

Indian travel and tourism sector is the third largest foreign exchange earner

People, since time immemorial, have always looked for opportunities to get out of their monotonous and mundane life for seeking leisure. In earlier days, when life was not very complex and relatively hassle free, people had some free time at their disposal to indulge in leisurely pursuits – be it dining outside or travelling to see places of interest. Today, with life style becoming increasingly complex, need is felt all the more to take a break from hectic schedule and fly to some exotic destination or go on a cruise on a pleasure voyage where the cruise/voyage itself and the amenities in the ship are a part of fabulous holidaying. This is what is called as ‘Hospitality’ which, according to Oxford dictionary means “the reception and entertainment of guests, visitors or strangers with liberality and goodwill”. One must remember that hospitality is not merely confined to eating outside (restaurants/ eating joints) or travelling (railway/airline/ship) or lodging (hotel) but it encompasses all such activities/ fields as theme parks, clubs, resorts, casinos, all recreational markets, stadiums, amphitheatres etc. ‘Hospitality’ is the corner stone of such activities which, in the western world, is associated with etiquette and entertainment.

The hospitality industry is one of the most exciting and challenging industry with enormous growth potential. It is a multi billion industry worldwide and India is not lagging far too behind if foreign exchange earnings are an indicator as Indian travel and tourism sector is the third largest foreign exchange earner accounting for almost 6% of the GDP. It also makes a direct contribution to economy with significant linkages to agriculture, horticulture, handicrafts and construction. The hospitality industry went into a tail spin during 2007-08; thanks to the sub-prime crisis in US which left a scar on the economy of some of the most powerful nations though it had not impacted India to a major extent. **The Indian tourism industry is now witnessing exponential growth and it has outperformed the global tourism industry in terms of growth in the volume of international tourists as well as in terms of revenue. The key driver for this growth in Indian tourism industry has been a fast growing economy for the last 2-3 years.** Despite lagging in the basic infrastructure that supports the tourism industry; Indian tourism sector has been showing an impressive double digit growth. The government, of late, having fully realized the potential that this sector offers, has been investing in infrastructure such as transport and accommodation with a view to sustaining this growth.

The hotel industry alone comprises a major chunk of the tourism industry. Historically viewed as an industry providing a luxury service valuable to the economy only as a foreign exchange earner, the industry today contributes directly to employment and indirectly facilitates tourism and commerce. Prior to the 1980’s, the Indian hotel industry was a slow growing industry displaying very sluggish growth rate consisting primarily of relatively static single hotel companies. However, the Asiad held in New Delhi in 1982, the world cup cricket (Reliance cup) held in India in 1987 and the subsequent partial liberalization of the Indian economy generated tourism interest in India with significant benefits accruing to the hotel and tourism sector in terms of improved demand patterns. With liberalization of the Indian economy in the early nineties, more foreign tourists started visiting India and this euphoria of the nineties continued unabated in the last decade which prompted new entrants and international chains to chalk out ambitious capacity additions, especially in the metropolitan cities. The government has allowed FDI up to 100% under the automatic route in townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure). However, most of these efforts were directed towards the business travellers and the foreign clientele. The urban Indian today, with high disposable income and frequent travel abroad for business or pleasure has been the order of the day. With the advent of IT/ITES/BPO/KPO’s, the traffic to India has increased by leaps and bounds which has given further impetus to the growth of tourism industry.

CMA’s by virtue of their analytical skills and strong conceptual knowledge on subjects like Management Accounting, Operations Research etc can play a significant role in this sector not merely by application of traditional techniques of Cost Accounting like Zero Base Budgeting, Activity Based Costing, Cost Volume Profit analysis, Standard Costing, Inventory Management, Just In Time etc but also by application of OR techniques like Linear Programming, Queuing Theory, Simulation etc. They are the ones who evaluate operational efficiency and effectiveness of service management, identify accountability for variance analysis and help in strategic decision making. Typically, the CMA’s decision making in the hospitality sector can be:

- The hotel swimming pool currently closes at 10.00 P.M. Would we sell more if the bar near the swimming pool remains open 24x7? They will also have to employ additional manpower to take care of the guests during the night time.
- Would it be prudent to acquire land very near to the sea for building a resort or to take a bigger land at a place little away from the sea shore.
- Will it pay to introduce an additional flight with no Business class to a certain destination or to reserve 20% of the seats for Business class and operate one single flight in a day?

The above are some of the key issues which would require the expert opinion of CMA’s who can establish guidelines and benchmarks for long term profitability and viability of the organization. The present issue contains a number of interesting articles on this subject which I am sure, the readers will find useful and enriching.