

“MSMEs IN HOSPITALITY SECTOR”

A STUDY ON PROBLEMS AND PROSPECTS OF RURAL TOURISM

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Abstract:

Hospitality is all about offering warmth to someone who looks for help at a strange or unfriendly place. It refers to the process of receiving and entertaining a guest with goodwill. Hospitality in the commercial context refers to the activity of hotels, restaurants, catering, inn, resorts or clubs who make a vocation of treating tourists. With unlimited tourism and untapped business prospects, in the coming years Indian hospitality is seeing green pastures of growth. Availability of qualified human resources and untapped geographical resources give great prospects to the hospitality industry. The number of tourists visiting India is estimated to touch the figure of 4.4 million. With this huge figure, India is fast becoming the hottest tourist destination in the region. The visitors include business travelers, leisure travelers

and persons of Indian origin with foreign passports. Growth is expected to continue over the next few years. It is being predicted that India may achieve an average growth of 12% per annum in tourism for many years to come. The present paper is focused on the problems and prospects of hospitality industry in rural India.

Key words: Hospitality- Strange and unfriendly environment- Geographical resources- Business travelers- Leisure travelers.

Introduction:

Hospitality is all about offering warmth to someone who looks for help at a strange or unfriendly place. It refers to the process of receiving and entertaining a guest with goodwill. Hospitality in the commercial context refers to the activity of hotels, restaurants, catering, inn, resorts or clubs

who make a vocation of treating tourists. With unique efforts by government and all other stakeholders, including hotel owners, resort managers, tour and travel operators and employees who work in the sector, Indian hospitality industry has gained a level of acceptance world over. It has yet to go miles for recognition as a world leader of hospitality. Many take Indian hospitality service not for its quality of service but India being a cheap destination for leisure tourism.

With unlimited tourism and untapped business prospects, in the coming years Indian hospitality is seeing green pastures of growth. Availability of qualified human resources and untapped geographical resources give great prospects to the hospitality industry. The number of tourists coming to India is growing year after year. Likewise, internal tourism is another area with great potentials. Today hospitality sector is one of the fastest growing sectors in India. It is expected to grow at the rate of 8% between 2007 and 2016. Many international hotels including Sheraton, Hyatt, Radisson, Meridien, Four Seasons Regent, and Marriott International are already established in the Indian markets and are still expanding.

Some of the main features of the Indian hotel industry include the following:

1. The industry is more dependent on metropolitan cities as they account

for 75% to 80% of the revenues, with Delhi and Mumbai being on top.

2. The average room rate (ARR) and occupancy rate (OC) are the two most critical factors that determine profitability. ARR depends on location, brand image, star rating, quality of facilities and services offered. The occupancy rate depends on other seasonal factors.
3. India is an ideal destination for tourists. Approximately 4.4 million tourists visit India every year. Thus the growth prospects are very high.
4. In the hotel sector, a number of multinationals have strengthened their presence. Players like Four Seasons are also likely to enter the Indian market in the near future. Moreover, Indian hotel chains are also expanding internationally. A combination of all these factors could result in a strong emergence of budget hotels, which could potentially lower the cost of travel and related costs.

The industry can be classified into four segments:

1. **5 Star Deluxe.** These are mainly situated in the business districts of metro cities and cater to business travelers and foreign tourists. These are considered to be very expensive.

These account for about 30% of the industry.

2. **Heritage Hotels.** These are characterized by less capital expenditure and greater affordability and include running hotels in palaces, castles, forts, hunting lodges, etc.
3. **Budget Hotels:** Budget hotels cater mainly to domestic travelers who favor reasonably priced accommodations with limited luxury. These are characterized by special seasonal offers and good services.
4. **Unclassified:** These are low-priced motels spread throughout the country. A low-pricing policy is their only selling point. This segment accounts for about 19 % of the industry.

Medical Tour Centres	**	***	***	***
Eco-Tel Tour	***	***	***	***
Spiritual Tourism	NS	**	***	***
Adventure Tourism	*	*	***	***
Wild life Safari	NS	NS	**	***
Ethnic Tourism	*	*	**	***

***- indicates Highly Suitable; **- Suitable;
 *- Average; NS-indicates Not suitable.

Suitability matrix for the hospitality sector:

Particulars	Metro	Urban	Semi-Urban	Rural
5 Star and Deluxe	***	**	*	NS
Heritage Hotels	NS	***	**	*
Budget Hotels	NS		***	***

SWOT Analysis of Hospitality Sector:

Strengths:

1. **Natural and cultural diversity:** India has a rich cultural heritage. The "unity in diversity" tag attracts most tourists. The coastlines, sunny beaches, backwaters of Kerala, snow capped Himalayas and the quiescent lakes are incredible.
2. **Demand-supply gap:** Indian hotel industry is facing a mismatch between

the demand and supply of rooms leading to higher room rates and occupancy levels. With the privilege of hosting Commonwealth Games 2010 there is more demand of rooms in five star hotels. This has led to the rapid expansion of the sector.

