



## QUALITY SERVICES OF HOTEL INDUSTRIES IN INDIA

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**ABSTRACT**

This paper is presented only research the hospitality industry is a developing and fast-growing market in India, and it has a powerful positive effect on the country's economy and the tourism levels. Famous for its diversity of culture, heritage and natural landscape, India draws millions of Indian and foreign travellers year in year out, leaving hotels as a very important part of hospitality services. The Indian hospitality industry has always been a blend of indigenous ways of living and advanced bookings, with accommodation from grand palaces and world-class hotels to budget inns, boutique hotels, Yog ashrams, and homestays. The hotel industry in India has grown phenomenally in the recent years, primarily driven by an economic, social, and technological factors mix. The hotel industry in a country plays a great role in boosting tourism, promoting economic development, and generating employment. This case study aims to explore the trajectory of the hotel industry in India, analysing its evolution, status, challenges, and prospects. From a niche industry birthed under British teahouses to a multibillion sector, the Indian hotel industry remains a top player in the hospitality industry. With a turnaround in the tastes and preferences of the global tourist consumer, technological advancements, and the government's considerable backing, the sector has continued to increase their game. The potholes on the regulatory hole, cut-throat competition in the market, and fight for talent management, though still present, are being hammered through. The bank and government cooperation to foster further investments, technology, and a footprint in the market have built the foundation that will ensure India dominates the industry. The future is bright for the Indian hotel industry. Revenues are anticipated to rise explosively due to growing domestic leisure, which drives the demand for luxury accommodations and rapidly growing events associated with MICE — Meetings, Incentives, Conference and Expositions, which involves conferences and seminars, as well as business encounters.

**KEYWORDS :** Customers Trends in India's Hotel Industry

**HOTEL INDUSTRY IN INDIA**

During the Mughal era, forts and their surroundings served as accommodations for travellers in exchange for tales of their adventures or news from distant towns and villages. Resting houses known as sarais and dharamshalas were built along highways by ancient and medieval rulers to support political and pilgrimage movements. The history of India's hotel industry spans back to the 18th century, with notable developments occurring during the British rule. The British influenced the modern catering industry in India, introducing European-style hotels and restaurants. Originally, hotels were established to accommodate the lodging requirements of British officials and the increasing number of travellers. Many early hotels were managed by European families, such as the Bombay Hotel (1799). One of the earliest hotels, The Park Hotel in Bengal, was founded in 1803 by Captain Smith. In 1840, Pallonjee Pestonjee launched the first Western-style hotel, the British Hotel, in Bombay. Another significant establishment was The Great Eastern Hotel in Calcutta, known as 'the Jewel of the East,' established in 1840. An important figure in this evolution is the Taj Hotels Resorts and Palaces, established in 1903 by Jamshedji Tata, the founder of Tata Group. The Taj Mahal Palace Hotel in Mumbai, the flagship property of Taj Hotels, emerged as the country's first harbour landmark. In 1966, the India Tourism Development Corporation (ITDC) was founded to provide comprehensive tourism services, involving accommodation, catering, entertainment, shopping, hotel consultancy, duty-free shops, and travel agency services. ITDC later merged with Janpath Hotel India Ltd. to broaden its service offerings. Recent trends in India's hotel industry growing market size the market size of the hospitality industry in India is projected to be approximately US\$ 24.61 billion in 2024 and is anticipated to reach US\$ 31.01 billion by 2029. The projected growth is anticipated to occur at a compound annual growth rate (CAGR) of 4.73% throughout the forecast period of 2024-29. The tourism department highlights the beneficial ability to restore its internationally recognized reputation by "acting" with these needful efforts to increase tourism infrastructure, foster rural home stays, and emphasize sustainable development.

**Growing Market Size**

The hotel industry in India is poised for continued strong growth, with CareEdge Ratings forecasting a 9-11% year-over-year increase in revenue for hotels in FY25. This comes after an estimated 12-14% growth in RevPAR (revenue per available room) in FY24, driven by robust demand outpacing supply. Average room rates across India are projected to rise from around ₹7,200-7,400 in FY24 to ₹7,700-7,900 in FY25, with RevPAR climbing to an average of ₹4,800-5,000 by end-FY24. The recovery is fueled by healthy domestic leisure and business travel demand, complemented by increasing foreign tourist arrivals. While new supply is expected at a 4-5% CAGR over 4-5 years adding over 50,000 branded rooms, this delayed catch-up will allow demand-supply dynamics to gradually align. The CareEdge report notes a better balance emerging across segments like upscale, upper midscale and midscale/economy, reducing the earlier concentration in luxury/upper upscale. With high occupancies of 68-70% forecast for FY25, the strong RevPAR growth should aid in improving the credit profile of industry players.

The market size of the hospitality industry in India is projected to be approximately US\$ 24.61 billion in 2024 and is anticipated to reach US\$ 31.01 billion by 2029. The projected growth is anticipated to occur at a compound annual growth rate (CAGR) of 4.73% throughout the forecast period of 2024-29.

Travel industry was one of the most affected industries during 2020-21 due to pandemic induced restrictions. Key performance indicators such as revenue per available room (RevPAR), occupancy rate, and average daily rate (ADR) declined from 2019 to 2021. The industry bounced back in 2022 with ADR and RevPAR surpassing pre-pandemic levels and occupancy rates showing substantial improvement. The positive trend continues into 2023, with further growth in ADR, RevPAR, and occupancy rates, indicating a resilient rebound of the hospitality sector.

