

# India's Tourism Sector on Growth Trajectory Despite Challenges

**Rohan Kohli**

Assistant Vice President, Genpact

## **Abstract:**

The tourism and hospitality sector in India has exhibited tremendous resilience as its currently on course to recover from the lows of the pandemic year and touch new highs in the near future. The sector, which contributes significantly to the country's economy, employment generation and foreign exchange earnings, represents and supports not just some of the world's most renowned tourist destinations but also a plethora of cultural experiences and landscapes.

**Keywords:** TOURISM; HOSPITALITY; INDIA

Home to a myriad of landscapes, religions, languages, traditions, and cuisines, India offers unparalleled cultural diversity, 40 UNESCO World Heritage sites, 3,686 monuments/sites under the Archeological Survey of India protection and warm hospitality imbibing its ancient philosophy of "Atithi Devo Bhava". From luxurious heritage hotels to budget-friendly homestays, India also offers a wide range of accommodation options to suit every traveller's needs and budget.

That being said, the tourism and hospitality sector was the hardest hit by the Covid 19 pandemic with multiple key metrics like GDP contribution and Foreign Tourist Arrivals plummeting to multi-decadal lows. The sector has shown remarkable improvements in the past two years, aided by strong pent-up demand and government support among other important factors.

## **GDP contribution sees 90% Y-o-Y growth in 2022**

Registering a strong bounce back, the travel and tourism sector's contribution to India's GDP witnessed nearly 90% Y-o-Y growth to reach almost INR 15.7 trillion, or 5.7% of the economy, in 2022<sup>1</sup>, as per a World Travel & Tourism Council's research report. This is expected to reach INR 16.5 trillion and INR 36.8 trillion (approx. 7% of GDP), by the end of 2023 and 2033, respectively. The government also estimates the tourism sector's GDP contribution will reach USD 250 billion and foreign exchange earnings at USD 56 billion by 2030<sup>2</sup>.

<sup>1</sup> Ref: <https://wtcc.org/Portals/0/Documents/Press%20Releases/more-than-1-6MN-travel-and-tourism-jobs-set-to-be-created-in-india-this-year.pdf?ver=4z9StYfm2ySRpUipMteFuQ%3d%3d>

<sup>2</sup> Ref: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1860974>

### **A key contributor to job additions**

The sector also created additional 14.6 million jobs in India to reach 37.2 million jobs in 2022, estimated to grow to 58.2 million jobs by 2033 - or 10% of the total jobs in the country from the current 7.69%, as per the WTTC report. The Centre for Monitoring the Indian Economy<sup>3</sup> also stated that the hotel and tourism industry took the lead in the net employment increase of 4.1 million in India between May 2022 and May 2023 with over 5.4 million jobs created by the sector alone. The government, on the other hand estimates the total job creation in the tourism sector to reach 137 million by 2030.<sup>4</sup>

### **Domestic and international tourist spending sees major growth**

Domestic tourist spending in also India increased by 86% Y-o-Y in 2022 to reach INR 12.3 trillion, as per the WTTC report. This could increase to INR 12.6 trillion by 2023, and INR 28.7 trillion by 2033. International tourist spending in India, on the other hand, saw an even bigger Y-o-Y jump of 125% to reach INR 1.6 trillion in 2022. This could further grow to INR 2 trillion and INR 4.1 trillion by the end of 2023 and 2033, respectively. The COVID -19 pandemic and the resultant restrictions drew tourists closer to domestic destinations. This coupled with the government push towards domestic tourism ensured that the sector has displayed significant resilience in the post covid years and in a way made up for the lack of foreign tourist arrivals.

### **Foreign Tourist Arrivals (FTAs) on the rise, yet still lower than in pre-pandemic years**

India also saw 6.19 million FTA in 2022, almost six times higher than the decadal low of 1.52 million in the pandemic-hit 2021, as per the Bureau of Immigration<sup>5</sup> data. This, however, is still lower than 10.93 million FTAs in the pre-pandemic year of 2019. The government estimates 25 million FTAs by 2030. Significant push on the spiritual/religious tourism side by the government is likely to result in an increase in FTA's, specially in cities such as Varanasi, Haridwar and Vrindawan, amongst others.

