

A study of financial, marketing and human resources related problems faced by hotel business in Pune District.

Prof. Pralhad Prakash Joshi

Assistant Professor, Trinity College of Engineering and Research, Pune

Abstract:Hotel business in India is continuously putting its efforts to sustain them due to acute competitive and economically demanding market atmosphere. Today Indian hotel business is facing several challenges and problems. The main purpose of this study is to focus on the various problems and challenges faced by hotel business pertaining to finance, marketing, government taxes and HR management. The present study highlights that some of the major financial problems faced by hotel owners includes long gestation period, higher cost of maintenance, heavy tax rates etc. Apart from this lack of adequate marketing and sales promotion budget, challenges in customer retention, challenges of intense market competition are some of the marketing problems/challenges in the hotel business. Now days Hotel owners are not only facing the financial and market related problems, but also there are HR related problems. Inadequately skilled staff and high labour turnover at lower level of staff is a serious challenge before hotel business.

Key words:*Hotel Business, Financial Problems, Marketing Problems, Tax Constraints, HR related Problems.*

I) Introduction:

Hotel business is a part of tourism sector in India. It is about serving the guest to provide them feel good effect. Today hotel business is fastest developing in India. Hotel and tourism sector is a vibrant component of the Indian economy. This sector accounts for 60% of the country's gross domestic product (GDP). The Indian hotel industry has emerged as one of the key drivers of growth among the service sectors. This sector is an employment producer and a significant source of generating foreign exchange reserve for the nation. Indian hotel business has reached to new heights, still facing some major problems related to finance, marketing and human resources.

The hotel business in India is growing and developing at such a great place that it has improved twelve positions in the world travel and tourism index to 40th and has observed that there is an increase in international tourist from last few years. While the hotel sector is doing great according to different reports and statistics, but there is need of a to look into the different problems, challenges persisting in hotel business such as financial problems, marketing problems, HR related problems and various government tax constraints faced by the hotel owners. This study is an attempt to focus on these problems, challenges faced by hotel owners in India.

II) **Literature Review:**

- 1) A. H. Shaikh and P. V. Daddikar (2016) have identified the opportunities and various challenges in hospitality sector in India. Through the study author have discussed on the direct contribution of tourism and hospitality sector to GDP, market size, investments and government initiatives for the development of hospitality sector. In this context authors have focused on the several initiatives undertaken to promote various tourism products and hotel business in India. In the opinion of author, this study paper is helpful in understanding the various challenges and problems faced by hospitality/Hotel business. Through the study author has pointed out major problems or challenges faced by hotel business. These problems are lack of proper infrastructure, lack of easy access and connectivity, lack of amenities, lack of trained and experienced human resources, obstacles in marketing and promotion activities etc. Apart from this author have pointed out that hotel business is also facing lot of challenges, such as challenges of employee retention, challenges of customer satisfaction and other challenges pertaining to technical compliances etc.
- 2) Gaurav Kashyap (2014) has examined the difficulties faced by the Indian hotel business. Author has focused on the challenges faced by the hotel owners and the management and operational staff working currently in the hotels. Through the study author has focused on the flaws in some of the government policies which are directly connected to the hotel business and impacting on the growth and development of hotel organization. Author has discussed on the other issues which are related to hotel business such as taxation policies of Indian government, debt funding by Indian banks, issues related to licensing etc. Author has stated that competition for the survival in the Indian hotel business is still gradually increasing at the constant rate of 5% to 7% every year. Author has pointed out that occupancy level in hotels has been reported as getting lower and discounts percentages getting higher, which is adversely affecting the growth and development of hotel business in India.
- 3) Rumki Bandhopadhyay (2012), has provided a practitioners perspective on financial challenges in the Indian hotel business. Author has highlighted that, some of the financial challenges faced by the Indian hotel business which include high financing cost, multiplicity of taxes charged, licensing and legal issues and issues related to working capital and eroding margins. Through the present study author has provided some very useful qualitative analysis of the contemporary challenges and their possible solutions prevalent in Indian hotel business. In the opinion of author, better management of finance and cost will solve some of the financial challenges and problem faced by the

Indian hotel business. Therefore author has concluded that the issues related to financing like high financing cost and difficulty in raising finance have emerged as the key issue that needs to be addressed properly.

- 4) M.G. Ivanova (2011) has examined the process of adaptation of marketing policies of newly affiliated hotels to chain rules. Through the study author has discussed on the marketing related issues like advertising, promotion, distribution channels, chain marketing strategy etc. This paper focused on all the difficulties that can be faced in marketing field and outlines challenges for hotel owners. Through this study author has discussed on the various dimensions of marketing challenges faced by hotel owners. In the opinion of author to stay independent or join a powerful hotel chain is a critical decision for any hotel owner. Author has outlined the major difficulties in the process of marketing and issues related to marketing from hotel manager's perspective. Author has concluded that, the steps like product repositioning and revision of the price structure should strictly follow chains marketing strategy.