The average revenue per user (ARPU) in the hospitality industry, as depicted from 2017 to projected figures in 2028, shows a consistent upwards trajectory. Starting at US\$ 163.6

in 2017, ARPU remained stable over the next few years, before experiencing incremental growth. The year 2023 witnessed a notable increase to US\$ 166.5, followed by further anticipated growth in the forecast years. By 2028, ARPU is expected to reach US\$ 174.1, indicating a steady rise in revenue generation per user over the span of a decade. Several factors can be attributed to this growth trajectory, particularly driven by economic expansion, rising per capita income and the growing middle class, which collectively fuel increased spending on leisure and hospitality services.

### Leisure Travel Holds the Biggest Share in the Tourism Pie

According to a 2022 analysis, most foreign tourist arrivals, comprising 36.5%, were for leisure holiday and recreation purposes, trailed by Indian diaspora visits at 21.1%, business and professional reasons at 10.2%, and the remaining 16.5% attributed to other purposes.

### Increasing FDI in Indian Hotel and Tourism Sector

In the hotel and tourism sector, 100% foreign direct investment (FDI) is permitted through the automatic route. Since April 2000, this industry has attracted FDI amounting to US\$ 17.1 billion. Especially, over the last four fiscal years (2020-23), it has garnered more than 25% of this investment, equivalent to US\$ 4.36 billion.

### Competitive Landscape

The hotel industry in India is diverse with a mix of domestic and international players. Major market players in the Indian hotel industry can be categorised into two main segments: organised and unorganised.

#### Organised Sector

Organised players in the Indian hotel industry typically refer to those businesses that operate under established brands, chains, or groups with standardised services and facilities. They adhere to regulatory standards and guidelines. Some of the key players in this segment are ITC Hotels, Marriott International, Indian Hotels Company Limited (IHCL), Hyatt Hotels Corporation, Radisson Hotel Group and many more.

#### Unorganised Sector

The unorganised sector in the Indian hotel industry typically comprises smaller, independent establishments that operate without belonging to larger chains or groups. They may vary significantly in terms of service quality, facilities, and adherence to regulations. These establishments can include the following:

<b>Standalone hotels</b>	• Independently owned and operated hotels offering basic accommodations and services without belonging to a larger chain.
<b>Guesthouses</b>	• Small establishments providing budget-friendly accommodations, often run by families or individuals, offering a homely atmosphere.
<b>Bed and breakfast accommodations</b>	• Typically, smaller properties offering overnight stays and breakfast, often in residential areas, providing a personalised experience.
<b>Homestays</b>	• Accommodations hosted by local families, offering guests a chance to experience local culture and hospitality firsthand.
<b>Budget hotels and lodges</b>	• Basic accommodations catering to budget-conscious travellers, offering essential amenities at affordable prices.
<b>Boutique hotels</b>	• Small, independently owned hotels offering stylish accommodations, personalised service, and unique experiences, often with a focus on design and ambiance.

These examples represent the diverse range of hotel operators in India, serving various segments of the market, ranging from luxury to budget accommodation.

#### Growth Drivers

In 2023, the hotel industry in India experienced a revival, driven by domestic leisure trips, meetings, incentives, conferences, and exhibitions (MICE) events, as well as the return of business travellers. Premium hotels recorded clear occupancy rates and increased room rates. It is anticipated that the year 2024 will witness sustained growth in domestic travel. India's hotel industry surged back to life, fuelled by a post-COVID uptick in travel. Double-digit revenue growth was

driven by domestic leisure trips, MICE events, the G20 Summit, and the resurgence of business travellers. The added excitement of the ICC Cricket World Cup saw hotels fill up, and unorganised accommodations were also busy.

Many companies experienced a historic year, achieving their best results during the first two business quarters. City hotels reached unprecedented lifetime highs during this period. Premium hotels across India saw impressive occupancy rates of 70-72%, with average room rates exceeding Rs. 6,000 a night, according to ratings agency ICRA. Hotel revenues saw a robust 20% increase over 2022 while operating margins surpassed the 30% mark.

### Future of Hotel Industry in India

The Indian hotel industry is on the verge of exponential growth, with projections indicating a 7-9% revenue increase in FY2025. This surge is driven by the surging demand for domestic leisure travel, along with a rise in events like weddings and business travel. ICRA anticipates occupancy rates will reach their highest in a decade, fuelled by growing interest in tier-II cities and spiritual tourism destinations. Premium hotel occupancy rates are predicted to hover at 70-72% in FY24 and FY25, with average room rates expected to reach between US\$ 94.06 and US\$ 96.47 (Rs. 7,800-8,000) in FY25. While certain segments may surpass pre-COVID achievements, the industry is on track to match its 2008 peak by FY25, underpinned by developments in infrastructure, improved air connectivity and the proliferation of large-scale MICE events, complemented by the opening of new convention centres.

The industry is likely to experience a significant increase in domestic tourism due to the large population. Moreover, increasing global interest for leisure and business trips to India promises to further catalyse industry growth over the long term. The expansion of the Indian hospitality industry is supported by escalating travel and tourism activities, marked by a noticeable increase in both domestic and international tourists visiting for business and leisure, thus creating new opportunities in tourism and hospitality.

Amid these developments, the Indian hotel market is identifying substantial growth prospects, aiming to broaden its footprint in key urban areas and offer quality services across renowned brands. This expansion is driven by robust corporate performance, enhanced air travel connectivity across the country and a growing preference for domestic leisure travel. Indian hotel chains are increasingly investing in digital technology and platforms to improve the customer journey from pre-booking to post-booking experiences

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