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PERFORMANCE OF INDIA'S HOTEL INDUSTRY IN THE ERA OF ECONOMIC REFORMS - A CRITICAL ASSESSMENT OF THE INVESTMENT AND BUSINESS CLIMATE

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ABSTRACT

STUDY CONTEXT

The environment of the lodging industry in India is presently undergoing a transformation. The changes being witnessed are a combined result of the liberalization policies of the early 1990s in India and changes impacting travel and tourism globally. These changes have offered hotels that presently operate or are planning to operate in India with both challenges and opportunities. As a result, an understanding of the investment and business climate for the hotel industry in India becomes important for international investors, host governments and domestic hotel companies.

STUDY PURPOSE

“In an increasingly global economy, factor inputs become less and less important as sources of productivity and sustained growth. Countries are no longer constrained by their factor inheritance in creating competitive firms and environments. In this sense competitive advantage no longer rests on a country's natural endowments, but on that ability to create a business environment, along with supporting institutions that allow the

nation's inputs to be used an upgraded in the most productive manner.” Porter, M, (1990) The Competitive Advantage of Nations.

This opening quotation by Michael Porter sets the thesis for the present research. The purpose of the study is to better understand the investment and business climate and its effect on the competitiveness of the hotel market in India. Viewed from the perspective of an international investor, investment climate influences an international firm's decision to conduct business in a particular country or region. From the perspective of the host government, investment climate represents a competitive advantage or disadvantage in attracting international firms who desire to conduct business globally.

RESEARCH DESIGN AND METHODS

The study uses Michael Porter's model of the “National Diamond” of Competitive Advantage, as the paradigm to assess the investment and business climate of the hotel industry in India. The four attributes of the national diamond consist of:

1. Factor Conditions
2. Demand Conditions
3. Related and Support Industries
4. Firm Strategy Structure and Rivalry

The study used secondary data and semi-structured interviews with individuals closely associated with the lodging industry in India. A review of secondary literature was used to establish baseline data, gather background information, identify critical issues affecting the hotel industry, and generate a list of operational questions for the interview.

Furthermore, the secondary literature provided quantitative and analytical data to assist with the final analysis and interpretation of results. The researchers based their analysis primarily secondary data from, journal articles, trade magazine publications, expert-opinion literature published in periodicals, research publications from industry associations, consulting firms and international organizations and conference proceedings. The qualitative analysis was supplemented with a comprehensive survey conducted by the co-author's firm on the Lodging Industry in India.

RESULTS AND DISCUSSION

The study will present results and discuss India's economic reforms and open market policies, tourism policies, industry regulation, competition, evolution of the hotel industry structure (size, geographical dispersion, brand proliferation, ownership, quality, international chains) incidence of taxation, tariff structure, availability of qualified employees, customer demographics, ecological, supply of capital and performance trends. Based on an assessment of the multiple business and investment climate attributes, the study will provide a fair assessment of the risks and opportunities for Investors interested in entering the Indian hotel market.