



**The  
Researchers  
Hub**

## Economic Decision - making in the Hospitality Industry

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## **(A) DEVELOPING ECONOMY**

### Choice of country

The growth and the overall development of any specific sector depends on the entire economy like if in case if particular economy is rising at faster pace then in such case it will be beneficial for particular sector. The present study is based on the selected developing nation named India where the growth prospects of the tourism and the hospitality sector has been covered in the report.

### Factors that indicate stage of development

Within India the overall growth of the economy is taking place at faster pace and behind this various valid factors are present. One of the main factor is declining rate of unemployment within the country where it has been identified that people living in India are getting jobs as per their skills and expertise (World Economic forum, 2018). This is the positive sign that is representing that India is in the stage of development. Apart from this, within the year 2018 it has been identified that GDP growth of India rises to 7.2% in the third quarter where significant growth has been witnessed in the sectors such as construction, expansion in the agriculture sector etc.

### Economic trends

India is considered to be world's seventh largest economy where the GDP growth rate of the nation dipped to 5.7%. By the year 2050 the economy of India is expected to be the world's second largest (Trading Economics, 2018). In the past many issues have been faced within the nation such as corruption, high unemployment rate, political instability etc. But now with the growth rate impact of these issues have decreased.

### Future growth forecast

In the year 2018 the world bank forecasted growth rate of 7.3 percent for the present year and 7.5 percent for the year 2019 and 2020. In near future the main industries of India will surely grow such as agriculture, manufacturing and other sectors that can play most crucial role in the development of India. Every month the workforce increases by 1.3 million people and it is necessary for the nation to create 8.1 million jobs so as maintain proper employment rate.

## (B) GOVERNMENT INFLUENCE

### GDP growth

The GDP of India grew 7.2% in the third quarter where it has been identified that overall impact of demonetization has declined. The robust growth in the manufacturing sector along with the acceleration in the construction has marked turnaround in the economic growth of the country. The manufacturing sector of India has grown at faster pace and it has contributed a lot in enhancing the GDP level along with the staffing (World Economic forum, 2018).