### **Hotel occupancy rates expected to reach 66% in 2023**

Hotels in India also saw an occupancy rate of 59-61% in 2022, up 15-17 percentage points from 2021 and only 5-7 percentage points lower than pre-pandemic 2019, according to an HVS Anarock Report<sup>6</sup>. Yet, the average room rates (ARR) of INR 6,000 to 6,200 in 2022 was 1-3 percentage points higher than in 2019, showing signs of full recovery from pandemic lows. The occupancy rate is expected to further improve to 66% in 2023, significantly pushing the revenue per available room (RevPAR) to INR 4,690 from INR 3,500 to INR 3,700 in 2022, as per the report.

<sup>3</sup>Ref:

<https://www.cmie.com/kommon/bin/sr.php?kall=warticle&dt=20230620190143&msec=653#:~:text=Total%20employment%20in%20India%20recorded,employed%20persons%20in%20May%202022.>

<sup>4</sup> Ref: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1860974>

<sup>5</sup>

Ref:

<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1914516#:~:text=India%20received%206.19%20million%20Foreign,the%20same%20period%20of%202021.&text=There%20were%2010.93%20million%20Foreign,during%20pre%20pandemic%20year%202019.>

<sup>6</sup>

Ref:

<https://api.anarock.com/uploads/research/HVS%20ANAROCK%20India%20Hospitality%20Industry%20Overview%202022.pdf>

- **Policy Push: Setting the stage for a stronger delivery**

**Union Budget 2023-24**

The Union Budget 2023-24, presented by Finance Minister Nirmala Sitharaman, identified the tourism sector as one of the four key sectors with big untapped potential in employment and entrepreneurship opportunities. “Promotion of tourism will be taken up on mission mode, with active participation of states, convergence of government programmes and public-private partnerships,” the minister said in her Budget speech<sup>7</sup>. Here are the key sectoral announcements:

**Financial allocation:** A total outlay of INR 2,400 crore<sup>8</sup> was allocated to the Ministry of Tourism to meet its fund requirements, the same amount as the previous year but later revised to INR 1,343.13 crore. Out of this INR 2,400 crore, INR 1,742 crore was allocated towards tourism infrastructure development and INR 242 crore for promotion and branding. A separate INR 1,412 crore outlay has been allocated for the ‘Swadesh Darshan Scheme’<sup>9</sup>.

**50 tourist destinations selected through “challenge mode”:** The government will also develop at least 50 destinations focusing on domestic and foreign tourists under the ‘Swadesh Darshan’ programme. These destinations will be developed as a complete package involving physical and virtual connectivity, security, tourist guides, and food streets with all the aspects made available on a mobile application.

As part of the Swadesh Darshan scheme, the Ministry of Tourism has already approved 76 projects categorised under 13 different themes with a revised sanctioned cost of INR 5,315.59 crore, and up until December 31, 2022, the ministry has released INR 4,734.11 crore for their implementation.<sup>10</sup>

**‘Amrit Dharohar’:** This newly-launched scheme will be implemented over the next three years to encourage optimal use of wetlands, and enhance bio-diversity, carbon stock, eco-tourism opportunities and income generation for local communities.

**‘Unity Mall’:** States will be encouraged to set up a ‘Unity Mall’ at their capital, most prominent tourist centre or financial capital to promote and sell their products (under the One District One Product initiative), geographical indication (GI) products and such products from all other states.

**New airports and improving rail connectivity:** In a potentially major boost to the tourism sector, the finance minister, in her Budget 2023-24 speech, also announced the development of 50 new airports, water aerodromes and heliports to improve regional air connectivity. Besides, the government also allocated INR 2.4 lakh crore to improve and enhance rail connectivity in the country.

