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Tourism: the growth multiplier

I have been invited to speak at the 40th annual convention of the Federation of Hotel and Restaurant Associations of India on the broad theme of India Tourism: The Way Ahead. This is for the first time that the convention is being held outside India and it was not clear whether the young, progressive Vivek Nair, the President of the Association, had chosen Dubai as a closest venue to the mainland for accommodating all delegates, in view of room crunch in India, or because this represents a genuine effort to seek global perceptions.

In the old days, religious tourism was popular, but Dubai has now proved that tourism itself can become a religion! There is an old proverb that all that glitters is not gold. However, about Dubai it can truly be said that all that glitters is gold, looking at the ornate style of its hotels, the dazzling sheen in its jewellery shops, the opulent lifestyles of the rich and the city becoming a hub for economic activity and tourism. Dubai, as the participants at the convention will realise, has merely offered security and quality infrastructure to permit freedom in human ingenuity to create a meaningful hub of economic activity.

Enticing over six million tourists in a short time, with an ambitious target of 10-15 million over the next few years, creating a world-class airport hub and building satellite cities by reclamation of the sea, environmentally damaging as that might be, speak volumes about an innovative economic strategy. There is a lot to be learnt from Dubai both on what to do and what not to do. We in India after five decades attract just over three million tourists, who include NRIs, Bangladeshis and Pakistanis, to generate employment for just about 25 million and secure 5 per cent contribution to the GDP.

Tourism has a growth multiplier which the world has recognised: it is a source for large employment with small capital investment arising from a favourable employment co-efficient ratio. It is a means to foster equity: there are few economic activities where the income percolates so readily to the average man, who can be engaged in anything from vegetable cultivation and maintaining the food-supply chain to carrying out laundry functions, and ensuring regular supply of newspapers and periodicals. This is particularly so in smaller and medium cities where many of these activities are manually undertaken. Increased tourist activity however brings with it new skills, improved practices, technological improvements, not to mention the diversity of varied cuisines, and hopefully fosters greater tolerance even in closed societies.

Finally, the symbiotic relationship between business activity and tourism. Hospitality facilities attract investors towards making business decisions, while the converse is also true; the Japanese do not favour India as an investment destination in the absence of assured high-quality sushi and tempura!

In the end, no tourism can flourish if economic growth remains stagnant. However, if we continue to grow at 7-8 per cent, which we hope to, tourism can be a growth

engine. Some of the obvious steps towards this end include:

a) A sustained mindset change in which tourism is not regarded as an elitist activity for the rich and wealthy. It is rather a catalyst with multiplier benefits, including gainful employment, improved income distribution and creation of wealth. Some mindset change has taken place but it has to percolate down to many state governments and organisations where enthusiastic officials still find ingenious ways to tax the sector further or make availability of land onerous and unaffordable.

b) Make coordinated efforts between the Centre and state governments. The Central Government grants tax and other concessions, only to be nullified by state governments. The proposal of the Tourism Ministry to bring tourism under the concurrent list in the Constitution and to create a National Tourism Promotion Board under the Prime Minister needs to be actively pursued.

c) Fiscal policies need to be aligned with the rates prevalent in other competing destinations. A lot has been done recently but fine-tuning is necessary and there is a clamour to secure infrastructure status for the hotel industry. Access to affordable credit, particularly for greenfield hotel entrepreneurs, at affordable cost, and innovative ways for adequate equity to be raised are a challenge.

d) Business cycles are part of the ongoing economic activity. Even while the symmetry between boom-burst cycles is making risk management more challenging, the problem of the travel and tourism industry is more serious. A small exogenous event like a bird flu, a SARS virus, a terrorist attack or local communal tension can destroy the small and medium entrepreneurs. Given the special vulnerability of this sector, consideration can be given to an insurance stabilisation fund or an arrangement for debt restructuring during the transition period for survival of small entrepreneurs with shallower packets.

e) Proposed privatisation of airports (hopefully on track this time) and easing of restrictions on private airlines, both for domestic and international destinations, will have a positive impact. So will the exponential expansion of domestic tourism based on upgradation of national highways, new highway connectivity, and integration of rural economy through progressive completion of rural network roads programme.

f) Finally, the young demographic profile of India, the shifting patterns of consumption, redistribution of time between work and leisure create new opportunities for exponential expansion of domestic travel.

The Tourism Policy 2002 remains significantly unimplemented. We require a bolder vision of aiming at 10 million tourists in three-four years, yielding employment for 125 million Indians and a GDP contribution of 10-12 per cent. For these to be realised, the sector needs to be treated with priority, continuity and sensitivity to handle the tourists' psychology.

It has been said that large part of tourism is an engagement of the ego versus the world. The world is hydra-headed, as old as the rocks and as changing as a sea enmeshed in the rocks, and the ego wants to be pampered, arrive at places safely and in time. To realise the more daunting vision of the tourism sector, our policies

must aim not only at safe and timely arrival but at pampering the fragile ego of the tourist, both domestic and foreign.

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