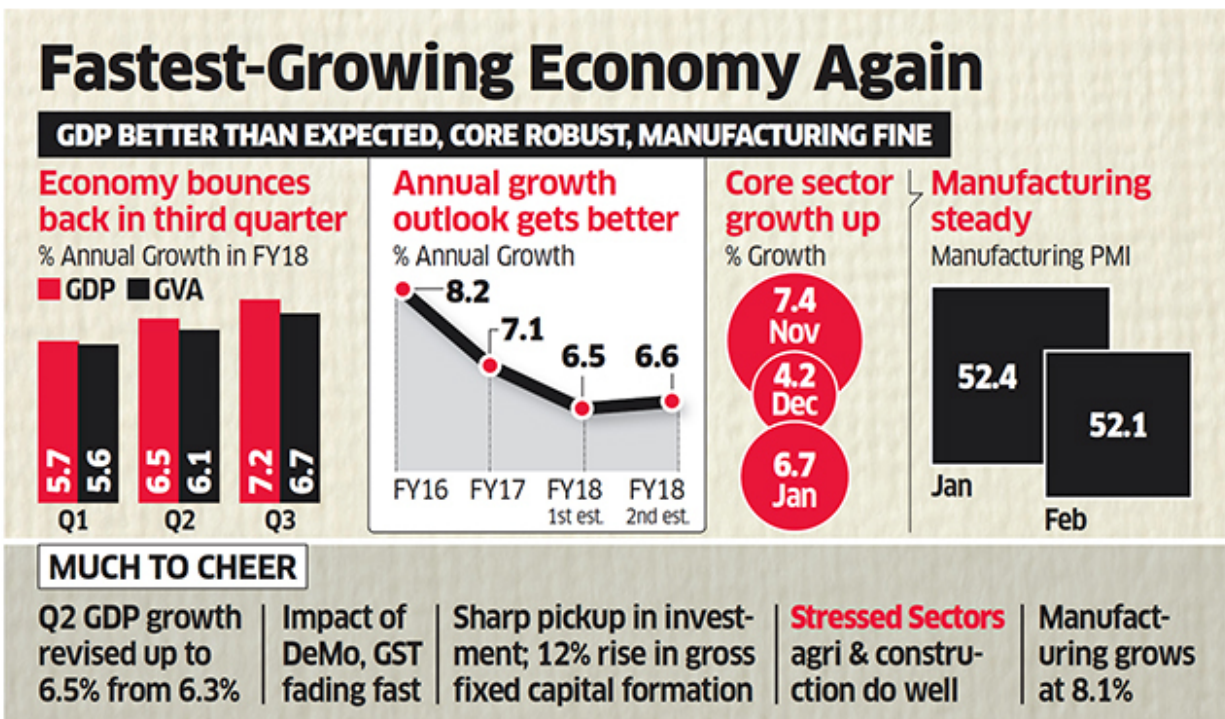


Figure 1: India Economic Overview

(Source: The Economic Times, 2018)

Further, the nation has been witnessed growing at 7.3% in the FY 2019 (The Economic Times, 2018). The level of government debt has declined and it is expected that in near future the decline in debt level will create favorable results for the entire economy.

### Interest rate

At present the repo rate within the India is 6.00%, the marginal standing facility stood at 6.25% which is considered as the bank rate, and along with this the reverse repurchase rate is 5.75%. Within India the bank rate fluctuates on the basis of market. With the recent developments that have taken place in the economy the banks within India revised inflation projection for the last

quarter FY 2017 to 5.1% from the 4.3%. For the FY 2018 the banks within India expects inflation to come in at 5.6% (Focus economics, 2018). Overall the banks have highlighted the key risks due to inflation that can affect the Indian economy.

#### Value of currency

Considering the present scenario the value of Indian currency may not have as much value as pound or dollar but it is considered to be stronger as compared with the currencies of different nations in the world. In comparison with the other nations that involves Indonesia, Vietnam, Cambodia, Sri Lanka, Nepal, Iceland etc the value of Indian currency as compared with these nations is high. In the month of May 2018 the USD INR declined 0.15% to 67.6700 (Trading Economics, 2018). In the year 2016 it has been identified that Indian rupee reached very high of 68.80 and in the year 1973 it was lowest of 7.19.

#### Balance of trade

The trade deficit of India widened slightly to USD 13.72 billion in the month of April 2018 from USD 13.25 billion (India Macro Advisors, 2018). The main positive sign of growth is that exports increased 5.17 on yearly basis. The overall sales of organic chemicals increased (38.5%), handloom products (15.7%), engineering goods (17.6%), gems and jewelry (-17%) etc. In the year 2018 the imports grew by 20.2% and in near future it is likely to stay strong (Trading Economics, 2018). The year 2017 was not at all favorable from export point of view as due to GST and demonetization the entire economy was badly affected. So, this provides overview of the balance of trade of Indian economy.

#### Environment

At present the business environment of India is not considered to be highly favorable. Further, one of the main feature is existence of public and private sector and their participation in the economic activities is also high (Avraham & Ketter, 2016). In near future development of more economic policies can contribute in development of both sectors. Low income level is another feature of business environment where the income level of people is low as compared with other nations. Lack of diversification is present where the industry, trade and other form of activities lack diversification.

#### Personal wellbeing of citizens

The concept of wellbeing reflects the level of happiness of the Indian residents. Mainly the people living in the society are proud of what they have accomplished, they want to be treated

with respect and this is most crucial (Sinclair-Maragh & Gursoy, 2015). Further, the people always prefer to choose how to spend their valuable time and they mainly focus on their personal satisfaction. Their preference is quite high in the activities that provides them proper satisfaction and they are highly interested in conduct activities that requires hard work. So, this represents the personal wellbeing of the Indian citizens that makes them different from people in other developing nations.

## **(C) TOURISM DEVELOPMENT**

### Infrastructure development

Travel and tourism industry within India plays most crucial role and in turn it is required for the government to focus on the infrastructure development so that entire travel and tourism sector can be developed in proper manner. In India the ministry of tourism holds the main responsibility to carry out the tourism related activities. Further, through proper planning it is possible to work on the development of infrastructure. In this regard the government can identify main destinations whose infrastructure level needs improvement. Development of infrastructure is possible through assistance of private parties where the private players can be assigned responsibility to maintain the infrastructure of different sites for attracting tourists. Further, framing different policies can also assist in working on infrastructure development.