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<sup>7</sup> Ref: [https://www.indiabudget.gov.in/doc/budget\\_speech.pdf](https://www.indiabudget.gov.in/doc/budget_speech.pdf)

<sup>8</sup> Ref: <https://travel.economictimes.indiatimes.com/news/ministry/tourism-sector-gets-inr-2400-cr-in-budget-2023-24-18-42-increase-from-last-year/97543481>

<sup>9</sup> Ref: [https://tourism.gov.in/sites/default/files/2023-04/Swadesh%20Darshan%20%20Guideline%20Booklet\\_0.pdf](https://tourism.gov.in/sites/default/files/2023-04/Swadesh%20Darshan%20%20Guideline%20Booklet_0.pdf)

<sup>10</sup> Ref: [https://tourism.gov.in/sites/default/files/2023-02/MOT%20Annual%20Report\\_2022-23\\_English.pdf](https://tourism.gov.in/sites/default/files/2023-02/MOT%20Annual%20Report_2022-23_English.pdf)

**Other key initiatives:** The government will help develop sector-specific skilling and entrepreneurship under the newly-launched ‘Dekho Apna Desh’ initiative focused on encouraging middle-class tourists to prefer domestic tourism. Additionally, rural tourism infrastructure and amenities are to be facilitated under the ‘Vibrant Villages’ initiative in the border villages.

• **Draft National Tourism Policy 2022**

The Union government is currently seeking feedback from other ministries, state governments and masses on its Draft National Tourism Policy 2022<sup>11</sup> and making efforts to introduce it in a timely manner<sup>12</sup>. Here are the key highlights of the policy:

**The vision:** The Draft National Tourism policy aims to provide a holistic framework for sustainable and responsible growth of the tourism sector in India. The vision of the policy is “to transform our tourist destinations to provide world class visitor experience making India one of the topmost destinations for sustainable and responsible tourism.” The new policy should be applicable for ten years from the date of notification (unless extended further), and most of its provisions would require coordinated action by the Union government, state governments and local governments in partnership with industry stakeholders.

**Targets**

Targets	2023	2030	2040	2047
International Tourist Arrivals (in Mn)	13	25	56	100
Domestic Tourist Visits (in Bn)	2	4	10	15
Foreign Exchange Earnings (in \$ Bn)	30	56	175	400
Employment (in Mn)	88	137	257	400
Tourism GDP (in \$ Bn)	143	248	550	1000

**Key strategic objectives:**

- Boost tourism's economic impact by increasing visits, stays, and spending, making India an attractive year-round destination
- Generate employment and entrepreneurial opportunities in the tourism sector and provide a skilled workforce
- Improve the competitiveness of the tourism sector and attract private investments
- Preserve and enrich the country's cultural and natural resources
- Promote sustainable, responsible, and inclusive tourism development

The policy interventions are based on several key strategic pillars, which include enhancing visa, immigration, and customs processes; ensuring destinations are welcoming, safe, clean, and hygienic; improving connectivity and transport infrastructure for seamless travel; focusing on destination planning

<sup>11</sup> Ref: <https://tourism.gov.in/sites/default/files/2022-09/Draft%20National%20Tourism%20Policy%202022%20Final%20July%202012.pdf>

<sup>12</sup> Ref: <https://economictimes.indiatimes.com/industry/services/travel/taking-suggestions-from-various-ministries-states-stakeholders-on-draft-national-tourism-policy-says-g-kishan-reddy/articleshow/97987796.cms>

and development; encouraging investment; implementing effective marketing and promotion strategies; ensuring quality assurance and standardisation; and investing in research and development.

**National Green Tourism Mission:** The Union government will also set up a National Green Tourism Mission under the tourism policy which will work at national, state and destination levels. Its key interrelated objectives include mainstreaming sustainability and encouraging climate action in the tourism sector, promoting responsible and inclusive tourism development aligned with the Sustainable Development Goals 2030.

- **Promoting Foreign Investment**

The government has allowed 100% Foreign Direct Investment<sup>13</sup> in the tourism and hospitality industry in India under the automatic route entailing foreign investors or Indian companies not requiring any prior approval from the government or the Reserve Bank of India. 100% FDI is being allowed in tourism construction projects, including the development of hotels, resorts and recreational facilities.

The total FDI inflow into the sector between April 2000 and March 2023 is USD 16.71 billion<sup>14</sup>, constituting 2.63% of the total FDI inflow across all sectors during the period. However, the momentum is expected to pick up with the significant focus of the government on this sector. As per the Arvind Singh, Secretary, Ministry of Tourism; 25 states have shared 350+ tourism projects which have a total investment potential of almost INR 64,000 Cr. (USD 7.7 billion)<sup>15</sup>.

