

# “Issues and challenges in hospitality industry: a case of Uttarakhand (India)”

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# ISSUES AND CHALLENGES IN HOSPITALITY INDUSTRY: A CASE OF UTTARAKHAND (INDIA)

## Abstract

Hotel industry is growing at a very fast pace in the recent years, especially in developing countries like India its growth is significant. Increase in the income of middle class Indian plays a significant role in this. Nowadays a lot of Indian families go for lunch, dinner and also for refreshments to the hotels and the most significant part is the increase in number of holiday's package taken by the Indian families. This leads to the increase in number of hotels in India, but as the industry grows it also increases the number of problems for hotel industry. In this paper author tries to take a look on these problems and also suggest some points to overcome this problems. This paper takes a look on general problems of hotel industry in Uttarakhand (India). The place is among the top ten most preferred states by tourists in India but it is also the state which faces a lot of problems in hospitality industry, mostly because of its geography.

## Keywords

hospitality industry, connectivity, promotional measures, infrastructural facilities

## JEL Classification

L83, Z30, Z31, Z32

## INTRODUCTION

India is known worldwide for its unprecedented natural and man-made attractions since time immemorial. Its language, culture, caste and creed, value, tradition, folklore, dances and music attract tourists from all continents year round. Its 28 states are filled with various attractions and Uttarakhand is one of them (Chamola, 2014). Uttarakhand was carved out of Uttar Pradesh and given an independent status as the tenth Himalayan state and the twenty-seventh state of the Indian Union on 9th November, 2000. The state of Uttarakhand is bounded by Nepal in the east, the Tibet Autonomous Region of China in the north, Himachal Pradesh in the west and Uttar Pradesh in the south. The natural attractions of the state allure commendable number of visitors from far and near. The varied geographical features of the state is itself an attraction on its own and the peculiarity of the geography implies that only a few specific sectors have growth potential in these backward areas such as tourism sectors (Negi, 1994).

But, developing country like India has failed to utilize tourism and hotel industry to its potential due to different reasons. Indian share in tourism business at global level is far below than its capacity to develop this industry. Data available from the World Tourism Organization shows that France continues to maintain top slot in number of international tourists. Spain and USA consolidate the second and third position. Even smaller countries like Singapore, Indonesia and Thailand

are doing much better business from tourism than India. Hotel industry worldwide has facing a situation of both growth and problems. Problems generally emerge from the geographical and economic situations of a particular area. The tourism and hotel industry in India are facing number of problems such as low occupancy rate, increasing competition, high taxes, increasing cost, fuel shortage, low profitability and so on. In this paper author attempts to study hilly state of India- Uttarakhand and the problems faced by hospitality industry in this area.

The objectives of the article are following:

1. To study hospitality and tourism industry of Uttarakhand (India).
  2. To find out the problems faced by hospitality industry in Uttarakhand and steps taken as well as required to improve its conditions.
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## 1. LITERATURE REVIEW

Spirituality, in general, has recently become an important subject of research in social and business areas. This has added a new dimension to the tourism industry, called spiritual tourism. Consequently, there has been an increase in the awareness and research interest in the thematic field of spiritual tourism. Tourism is an age old activity associated with civilized nations. Thus, tourism literature too has a long history. However, there are few areas in tourism which have come to the domain of scientific investigation only recently. Spiritual tourism is an area, in which only a few researchers have started their work in a systematic way (Himadri et al., 2012). Uttarakhand has immense potential for spiritual tourism.

Tourism is a major driver of economic growth and livelihood promotion in the Uttarakhand state of India. The contribution of tourism to the state gross domestic product (GDP) and employment generation is significant. The expansion of tourism inevitably brings about the development of the hotel industry. Hotels must create effective competitive strategies for survival and use a performance measurement system that meets the requirements of a changing environment. Several studies have been conducted to study the rich tourist potential of the state. However, no research studies are available regarding performance measurement practices adopted by hospitality managers in Uttarakhand for measuring the performance of their establishment

The state of Uttarakhand is divided into two regions – Kumaun and Garhwal. The state has 13

districts (four more have been declared recently) which are further split into sub divisions and development blocks. Since its inception, the state has shown growth in all the fields. But, this growth seems to confine only in the plains, the hilly regions being still deprived of development. The major lacuna felt was the prevailing inequality in geographical distribution and settlement. Industries in Uttarakhand have created about 2.8lakhs jobs but these are in plains and hence, most of the growth due to industrialization is confined to the plains only. More than 3/4th of Uttarakhand's population depends on agriculture specifically mountain agriculture. For physical, geographical and environmental reasons, the scope for agricultural policies based on modern inputs-intensive agriculture is severely constrained in the hilly regions. The state faces the challenges of promoting livelihoods to retain people through local employment and income generation and to enhance their quality of lives. At the same time, the hill districts of Uttarakhand have tremendous potential. The vast natural resources add to the state's attractiveness as an investment destination, especially for tourism and agriculture and forest based industries.