- 3. Government support:** The government has realized the importance of tourism and has proposed a budget of Rs. 540 crore for the development of the industry. The priority is being given to the development of the infrastructure and of new tourist destinations and circuits. The Department of Tourism (DOT) has already started the "Incredible India" campaign for the promotion of tourism in India.
- 4. Increase in the market share:** India's share in international tourism and hospitality market is expected to increase over the long-term. New budget and star hotels are being established. Moreover, foreign hospitality players are heading towards Indian markets.

Weakness:

- 1. Poor support infrastructure:** Though the government is taking necessary steps, many more things need to be done to improve the infrastructure. The total expenditure made in this regard was US \$150 billion in China compared to US\$ 21 billion in India.

- 2. Slow implementation:** The lack of adequate recognition for the tourism industry has been hampering its growth prospects. Whatever steps are being taken by the government are implemented at a slower pace.
- 3. Susceptible to political events:** The internal security scenario and social unrest also hamper the foreign tourist arrival rates.

Opportunity:

- 1. Rising income:** Owing to the rise in income levels, Indians have more spare money to spend, which is expected to enhance leisure tourism.
- 2. Open sky benefits:** With the open sky policy, the travel and tourism industry has seen an increase in business. Increased airline activity has stimulated demand and has helped improve the infrastructure. It has benefited both international and domestic travels.

Threat:

- 1. Fluctuations in international tourist arrivals:** The total dependency on foreign tourists can be risky, as there are wide fluctuations in international tourism. Domestic tourism needs to be given equal importance and measures should be taken to promote it.

2. Increasing competition: Several international majors like the Four Seasons, Shangri-La and Aman Resorts are entering the Indian markets. Two other groups - the Carlson Group and the Marriott chain - are also looking forward to join this race. This will increase the competition for the existing Indian hotel majors.

Future of tourism and hospitality:

The number of tourists visiting India is estimated to touch the figure of 4.4 million. With this huge figure, India is fast becoming the hottest tourist destination in the region. The visitors include business travelers, leisure travelers and persons of Indian origin with foreign passports. Growth is expected to continue over the next few years. It is being predicted that India may achieve an average growth of 12% per annum in tourism for many years to come. Apart from international tourists, the domestic tourist market, including business and leisure travelers, is also flourishing. This market is estimated at around 300 millions tourists per year. The industry also expects a boom in spiritual and medical tourism in the domestic sector at a growth rate of 10% to 15% over the next few years. Growth in tourism will definitely lead to a boom in hotels and restaurants. Though there is a shortage of rooms at present, it is going to be over soon enough, as top international players are heading towards India to establish themselves here. A steady growth

of about 10% in new hotel projects is expected for the next few years

Emerging dimensions of tourism:

Medical Tourism: Indian tourism is aiming to promote its allopathic treatment as a tourist attraction. Medical tourism tends to provide world-class treatment at low price and is gaining worldwide acceptance. Doctors and other medical experts are organizing health camps and other general awareness programs. The vast **array of health care** services includes **ayurveda, yoga, naturopathy, meditation, spas** and many more.

Spiritual Tourism: India has a rich heritage of cultures and religions. **Hinduism, Buddhism, Christianity, Islam, Jainism** has lived here for centuries. There is so much mental pressure and disturbance all over the world that people are looking forward to find solace. India is being represented as a destination for spiritual tourism. Spiritual tourism includes all the religions, religious places associated with them, and emotional attachment and beliefs attached to these centers. Thus, through religious tourism there is a sincere effort to bring better understanding among various communities, nations and thus foster global unity.

Rural Tourism: Real India is rural India. Almost 74% of the population is in rural areas. For the development of rural India, government is promoting rural tourism.

Rural tourism showcases the rural life in India, the art, culture and heritage, the nature and wild life and various other aspects of rural India. The rural India has a great potential to attract foreign tourists. The rural tourism helps in improving lives of rural people and maintaining the quality of environment.

Adventurous Tourism: India is an incredible destination for adventures. The snow capped Himalayas, erratic streams, safaris, etc all add to its natural glory. Water sports, elephant safari, mountaineering, skiing, gliding, trekking, river rafting, etc are breath-taking opportunities for adventurous people. Ladakh, the Garwal hills, the Himachal hills, Darjeeling, Goa, Lakshadweep, Andaman and Nicobar Islands, are some of the places that offer adventure tourism.

MICE Tourism: MICE (meetings, incentives, conferences and exhibitions) is associated with business travelers. It caters to various forms of business meetings, international conferences and conventions, events and exhibitions. India is gaining pace to become an ideal MICE destination due to the flourishing business here. The MICE industry converts the annual business meetings and conferences into a glamorous and enjoyable event for the delegates and attendants. To develop business tourism in India, some renowned MICE centres are already established. The Ashok (New Delhi), Hyderabad International Convention

Centre (Hyderabad), Le Meridien (Cochin), Delhi International Expo Centre (Noida) are some of them.

Eco Tourism: People are visiting India to unravel the secrets of nature. Eco tourism (also known as nature tourism) relates to nature and its attractiveness so that the visitors experience it in its pristine settings. Eco tourism attracts domestic as well as international tourists towards the magnificent ancient cities, hill stations, remote villages, desert areas and wildlife sanctuaries and parks in India. It is the fastest growing sector of Indian tourism comprising 40 to 60 per cent of all international tourism.

