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## **Hospitality Industry in India: Challenges and Solutions**

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### **Abstract:**

*Hospitality is the flourishing sector in Indian Economy and has spread its tentacles nationwide. The mushrooming industry has also brought along with it several key challenges which need to be addressed sooner than later. This research aims at highlighting, reporting and upcoming trends expected for the hospitality industry in India. The study also discusses evolution and main characteristics of Indian Hotel Industry, discussing what is to be expected in near future and what are the key challenges that the Industry needs to tackle in an emerging global context. This research study also analyses the impact of these changes on human resource development and management. The key issues in the context of the hospitality industry in India are in the areas of strategy and finance, licenses and policies, room inventory, technological hiccups, cost and revenue management, growth issues, safety and security concerns and talent management. Even though there are numerous challenges they can be overcome with implementing some novel measures.*

**Keywords: Hospitality, Hotel Industry, Tourism Challenges**

### **Introduction:**

The Indian Hotel Industry has grown leaps and bounds in all the directions and all states in India. This industry has vast growth potential due to the positive impact of demand-supply scenario, investments, natural factors and government initiatives for tourism sector. To develop a better understanding of the industry this research discusses on an all-inclusive comprehensive scale of Indian Hotel Industry, which elaborates trends, future aspects and challenges keeping in mind the various factors determining functioning of industry. This is a small yet significant attempt to analyse the characteristics of Indian Hospitality Industry as it is a major revenue earner for the country. Hotel industry occupies a vital place in service sector with regard to national economic development. Main characteristics for Hospitality Industry in India are its seasonal character, labour intensive nature and fragmentation. The Indian Hospitality Industry faces numerous challenges predominantly because of shortage of skilled employees, high turnover of quality workforce, excess of room inventory, cut throat competition amongst



various players, safety issues, high guest expectations, employee retainability in Hospitality Industry Apart from these infrastructural bottlenecks, compounding costs, stagnant innovation, uneven progress and poor organization also plague the Hospitality management. This paper further focuses on the key areas of hospitality industry wherein special watch needs to be kept on upcoming markets expectations, changing demographic features, sustainability, latest technological advances and disaster management.

The purpose of this study is to assess the present situation of the hospitality industry in India and the challenges ahead. The research highlights the key challenges encountered by the industry. This study helps in analyzing concerns that are likely to be faced by owners and managers of the hospitality businesses and those who consume their product and services.

Hospitality Industry is one of the oldest industries in the world, was patronized initially by businessmen (traders), philosophers, religious people and scholars since ancient times. In olden days the *Mutts, Dharamshaalas, Yatri nivas, sarai and yatri bhavans* drew a rosy picture to attract the travellers and tourist. In modern day it has taken the form of hotels, motels, inns, resorts and restaurants. In a larger and broader perspective Hospitality Industry is involved in tourism, entertainment, accommodation, transportation (airlines, railways, car rentals, cruise liners and travel intermediaries including travel agents and tour operators. The Government of India made their first ever investment in hotel industry – The Ashoka Hotel, New Delhi. In 1966, a merger took place between Janpath Hotel India Ltd. and India Tourism Transport Undertaking Ltd giving birth to The India Tourism Development Corporation (ITDC). The Indian government gave another push to the tourism sector by creating the Ministry of Tourism and Civil Aviation. Tourism was given the status of an Industry in 1986. The government of India after conducting a critical assessment in 1987 allowed franchising of 3 and 4 star hotels by an Indian firm. In 1991, Tourism was made a priority sector, creating the hospitality industry eligible for regular approvals of hotels where 51 % of equity was being made available by a foreign partner.

### **Characteristics of Indian Hospitality Industry:**

1] **High Seasonality:** The Indian hotel industry generally enjoys its pinnacle of demand during October–April, whereas the monsoon months' experience low demand in some areas. The areas of North East enjoy the rainy season with flood of tourist wanting to enjoy the green nature. It is the quarter of December - March that earns 60% of the year's turnover for Indian hotels specially the hilly areas experiencing snowfall. During the Summer season almost all the hotels are packed to occupancy because of the vacation period. In slack season the revenue comes



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from Meetings, Incentives, Conferences and Entertainment segment and offering attractive packages during the lean period.

