special areas – the North-east, Jammu & Kashmir, Himachal Pradesh and Uttarakhand. Incentives from the Ministry of Tourism include assistance in large revenue-generating projects. Support to PPPs in infrastructure development such as



**Figure 5 - PLANTATIONS  
MUNNAR**

viability gap funding. Schemes for capacity-building of service providers AIRDA has requested the Ministry of Tourism to incentivize domestic leisure cum spiritual tourism to leverage the large available market of 1600M.

Nature has provided India with a natural demography with a diverse heritage. The splendor of the snow clad Himalayas, the Jaisalmer deserts in Rajasthan in all their beauty and splendor, the plantations, the wildlife, history and culture, the long maritime boundaries with abundant beaches, the beauty of the north eastern parts of the country, dance, drama, mythology. Not to forget the Taj Mahal and the rich mix of temples, churches, mosques which embrace the tourists to their fold. The list is endless. And to add to it all India is now one of the fastest growing economies in the world. Global investments are pouring in and will only get better in the next decade.

Tourism needs socio-political acceptance by those who run the country. And a growing belief that the rapid development of the tourism industry will bring in multifold benefits such as development of the rural interiors and regional areas, economic growth and wealth creation. We can also take into account employment generation in rural areas, adding substantially to exports and domestic revenues. Indian tourism is waiting to welcome you with open arms.

**By B S Rathor,**

Advisor & Member Executive Committee  
All India Resort Development Association  
Bangalore