### Economic incentives

For development of hospitality and the tourism industry within India the government can provide economic incentives to the public and private player who will take active part in the development of this industry (Harrison, 2015). One of the incentive can be financial assistance where the government can provide subsidy through which development of infrastructure and the other significant sites can be maintained easily. Tax write off is another form of incentive where the private players who will introduce new form of tourism services like promoting ecotourism and other then in such case they will be provided tax benefits. This is another form of benefit to the organizations and they can be encouraged to work on the development of tourism and hospitality sector.

### Education and training

The main initiative that is required to be taken is linked with education and training. Government is required to design effective programs through which education and training can be provided to the people living in India along with the private players (Yfantidou & Matarazzo, 2017). They

can be provided education regarding how to work on the development of hospitality sector, what measures can be taken for building infrastructure, what are the real benefits to the economy with the help of this etc. Moreover, training to the private players can be provided so that they can easily work in favor of the hospitality industry. All these areas can work a lot in the overall growth and the success of the hospitality sector.

### Marketing

This part is linked with the promotion and the advertisement of the major tourism sites and other places within India. The government of India is required to adopt new and modern form of marketing practices like with the help of social media they can highlight the tourist places such as Kerala, Goa etc are quite famous for ecotourism and the nature based places. Apart from this, within India the advertisement with the help of television is quite effective along with this some other digital platforms can be adopted so that people are aware about tourism and in turn private players can take active part in tourism and hospitality development.

### Other

In order to promote and develop the tourism related activities it is necessary to consider the other areas that are most crucial. Planning is one of the most significant areas where government of India has to plan in different manner for instance the government can select different cities and can plan how tourism and hospitality industry can be developed in that particular area. Setting benchmarks will also be beneficial as through this different action can be taken for the development of the selected industry. So, all these actions will surely assist government to work on the development of hospitality industry and it can assist in the development of economy also.

## **(D) LOCAL IMPACTS AND BUSINESS DEVELOPMENT**

### Type of business and potential customers

The new business will be established within Kerala and the main reason behind selecting this location is that it is quite feasible to start hospitality business as different nature based sites are present that can be promoted from ecotourism point of view (Avraham & Ketter, 2016). This business will be appropriate for the area as it will provide proper knowledge and information regarding nature based sites along with the importance to protect surroundings and nature areas. The potential customers will be the individual who are nature lovers. So, by targeting them the business can be successful.

### Attracting local finance

The local finance will be mainly obtained from the local government by highlighting the concept of the present business. Mainly environmental concerns are rising at faster pace and businesses that promote nature based tourism are very less. So, this point can be undertaken for attracting local finance from government. Moreover, from different investors and local firms also finance can be obtained as by providing funds the companies can promote its CSR activities in the best possible manner.

### Legislation and planning issues

Different acts are present that the new business has to comply with. Legal issues are linked with staying in hotel where rule 14 of registration of foreigners rules require the hotel managers to comply with some procedures and the management needs to maintain register (Guest Post, 2015). As per rule 14 it is necessary for hotel keeper to keep proper record such as nationality, name and signature of guest.

Apart from this planning issue will be faced where the new business will face issue in developing strategy and planning for different areas. It is required to ensure well in advance whether plan will be successful or not. In short, feasibility of plan needs to be ensured.

### Staffing, skills of local residents

Skilled individuals at local level is required that must have proper skills such as planning, creative thinking, communication etc (Samimi, Sadeghi & Sadeghi, 2017).

### Economic flow on effects of local community

In case if the economy of India improves at constant rate then it will have positive impact on local community where they will be able to try new products and services of the business

### Other positive or negative impacts

The positive impact will be that the new business will raise the environment related awareness and will highlight the natural sites located in India (Zaman, *et al.* 2016). Apart from this, negative impact will be that issues will be faced while attracting local customers who do not prefer to visit nature based sites. Negative impact will be on selected location as when more visitors will access services of new business then it will lead to more crowd and overall wastage and adverse impact on surroundings will increase.



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