- **Pilgrimage Rejuvenation And Spiritual Augmentation Drive (PRASAD) Scheme**

The Union government in 2014-15 launched the PRASAD scheme with an initial budget allocation of INR 100 crore to develop pilgrimage sites across India for enriching the hugely-significant religious tourism experience<sup>16</sup>.

As on April 2023, 45 pilgrimage projects have been approved under the scheme in the country with a total approved cost of INR 1,586 crore out of which INR 858 crore have already been disbursed by the Union government.<sup>17</sup>

- **Draft National Strategy for Cruise Tourism**

In a bid to tap the immense potential of cruise tourism in the country for coastal and river sectors, the Ministry of Tourism introduced the draft National Strategy for Cruise Tourism (NSCT)<sup>18</sup> in June last. The government is now seeking feedback from all the stakeholders, including the public, on the draft NSCT and will notify following its incorporation.

India, with its 12 major and 200 minor ports along its 7,500 km coastlines and 20,000 km navigable 110 waterways connecting around 400 rivers, has immense capabilities to scale cruise tourism. Additionally,

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<sup>13</sup> Ref: <https://tourism.gov.in/sites/default/files/2022-07/usq%20140%20for%2018072022.pdf>

<sup>14</sup> Ref: <https://www.makeinindia.com/sector/tourism-and-hospitality>

<sup>15</sup> Ref: [Asiancommunitynews.com/with-a-ready-investment-potential-of-usd-7-7-billion-in-tourism-india-invites-foreign-investment/](http://Asiancommunitynews.com/with-a-ready-investment-potential-of-usd-7-7-billion-in-tourism-india-invites-foreign-investment/)

<sup>16</sup> Ref: [https://tourism.gov.in/sites/default/files/2021-12/Scheme%20Guidelines\\_8\\_0.pdf](https://tourism.gov.in/sites/default/files/2021-12/Scheme%20Guidelines_8_0.pdf)

<sup>17</sup> Ref: <https://tourism.gov.in/sites/default/files/2023-04/usq.5079%20for%2003.04.2023.pdf>

<sup>18</sup> Ref: <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2023/jun/doc2023627218001.pdf>

a 24,000 km cruise coastline is also available in the entire Indian Ocean Rim under bilateral and multilateral treaties.

The potential is huge as India's cruise tourism market is only around USD 100 million out of the USD 7.9 billion-size global cruise tourism market in 2022, estimated to grow to USD 22.8 billion by 2032 at 11.5% CAGR<sup>19</sup>.

The draft NSCT policy focuses on the following cruise segments:

**(i) Coastal Tourism (domestic and multi nation):** These coastal cruises will offer overnight multi-day experiences, spanning 3-7 nights or longer, in mid-market and luxury segments, simultaneously taking advantage of India's diverse tourism assets along the western, southern, and eastern coasts.

**(ii) Ocean Cruises (international cruise):** This cruise sector can boost forex earnings by facilitating foreign flag, home ported, and Indian-flagged cruise vessels calling on Indian ports (with pre-pandemic estimates suggesting up to 0.5 million international cruise travellers handled in Indian ports) with significant growth potential as more global luxury cruise liners visit Mumbai, Mormugao, Mangalore, Kochi, Chennai, Vishakhapatnam, Kolkata, Porbandar, Diu, and Somnath, which are at different stages of international cruise operations and development.

**(iii) River Cruise Tourism (inland waterways):** The 20,000 km-long waterways across 400 rivers have vast potential for cruise tourism, with only a fraction of it currently utilised, yet holding the capacity to generate significant forex earnings and domestic tourism expenditures.

**(iv) Island and Coastal Assets:** Over 1300 islands and coastal assets including almost 200 lighthouses, coastal museums, river banks and embankments could significantly complement the cruise tourism strategy.

#### • Medical Tourism

With over 1.4 million medical tourists visiting India between April 2022 and 2023<sup>20</sup>, the USD 6 billion Indian medical tourism industry in 2022 is estimated to grow to USD 13 billion by 2026, backed by the government's Heal in India initiative<sup>21</sup>.

