



Hospitality sector needs policy reforms to grow

By Sonica Malhotra

The author is the Director of MBD Group, one of the leading Indian companies in the education sector which has diversified into various industries.

The Union Budget over the years has focused on different sectors and different development models to push overall economic growth in the country. More recent budgets seem to recognize and focus on the hospitality sector as a major driver for growth. It is true that the hospitality sector, including tourism, is a significant contributor to the Indian economy. In 2015, travel and tourism was projected to have contributed Rs 8.22 trillion (7% of the GDP) and 9% of total employment (37.4 million jobs). A series of positive actions like extending the Visa on Arrival (VoA) scheme to 150 countries, the focus on developing Heritage sites in India, the push towards *Clean India* and the focus on women safety are welcome moves.

However, the hospitality sector still faces a number of issues and needs more robust confidence-building measures. The initiatives to promote the sector often falter at the implementation stage. The role of multiple agencies in giving requisite clearances for projects makes it a long and cumbersome process. The Budget for 2016-17 should have a provision for the implementation of the Single Window Clearance scheme for all infrastructure projects. This single act will help reduce the time taken for obtaining the required clearance and remove ambiguities in the status of infrastructure projects vis-à-vis Clearance requirements and significantly improve on time needed for the construction and delivery of projects.

Today the cost of land for hospitality projects is very high and acquiring land is fraught with a high chance of litigation. As such, securing funds for projects becomes a Herculean task and funding comes at a high rate of interest. The Government should also take steps to moderate

real estate prices. This will help in creating necessary infrastructure for the hospitality sector to achieve high growth. The internal return rate for projects is either negligible or negative. Steps must be taken to enable projects to break even and generate profit at the earliest.

TAXATION CONFUSION

The GST Bill is yet to see the light of day. The Central Government must find ways to get this Bill passed at the earliest. Multiple indirect taxes, double taxation and differential taxation from State to State have brought confusion to the market. A single unified taxation regime and a simplified tax structure will give a boost to the ease of doing business in India. The positive effects of this will not be limited to a particular sector but will be felt across the board.

The hospitality sector should be conferred industry status with tax sops and easier finance. While the sector's contribution to the overall Indian economy at 6.7% is significant, it is still below the global average of 9.8 per cent. There exists a huge scope and potential for growth in the hospitality sector, given the diversity of our country with thousands of tourist attractions. India has set an ambitious target of receiving 1% of global travellers in the next couple of years from the current 0.64% and the Government must act soon to achieve this.

With more people catching the travel bug, the hospitality sector is poised for an exponential growth in the coming years. This sector must gear up for an increasing number of visitors and the changing profile of travellers. The sector will need Government support in this growth story by substantially adding to the current available infrastructure across tourist circuits. ■

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