Uttarakhand is the first state in the country which has created "Tourist Development Board" by legislation. Also it is the first one to be called an "Organic State". Uttarakhand, formerly Uttaranchal, is a state in the northern part of India. It is often referred to as the Land of Gods due to many holy Hindu temples and cities found throughout the state, some of which are among

Hinduism's most spiritual and auspicious places of pilgrimage and worship. Known for its natural beauty and wealth of the Himalayas, the Bhabhar and the Terai, the state was carved out of the Himalayan and adjoining north-western districts of Uttar Pradesh on 9 November 2000, becoming the 27th state of the Republic of India.

Even before its inception as an independent state, Uttarakhand was the point of attraction for the tourists all over the world because of its inbound scenic beauty the state is enriched with. As expected the things gradually took their shape in the same way. Now, after 12 years of its formation, Uttarakhand has been enjoying all the benefits and offers from the state level as well as from the central level. Uttarakhand is the only hilly state in India which make its name in top ten tourist preferred state in India. The state witnessed a large number of tourist influx from all over, both from the neighbouring states or countries. The governments also left no stone unturned so as to make this state more attractive for the recreation lovers.

Tourism is thought to be the principal source of revenue in the state of Uttarakhand. As per the data major source of earning of the people of Uttarakhand is through tourism. Ministry of Tourism of Uttarakhand is responsible for maintaining and generating revenues from tourism in the state. It is also the responsibility of tourism ministry of Uttarakhand to formulate plans for increasing revenue from tourism industry. The ministry has to provide rules and regulations for the efficient functioning of the tourism industry. The major challenge which is faced by Uttarakhand is that most of the region, around 92.57%, is covered by hills, hence leaving a very small section, i.e. 7.43%, for farming practices.

Uttarakhand is a holiday destination for tourists because of its historical, cultural and natural heritage. Its climate and resources enable economic and social development that results for tourism on the other hand the number of tourist heading for the region representing threat to its natural resources as well as to the balance of its Eco system. In order to conserve local biodiversity while sustain the tourism industry a new approach involving sustainable development must

be implemented to achieve this, different components of the tourism industry need to be integrated in a global strategy of the environmental protection. Since hotel industry is at the heart of tourism activity, it is important to evaluate and assess its environmental impact, there is hence a need for greener hotels that are at the heart of Tourism

Indian small and medium size hospitality enterprises (SMHEs) are an important factor for the socio-economic development in terms of GDP and employment creation in the country. However, economic reforms initiated since 1990s have created both opportunities and threats for the local entrepreneurs. Many multi-level transformations were needed, so they will be able to adapt in the new era. In most cases these transformations had several difficulties to be accepted by Indian SMHEs (Chand et al., 2010).

Hotels in developing economies must create effective competitive strategies for survival, since they exist in the environment where stakeholders are demanding more from every organization. Consequently, they should focus on reliable and critical performance indicators, absolutely important for the success of hotels and adopt a comprehensive performance measurement framework that meets the requirements of the dynamic environment (Kala et al., 2014).

Service quality is considered the life of hotel (Min et al., 1996) and core of service management (Chen, 2008). Service quality is related with customer satisfaction (Shi et al., 2007) and customer satisfaction is associated with customers revisit intention (Han et al., 2009). If an effective image is portrayed to customers, it will create competitive advantage for hotel (Ryu et al., 2008).

## 2. RESEARCH METHODOLOGY

An exploratory and descriptive research design was used to carry out this study. The data was collected with help of secondary data collection techniques. Secondary data is used in this research and is collected through published and unpublished sources which included the internet, scholarly journals, research publications, etc.

### 3. RESULTS AND DISCUSSION

Haridwar City is suffering from higher level of noise pollution as compared to standard stipulated by Central Pollution Control Board (CPCB), New Delhi. The main sources of higher noise level in Haridwar city are due to transportation activities. Haridwar is one of the most important holy cities not only in India and is located in newly carved state of Uttarakhand. Haridwar is extended from latitude 29°58' in the north to longitude 78°13' in the east and has subtropical climate. It is about 60 kilometers in length from east to west and about 80 kilometers in width from north to south. District Haridwar lies in the foot hills of Shivalik ranges. Total area of district Haridwar is about 2,360 sq. km with a population of 1444187 as for 2001 (Joshi & Swami, 2007),

Assessing service quality and performance of the hospitality industry has become more important than ever. Globalization, competitive pressures, changing environment and well-informed customers make the traditional practices no longer appropriate for measuring performance and gain competitive advantage. Balanced scorecard (BSC) has gained wide acceptance within the service sector as a means of improving overall performance. An exploratory research using the BSC as theoretical framework was taken to evaluate the performance measurement practices adopted by hoteliers of Uttarakhand State of India and examine the attitude of hotel managers towards BSC perspectives. The study found that managers were not normally aware about the BSC in a formal manner in spite of using measures from all perspectives of BSC involuntarily. Results revealed that the managers use a hybrid approach which combines both financial and non-financial measures to evaluate performance. Attitudes of hospitality managers towards BSC perspectives do not vary across the hotels of different categories and locations.