An abundance of trained medical practitioners with international accreditation and fluency in English, 40 JCI and over 1,400 NABH accredited hospitals, fast-track appointments and treatment costs lower by up to three times are some of the major reasons placing India at the 10<sup>th</sup> position of the Global Medical Tourism Index.

<sup>19</sup> Ref: <https://www.globenewswire.com/en/news-release/2023/05/01/2658392/0/en/Cruise-Market-Size-to-Hit-USD-22-8-Billion-at-a-CAGR-of-11-5-by-2032-Market-us.html>

<sup>20</sup> Ref: <https://www.livemint.com/news/india/india-attracts-1-4-million-medical-tourists-in-one-year-calls-for-global-health-strategy-at-g20-meeting-medicaltourism-globalhealth-11681724235980.html>

<sup>21</sup> Ref: <https://healinindia.gov.in/>



In 2022, the government formulated the National Strategy & Roadmap for Medical and Wellness Tourism<sup>22</sup>, an Atmanirbhar Bharat initiative, to provide an institutional framework, strengthen the ecosystem for medical and wellness tourism, develop a brand and ensure quality assurance.

### **What are the roadblocks for achieving India's true tourism potential?**

**Infrastructure and access:** The government<sup>23</sup> identifies that tourists visiting the sites face a lack of proper interpretation, world-class tourism infrastructure, and services, with destinations often experiencing haphazard and disorganised growth due to inadequate planning, ineffective cooperation among agencies, and insufficient destination-specific branding and marketing strategies, leading to subpar visitor experiences and low footfall. Many of these locations lack proper sanitation, drinking water and healthcare facilities. Also, while road connectivity to many destinations has been improving, however expansion of the rail connectivity has been subpar, with limited good quality public transport connectivity to many popular destinations.

**Medical Tourism unable to realise true potential:** The medical tourism sector is one of the top contributors to tourism in India, however its far from realising its true potential on account of challenges such as lack of transparency in equipment cost and fees, lack of proper hygiene facilities, competition from countries such as Malaysia, Thailand and Turkey and low level of trust from foreign patients.<sup>24</sup>

**Safety and Image perception:** India is still perceived to be not very safe for tourists, especially women, and incidents of attacks on foreign tourists have made a dent on reputation. The country ranks 126<sup>th</sup> among 159 in the 2023 Global Peace Index<sup>25</sup> and 41<sup>st</sup> among 42 countries in the 2022 World Safest Countries rankings<sup>26</sup> produced by Berkshire Hathaway Travel Protection. Frequent travel advisories by the US government<sup>27</sup> also indicate tourist to exercise increased caution, with special caution for women travellers – while does little to uplift the image of the country as a travel destination.

**Prohibitive airfares and connectivity:** While historically airfares have remained largely competitive for the domestic sector in India resulting in an “air boom” in the country over the past several years, however post COVID and in wake of the Ukraine crisis oil price surge has contributed to a sharp increase in airfares. This coupled with the fact that many tourist spots, especially those in the hilly areas have limited rail connectivity, may have an impact on the footfalls in these cities, especially from prospective tourists from other parts of the country.

*End of report*

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<sup>22</sup> Ref: <https://tourism.gov.in/sites/default/files/2022-05/National%20Strategy%20and%20Roadmap%20for%20Medical%20and%20Wellness%20Tourism.pdf>

<sup>23</sup> Ref: <https://tourism.gov.in/sites/default/files/2022-09/Draft%20National%20Tourism%20Policy%202022%20Final%20July%2012.pdf>

<sup>24</sup> <https://www.iipa.org.in/cms/public/uploads/522031635499677.pdf>

<sup>25</sup> Ref: <https://www.visionofhumanity.org/maps/#/>

<sup>26</sup> Ref: <https://www.bhtp.com/blog/india-travel-safety/#:~:text=IS%20INDIA%20SAFE%3F,nuclear%20capabilities%20and%20internal%20squabbles.>

<sup>27</sup> <https://travel.state.gov/content/travel/en/traveladvisories/traveladvisories/india-travel-advisory.html>