III) **Need of the study:**

Being an important sector in the Indian economy, there are certain problems faced by hotel owners which are required to be focused. The observations of this study will provide useful information about current scenario of hotel business in Pune district. This study is important with a view to identify the areas of problem in marketing and promotion to attract potential consumers, travelers through planned marketing and promotional activities. The significance and the need of the present study, thus lies on its contribution to the upgrading of hotel business in general. There is also a need to take effort by the market players to patronize the hotel business as a service provider which is significant in human life. Apart from this with a view of an academician, the study will stimulate further studies of problems and challenges related to finance, market, government tax structure and HR related problems etc.

IV) **Objectives of the study:**

- 1) To study the financial problems in hotel business.
- 2) To highlight the major tax constraints in hotel business.
- 3) To study the major marketing challenges in hotel business.
- 4) To understand the HR related problems in hotel business.

V) Research methodology:

The present study is exploratory in nature. In total 200, One Star, Two Star and Three Star hotels and budget hotels were selected from in and around Pune city and other prime places in Pune district. The present study is based on secondary as well as primary information. The primary information pertaining to financial, marketing and HR problems etc. is collected from hotel owners and managers. The secondary information is collected through study papers, articles, books, magazines, etc. Survey method has been followed to collect primary information. The primary information is collected with the help of small questionnaire. The questionnaire designed had open ended questions. All the primary information is presented in a table form by using percentage method.

VI) Selection of samples:

A sample of 200 hotels has been selected by using convenient sampling method. These hotels are located in and around Pune city that is four blocks nearby Pune city. These blocks are – Bhor, Haveli, Maval and Khed. The following table indicates the block and segment wise selected hotels.

Blocks/Segments	1 Star	2 Star	3 Star	Total
BHOR	23	13	03	39
HAVELI	31	30	04	65
MAVAL	30	12	07	49
KHED	27	19	01	47
TOTAL	111	74	15	200

VII) Scope and limitation of the study:

- 1) This study deals with 1 to 3 star hotels having lodging facility in and around Pune city. The target population was confined to hotel owners and managers only.
- 2) Financial problems, marketing challenges, tax constraints and HR related problems were only selected variables.
- 3) The survey of the study is confined to limited area.

VIII) Result and discussion:**Table No.1**

Major Financial Problems (Multiple Responses)

Problems	No. of Respondents	Percentage (%)
Long Gestation Period	168	84 %
Capital Locked in Fixed Assets	179	90 %
Higher Cost of Maintenance	200	100 %
Heavy Tax Rates	193	97 %
Difficulties in Raising Fund	171	86 %
Lack of Working Capital	159	80 %
Decrease in average room revenue	136	68 %

Gestation period in the hotel business is very long as compared with other business, as stated by 84 % respondents. The long payback period demand the long term finance for the fixed assets such as land and building etc and medium term finance for interior assets and for innovation purposes. Since the profit margin is not very high in selected types of hotel business the investment proposition is difficult for the hotel owners. The long payback period is a major obstacle in the long term finance to the hotel business. 90 % respondents have stated that major portion of the capital is locked up in the fixed assets. The higher percentage of fixed cost creates difficulties in maintaining adequate profitability. 100 % respondents have stated that maintenance cost in hotel business is very high and its rate of obsolescence is also very high. Construction of hotel as per the requirement is not an easy task, opined by these respondents. Hotel business is facing the heavy tax burden. It is highest in the world stated by 97% respondents, which also creates an obstacle in the profitability of hotel business. 86% respondents have stated that, it has become difficult for hotel owners to make a financial provision for the development and innovation purpose. The financial institutions and banks are susceptible to hear mentality, which make them to impose tough condition for lending finance for development and innovation purposes. 80% respondents have stated that, there are many problems pertaining to the working capital levels. This has adversely affected daily business activities of the hotels. There is a longer period of credit which results in the generation of negative working capital and therefore, there is additional burden to interest cost. 68% respondent have stated that, there has been tremendous decrease in the average room revenue due to increasing number of hotels with increasing number of rooms in these hotels. This shows that, there are several challenges faced by hotel business today.

Table No.2**Major Tax Related Constraints (Multiple Responses)**

Constraints	No. of Respondents	Percentage (%)
Sale Tax	182	91 %
Luxury Tax	153	77 %
Property Tax	147	74 %
Income Tax	186	93 %
Service Tax	088	44 %
No Uniformity in Taxes	200	100 %

Government of India imposes heavy taxes on the hotel industry. 91% respondents have stated that there is a heavy burden of sales tax. This tax is imposed on the sales of food items and beverages in hotels. There is no uniformity and simple process in sales tax computation. Central and state governments have their own sales tax procedure. This is the one of the main tax related constraints in the hotel business. 77% respondents have stated that luxury tax is the major constraint. This type of tax is subjected to state jurisdiction, and depends on the number of rooms occupied by tourist. In the opinion of 74 % respondents, property tax is very heavy for them. 93% respondents have opined that compliance and process related to income tax is a major issue faced by individual hotel owners. For the purpose of removing the practice of bribe/tipping which is humiliating for the receiver and burden for the customer, the alternative of imposing a service tax was existed in India a few years ago. This type of tax cum Bribe/tipping is disliked by most of the customers. According to 44% respondents, service tax is a major constraint in the hotel business. 100% respondents have stated that there is no uniformity in government taxes across the country.

