



Tapping the Potential of the Indian Tourism Industry

Swastik Ghadge | November 30, 2023

Being humans, we have an innate aspiration to explore new places, it is hard-wired in us. Historically humans have been explorers and wanderers, from Homo habilis to Neanderthals to Homo Sapiens(us) all have walked the face of the earth and have found the right settlement for them.

The tourism industry as we know was not recognized in India until 1982, many states started acknowledging it as an industry between 1990 and 2000. The sector is as important as any other. According to the World Travel and Tourism Council in 2022, the sector's **GDP** contribution in India is estimated to be **US\$199 billion**, which is expected to reach approximately **US\$440 billion** by 2030. At present the tourism sector accounts for 35 million jobs which is expected to account for about 53 million jobs by 2029.

The tourism industry is a synergy between various sectors which are stated below:



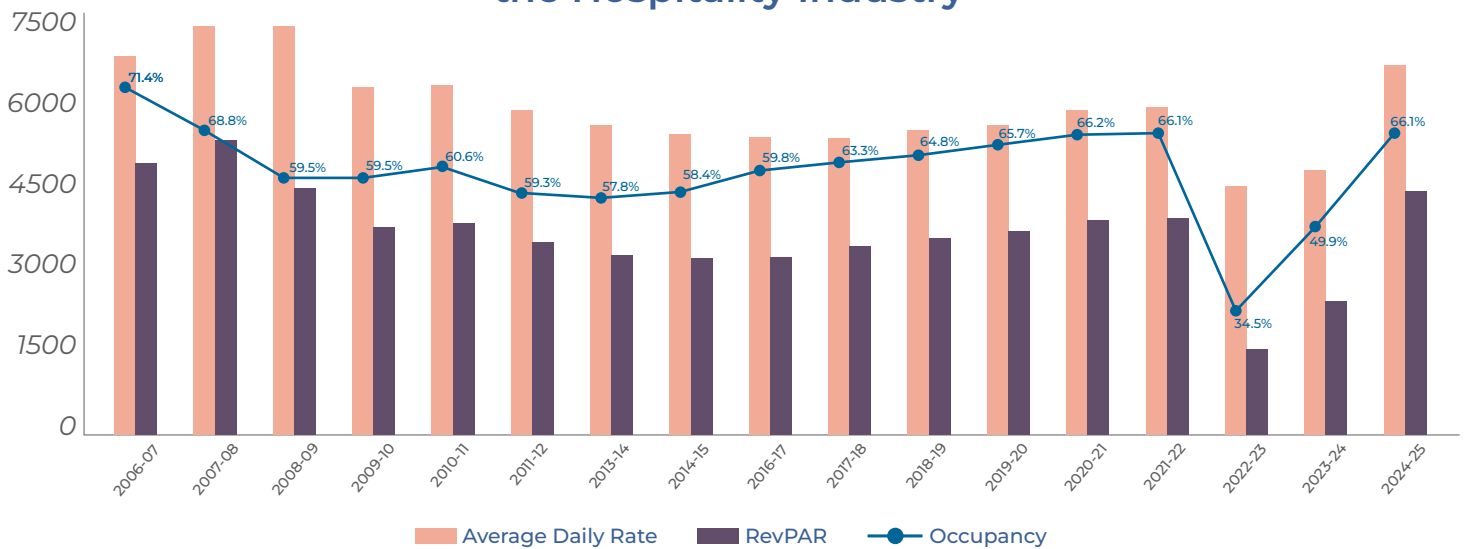
Source: IBEF

Before crystal gazing at the future, let's look at past industry cycles.

The tourism and hospitality industry has grown significantly over the years. The industry was doing well between 2002 and 2008 as it was driven by increased demand, and economic reforms aimed at attracting investment in the country. The sector was struck hard from 2008 till 2016 after the **Global Financial Crisis** which shrank the overall demand from International as well as Domestic travelers, which was evident in the hospitality sector. **Occupancy rate, ARR(Average Room Rate), and RevPar(Revenue per available room)** the important metrics of the hospitality industry were again on the runway of growth waiting to take off which is when **COVID-19** brought the world to a standstill just like bad weather conditions stopping airport operations.

Nationwide Performance of the Hospitality Industry

Source: Hotelivate Research



The Covid Conundrum?

The Global Pandemic came with a nationwide lockdown which pounded the entire world on the ground. Amongst all the industries the tourism & hospitality sector was affected the most as movements were restricted. Before the pandemic the entire industry was ramping up its assets, hotels were adding keys, airlines added fleets, and tourist attractions were being renovated. The supply was more than the demand which acted as a catalyst for the boom when travel resumed.

Albert Einstein said **"In the midst of every crisis, lies great opportunity"**

The Pandemic made the industry realize its inefficiencies and forced it to innovate and optimize its operations. Hoteliers started streamlining the service of delivery, clustering roles, and multiskilling the line staff. Adopting technology into the activities on the cost side helped them to diversify revenue streams.

Consumer sentiments also added to the mix which then resulted in 'Revenge Tourism'. The concept of workation, staycation, and bleisure(business leisure) were born and the reconceptualization of travel happened. Since then, the restrictions on travel, public gatherings, and lockdowns have been lifted and the industry is seeing demand as it was during the pre-covid era.