Trends in Hospitality Sector:

- **Low cost carriers:** Travelers in general are more price sensitive to airfare than they are to hotel room rates. Often a low airfare will stimulate demand for travel even if hotel prices are increasing. LCCs are a good option for business travelers, as they have advantages like low costs, more options and connectivity.
- **Budget hotels:** More than 50 per cent of occupancy of a majority of hotels comes from the business travel segment. The average room rate (ARR) realized from business travelers is normally higher than from leisure travelers. Heightened demand and the healthy occupancy rates have resulted in an increase in the number of budget

hotels. Some of the new players entering into this category of hotels include Homotel, Kamfotel, Courtyard by Marriott, Country Inns & Suites, Ibis and Fairfield Inn.

- **Service apartments:** The concept of service apartments, though a recent phenomenon in India, is an established global concept. Villas in Spain, flats in the UK and apartment complexes in the US have all created a viable market for those who want more than just a room in a hotel. Service apartments are the latest trend in accommodation, offering the comfort and convenience of a home without the hassles of having to maintain or look after it. Ideally suited for medium-to-long staying guests, service apartments are a natural choice for corporate employees or expatriates relocating to a particular city, non-resident Indians visiting the country for long spells and foreigners visiting the city for long durations.
- **Technology:** Travel and technology have become inseparable. Technology is making its own advances with high-tech video conferencing facilities, web cameras and virtual reality mode of conferencing. On-line bookings, e-ticketing, Wi-Fi Internet connectivity, easy access to information, etc. are just a few areas where technology has completely changed the way we travel.

- **Loyalty travel:** Today, airline-credit card company tie-ups have brought a whole range of benefits to the travelers. These include insurance cover, upgrades, free tickets, access to executive lounges, and a host of other goodies.

Challenges for Hospitality Industry:

1. **Shortage of skilled employees:** One of the greatest challenges plaguing the hospitality industry is the unavailability of quality workforce in different skill levels. The hospitality industry has failed to retain good professionals.
2. **Retaining quality workforce:** Retention of the workforce through training and development in the hotel industry is a problem and attrition levels are too high. One of the reasons for this is unattractive wage packages. Though there is boom in the service sector, most of the hotel management graduates are joining other sectors like retail and aviation.
3. **Shortage of rooms:** The hotel industry is facing heavy shortage of rooms. It is estimated that the current requirement is of 1,50,000 rooms. Though the new investment plan would add 53,000 rooms, the shortage will still persist.
4. **Intense competition and image of India:** The industry is witnessing

heightened competition with the arrival of new players, new products and new systems. The competition from neighboring countries and negative perceptions about Indian tourism product constrains the growth of tourism. The image of India as a country overrun by poverty, political instability, safety concerns and diseases also harms the tourism industry.

5. **Customer expectations:** As India is emerging as a destination on the global travel map, expectations of customers are rising. The companies have to focus on customer loyalty and repeat purchases.
6. **Manual back-end:** Though most reputed chains have IT enabled systems for property management, reservations, etc., almost all the data which actually make the company work are filled in manual log books or are simply not tracked.
7. **Human resource development:** Some of the services required in the tourism and hotel industries are highly personalized, and no amount of automation can substitute for personal service providers. India is focusing more on white collar jobs than blue collar jobs. The shortage of blue collar employees will pose various threats to the industry

Potential for Growth and Development:

In 2003-04 the hospitality industry contributed only 2% of the GDP. However, it is projected to grow at a rate of 8.8% during 2007-16, which is expected to place India as the second fastest growing tourism market in the world. This year the number of tourists visiting India is estimated to have touched the figure of 4.4 million. With this huge figure, India is becoming the hottest tourist destination. The arrival of foreign tourists has shown a compounded annual growth of 6 per cent over the past 10 years. Besides, travel and tourism is the second highest foreign exchange earner for India. Moreover, it is also estimated that the tourism sector will account for nearly 5.3 per cent of GDP and 5.4 per cent of total employment.

Table 1.1: Showing contribution of Hospitality sector and potential :(in Percentages)

Years	GDP	Emp	Vi s - Ex p	Perso nal T&T	CI	Govt. Exp
Outlook for 2006	7.80	1.40	10.90	6.90	8.30	7.70

Outlook for 2007-16*	6.60	1.00	7.80	6.70	7.80	6.60
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many more opportunities to grow further. Let us pray for the same to be happening at the earliest.

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Conclusion:

Tourism is expected to grow further over the next few years due to the changes taking place on the demand and supply sides. The factors that will account for the further growth of tourism will include the following:

1. Change in standards of living
2. More disposable income
3. Better education
4. Long leisure time
5. Aging population

Owing to growth of tourism sector, infrastructure will improve, competition will increase, new products will come into markets and better services will be provided. Due to the rapid growth in tourism, the hotel industry is also booming. Many international players like Le Meridian and Accord are heading towards Indian markets to expand their business. With government's full support in developing infrastructure, increase in demand, open sky policies and increased competition, the hospitality industry is getting consolidated and has

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