Table No.3**Major Marketing Challenges (Multiple Responses)**

Challenges	No. of Respondents	Percentage (%)
Challenges of raising budget for promotion, Marketing	200	100 %
Challenges of market segmentation & repositioning	148	74 %
Challenges of revising price structure	169	84 %
Challenges of intense market competition	167	83 %
Challenges of rising customers expectations & preference	173	87 %
Challenges of customer retention	169	85 %

Marketing and promotional activities are the major critical task for the hotel business. There are several problems or constraints faced by the hotel business in the marketing functions. In this context 100% respondents have stated that, there is a challenge of raising adequate budget for the promotion and marketing functions, due to other increasing expenditures on raw materials, maintenance, wages and salary, fuel etc. In the opinion of 74 % respondents, adjustment of products and incorporating chains standards lead to a necessity of repositioning and call for appropriate market segments, and this is a great challenge for majority of hotel owners. On the background of fast changing market scenario, it is difficult to revise price structure frequently stated by 84% respondents. Revising price or adjusting prices is a critical decision for any hotel owner, in today's competitive market conditions. Today hotel business is witnessing a heightened market competition with the arrivals of new hotels, new products and new systems. Therefore, in the opinion of 83% respondent there is challenges of intense market competition, which is a major obstacle in their hotel business. In the emerging new hotel business, most of the hotel organization's are now focusing on customizing their service standards as per the requirement of the business area. In this new emerging hotel business customer's expectations are increasing, and this the major challenges for 87% respondents to cope up with the rising expectations, changing likes and dislikes of customers. On this background, there is a major challenge for hotel owners to retain the current customers forever, stated by 85% respondents. It shows that, hotel business has become more competitive business and most of the hotel owners are trying to identify and satisfy their customer's needs, so that they could be able to retain their position in the industry.

Table No.4

Major HR related Problems (Multiple Responses)

Problems	No. of Respondents	Percentage (%)
Lack of Trained & Experienced Personnel	129	65 %
High Rate of Attrition	137	69 %
Low Productivity	074	37 %
Lack of Professional Attitude	100	50 %
Lack of HRD Strategies	116	58 %
Low satisfaction level of Employees with Low Pay & Long Working Hours	123	62 %

Availability of trained and experienced personnel is the biggest challenges before the Indian hotel business stated by 65% respondents. This is due to lack of standardized

HR practices, non-competitive salaries and wages etc., and therefore, today hotel business has failed to retain good qualified human resources for longer period of time. In the opinion of 69% respondents, high rate of attrition is a major problem in the hotel business. Higher rate of attrition in hotel business is certainly not beneficial to the hotel owners, as it result in increasing costs in way of hiring costs, cost of training, and loss of productivity. All these things create constraints in the customer service and adversely affect on the reputation and goodwill of the hotels. High proportion of untrained human resources lack of attractive salary and wages, and lack of other monetary benefits caused for low productivity and lack of professional attitude among the employees, stated by 37% and 50% respondents respectively. Apart from this lack of HRD strategies and policies for human resource development also affect the hotel business stated by 58% respondents. 62% respondents have stated that, dissatisfaction of personnel with low pay with long working hours is one of the major problems faced by hotel business.

IX) Major finding and conclusions:

- 1) There are some financial issues or problems that have emerged as key challenges affecting hotel business. These major financial issues are high gestation period, high cost of maintenance, heavy taxes, etc.
- 2) It is found that, there are several tax constraints like income tax, sales tax, luxury tax etc, which are adversely affecting the hotel business.
- 3) It is found that lack of budget for promotion and marketing purposes. Majority of hotels are facing the market related problems such as challenges of market segmentation, challenges of revising price structure as per the changing market trends and cut throat market competition and challenges related to customer satisfaction.
- 4) It is also found that apart from financial and marketing problems, Indian hotels are also facing the problems related to human resource. Lack of trained and experienced manpower, high rate of attrition are some of the major issues faced by hotel owners. Therefore availability of competent and skilled manpower is a great challenge for the Indian hotel business.

There are many problems and challenges faced by the hotels. It is obvious from the study too, that a lot more could be achieved from hotel business if and when there are proper financial and marketing strategies carried out for the purpose of growth and development of hotel business. There should be reduction and simplification of tax burden/process by the government.

X) Suggestions:

- 1) Government should impose uniform tax rates based on rooms and food, drinks, etc. across the country.
- 2) There should be special incentives by the financial institutions for budget hotels to alleviate financial needs or issues.
- 3) There is a need for fast clearances and approvals by the government authority for all projects schemes or programmes which are directly related to the development of hotel business in India.
- 4) To remain competitive in the market, hotel business needs to change its traditional marketing approach to a more competitive and modern approach.
- 5) There is a need to encourage overall development of manpower engaged in hotel business by providing them with the opportunity to improve their skill and knowledge through training programmes.

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