Domestic travel is leading the charge with maximum spending coming in the industry from domestic purses as compared to international. Domestic tourist visits are now back or are even better than in the pre-pandemic era.

India's domestic air traffic hit a record high on Sunday(Nov 19, 2023) as airlines carried 4,56,910 passengers. This was the second straight day of the record feat as on Saturday the airlines carried 4,56,748 passengers, according to official data. The count was much higher than the 3,93,391 passengers recorded on November 19 last year.

- The Economic Times - Nov 20, 2023

Domestic Visitation Trends & Foreign Tourist Arrivals (2014-2022, in Lakhs)

	2014	2015	2016	2017	2018	2019	2020	2021*	2022
Domestic Tourist Visits	12,828	14,320	16,136	16,525	18,000	23,220	6,102	6,776	17,310
% Change	-12.3	11.6	12.7	-2.4	8.9	29.0	-74.0	-11.0	155
Foreign Tourist Arrivals	76.8	80.3	88.0	101.8	105.6	109.3	27.4	15.2	61.9
% Change	-10.2	4.5	9.7	15.6	3.7	3.5	-74.9	-45.0	307

* = Estimated Number

Source: Hotelivate Research

SPENDING PATTERNS – CONTRIBUTION TO INDIA'S DIRECT TOURISM GDP(2022)

88.40%
DOMESTIC SPENDING

11.60%
FOREIGN VISITOR SPENDING

TOURISM WALLET

4.70%
BUSINESS SPENDING

95.30%
LEISURE SPENDING

Source: WTTC Annual Research 2023


Indian tourism industry hosts visitors both domestic and international across the country on various occasions. Religious Tourism, MICE(Meetings, Incentives, Conferences, and Exhibitions), Leisure Travel, Medical Tourism, and The Big Fat Indian Wedding are a few of the many occasions wherein the industry experiences major demand.

In 2023, a few more occasions like the Hosting of the **G20 summit** and Global Sporting events like the **Cricket World Cup** have contributed to the mix. Leisure traveling and spending is one of the most important segments that is witnessing aspiration-fueled growth. Leisure spending as compared to business on tourism still has the lion's share.

Traversing to the Future

The tourism industry has had its ups and downs but has survived all adversities and shown the essential trait of sustainability. In the union budget 2023-24, the government of India has allocated INR 2,400 Cr for tourism which highlights the importance of strengthening the industry. After the pandemic, all the benefitting businesses are also seeing increased investments to capitalize on the potential of the growing travel demand.

Capex plans announced that will aid Tourism




Hoteliers have announced the addition of ~70,000 new rooms over the base of the existing 1,65,000 rooms in the branded and organized sector.



Mr. Jyotiraditya Scindia, Minister of Civil Aviation says 220 new airports will be added to the existing 487 airports by 2025. Directorate General of Civil Aviation (DGCA) has granted in-principle approval to Air India Ltd. and Interglobe Aviation Ltd. (Indigo) for the import of 470 and 500 aircraft respectively.



With a coastline of 7,516.56 km India has 229 ports of which 12 are major ports and the rest are non-major ports. Under the National Perspective Plan for Sagarmala, six new mega ports will be developed in the country for Cruise tourism.



India has nearly 64 lakh km of total road network and the National Highways network alone stood at 1,45,240 km in 2022-23 and is expected to extend by ~10,993 km. It will improve the connectivity to places of cultural heritage that are difficult to reach otherwise.



The existing rail network of India is 1,26,366 km and is expected to increase by ~7,000 km in 2023-2024. IRCTC announced a Bharat Darshan Special Tourist Train which will take tourists to major destinations in the country and learn about India's Cultural heritage.

Eksight

India has all-season tourism, you can experience the best of any season in the country. One can experience the rich cultural heritage, ecological habitat, pilgrimage, adventure places, and so on. Along with the existing options the country is also investing in newer areas of tourism.



India is a growth story in which tourism is an important chapter. The young demographics, rising disposable income, aspirations of the people, and experience-driven consumers are some of the major characters in this chapter. All of these factors with the support of government policies are going to drive the industry towards growth. This year has been phenomenal for the sector with all the events that happened so far but the closing ceremony will be performed by 'The Big Fat Indian Wedding'.

KNOT FOR PROFIT

Source: Survey by CAIT

India to see
35 Lakh
weddings between
Nov 23 and Dec 15

Businesses
are eyeing
**Rs 4.25
lakh crore**
in revenues

Delhi alone
to generate
**Rs 1 lakh
crore**
from 3.5 lakh
weddings

In 2022, 32 lakh weddings
took place generating
Rs 3.75 lakh crore

In conclusion, tourism is one of the significant sectors to watch out for. The domestic population is driving the industry and will continue to do so for a long period. We are on this **safar** and will add unforgettable memories to this **Safarnama**. Until then keep traveling whenever you get an opportunity and experience the beauty of our country.

Hope this was a good read for you.

Safe Travels!

----- Thank You for reading! See you Next Month! -----

Some Interesting Reads & Videos

- 📖 Report: Domestic hotel industry estimated to contribute \$1 trillion to India's GDP by 2047
- 📖 How India Travels
- 📖 Contribution of travel and tourism sector to India's economy
- 📖 Wedding season kicks off: Businesses eye highest-ever revenue of Rs 4.25 lakh cr from 35 lakh weddings

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