2) **Labour Intensive:** Hospitality Industry lays emphasis on the quality of manpower and employs skilled, semi-skilled, and unskilled workers both in a direct and indirect manner. The average employee-to-room ratio in India is at 1.6 (2008-09), which is greater than international standards. Since the branded international hotels have entered and are determined to flourish in the Indian industry across different categories, the hotel companies in India need to reconsider their staffing requirements by becoming more competent in manpower management.

3) **Fragmented:** A large number of small and unorganized players account for a huge market share in the Indian hotel industry making it highly fragmented. The Taj, Oberoi, ITC Hotels, and East India Hotels comprise of the major players in the organized segment

### **Challenges faced by the hospitality Industry in India**

1) **License Issues:** Indian hotels need to apply for multiple licenses undergoing a red-tapism by government agencies. Numerous types of licenses as per the state in which it is situated needs to be obtained. This activity of procuring licenses delays the project which is detrimental to the interests of management. as compared to other progressive countries where the license procedure is simple and strict

2) **Shortage of skilled employees:** Unavailability of diligent, dedicated sincere skilled workforce in different skill levels is one of the biggest hurdles faced by the Indian Hospitality Industry, especially in the interior regions of the country which attract tourists but they are not able to sustain skilled and educated employees

3) **High turnover of quality workforce:** The hotel industry in India finds it very difficult to retain the workforce even with training and development and the attrition levels are very high. Hotel Industry professionals are easily absorbed at better paying industries like retail, banking, aviation and other service sectors

4) **Excess of Room Inventory:** Working income declines in the as there is a gap in the number of rooms coming up and the meagre increase in number of customers. Due to surplus room inventory in 14 major metropolitan cities in the country, operating profit margins of these hotels have dropped to the lowest in last ten years



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**5] Competition faced amongst various players:** The industry is witnessing increasing competition with the arrival of new players, new products and new systems. The competition from neighbouring countries is equally severe with South East Asia coming up as a cheaper destination with better infrastructure.

**6] Safety issues:** The international tourists are mostly at the receiving end as they are hassled, cheated, looted, insulted and mugged in India. In recent times online frauds are on the increase. Tourists' confidence about the protection and security in tourist destination is a disturbing matter which affects visiting choice and the expansion of tourism industries.

**7] Infrastructural bottlenecks** Infrastructural facilities like below average quality and need of upgradation to global standards also poses a challenge Lack of proper synchronization between the types of transport and communication leads to wastage of time, money and energy of tourists. Therefore, a consumer centric approach and better excess to infrastructure needs to be worked upon for the recognition.

**8] Compounding costs:** Hotel Industry in India is losing its charm as a cost-effective destination due to escalating costs in hotels. High cost of land often discourages investors in construction of new hotels. Also, there is no rationalization of taxes as states charge different rates. The other costs causing a lot of distress to the industry are utilities (electricity, fuel, water, solid waste disposal etc), payroll, taxes, social media and technology.

### **Suggestions to overcome the above challenges:**

Better HR Practices:

a. Productivity related Pay: Hospitality industry, is labour intensive and the personalised service cannot be replaced by automation. Restructuring work process and then fixing the benefits of increased productivity can yield positive results.

b. Alternate Scheduling: It means a staffing schedule that differs from usual work-day This includes Part-Time and Flexi-Time, Compressed Work Schedules, and Job Sharing. Which allows employers to fill in gaps and serve as helping hands reducing labour costs.



c. Develop Internal Programs: Hotels should design internal programs in order to generate attractive career opportunities for their employees. The employees should see their job as a professional development prospect with genuine potential for progression.

d. Better Communication: When goals, objectives and pertinent daily business information are poorly communicated, they result in confusion and loss of confidence amongst employees.

e. Promoting Best Practices: If “Best Practices” are constantly practiced as a mandate, organisations can deliver even flourish in toughest of periods.

## Conclusion

The suggested measures if practiced could fuel economic growth not only for the hospitality Industry but would also contribute to the Indian Economy. Technological advances need to be adopted quickly. The delayed process of license acquisition must be simplified by government of India to make the entire process quick, simple and transparent. There should be tax rationalisation. For Indian hospitality to project itself as a safe and tourist friendly business there is a need for continuous research and innovation. With provision of better infrastructural facilities along with a stable socio political and economic environment, the sentiments of tourists will definitely improve towards India. The Indian cultural belief of **ATITHI DEVO BHAVA** must be implemented in letter and spirit to make the hospitality industry a profitable lucrative industry in the coming years.

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