A current study was conducted to examine the attitude of employees working in Indian hotels catering to tourists. It analyzed their perception of training opportunities and the impact of such training on the service provided to guests and the findings suggested a strong relationship between employee training and the quality of services offered by employees in tourist hotels (Rajib Lochan

Dhar, 2015). Service innovative behavior can be regarded as the core demand of hotel employees who serve their customers in the best possible manner. Climate for innovation acted as a moderator in the relationship between organizational commitment and service innovative behavior.

Results from the study conducted by SC Bagri et al., (2010) show that employees are satisfied with their compensation packages but not with the working conditions, also the employee turnover rate is relatively high. Adequate training is not often provided by the hoteliers to develop employees' operational skills. Recruitment is made mainly through internal referrals, which leads to high inbreeding and subsequent other human resource problems. There is a significant gap between what is expected from new employees and the skill levels of available talent pool.

#### 3.1. Problems for Uttarakhand hospitality industry

Despite a great tourist inflow, the hospitality industry is still at a slow pace in Uttarakhand. The fact that two Indian largest, most worshipped and sacred rivers, Gang and Yamuna, originate from the glaciers of Uttarakhand, is a good reason to count for the humungous tourism inflow in the state. In addition, the multitude of Hindu pilgrimage spots, breathtaking scenic beauty of several hill stations and unique flora and fauna, attract millions of people. That is why Uttarakhand is placed among the top 10 most preferred tourist states in India, boasting of 4.1 per cent domestic tourists. According to 2010 data, approximately 31 million domestic tourists and 0.13 million foreign tourists visited the state. However, despite such tourist inflow, there has been a slow pace of hospitality in "The Land of Gods" (GKVM website, 2013).

Some of the major problems of the state are presented below.

1. **Accessibility.** Good accessibility in terms of roads, rail capacity and airfares is the biggest obstacle in the growth of this state as a tourist destination. Until this problem is resolved it will be very difficult to promote tourism industry in India and ultimately it will affect

the hospitality industry of Uttarakhand. The crossings that had to be widened to ensure free flow of traffic have yet to be completed resulting in traffic snarls. One department conveniently blames the other for non-completion of the work.

And then there is the glaring example of widening of a stretch of Chakrata Road from the Clock Tower till the Prabhat cinema so that the bottleneck that was a commuter's nightmare could be removed. A dream project of the previous Government, shops on both sides of the road were demolished to make way for the widening and it appeared that the project would eventually see the light of day.

2. **Basic facilities.** Problems like water supply and food preservation are also a big concern for hoteliers. These problems affect the efficient functioning of the hotels. Although Uttarakhand due to its scenic beauty attracts a lot of tourists and encourages hoteliers to expand their business but such basic problems discourage them to open new branches. Government has to take some effective measures to overcome this problem. These problems may look small but they have a significantly adverse effect on the overall hospitality industry of Uttarakhand.
3. **Infrastructural facilities.** Tourism and infrastructural facilities in the state are deteriorating and "no major steps are taken to rectify or rebuild the infrastructure, because of the geographic conditions of Uttarakhand, it requires special attention to develop its infrastructure. Hilly scenery of Uttarakhand is beautiful enough to attract a vast number of tourists to the state but it also poses many problems for the hospitality and tourism industry of the state.
4. **Entertainment facilities.** A guest needs to enjoy and spend time in a relaxed mood. There is no entertainment facility because entertainment tax is 30 percent; VAT on food is 13.5 per cent and luxury tax 10 per cent, plus service tax of 5.16 per cent on room rent. Further, apart from natural beauty there are very few places where people made attractions are lo-

cated; it is only in Dehradun, Mussoorie and Haridwar, apart from them other places are not well developed for tourist attraction.

5. **Government role.** There is no parking facility, no support of government in tourism destination advertisements. The government has to be aggressive to promote growth and create the supporting system to maintain it further.
6. **Natural problems.** Uttarakhand has a long history of natural disasters. This state comprises mostly hilly terrain by virtue of its origin and is highly prone to natural disasters. Natural disasters in the region occur primarily due to geological instability or hydro-metereological variability. Apart from earthquakes, the state is also vulnerable to flashfloods, avalanches, cloudbursts, droughts and forest fires. Also, landslides are another major hazard that threatens the region. These problems also affect the hospitality industry in the state because it creates the fear in the mind of tourists.

### 3.2. Suggestions

1. **Accessibility improvement.** It should be the priority to pursue with the concerned authorities to have the roads in a presentable state, as they are the prime mode of connectivity in this hill state. The airports at Dehradun and Pantnagar are fully functional and it's necessary to look forward to increase traffic on both.
2. **Promotional measures.** The government should also promote adventure sports, traditional yatra route, eco-tourism and leisure tourism to achieve the goal. But they have to pay special attention on the connectivity; there should be a progress in air transport and development of tourist facilities.
3. **Reduction of taxes.** The government should reduce the present taxes in order to make the place more attractive. These taxes are the thinking points for those who want to establish their hotels and other attractions for tourists.
4. **Infrastructure development.** It has been already discussed about the infrastructural

problems of the Uttarakhand which hampers the hospitality industry of the state. Government has to take remedial measures to improve this situation. On one hand they have to maintain the scenic beauty of the state and on the other they have to develop the infrastructure without poses any harm to this natural beauty.

5. **Handling natural calamities.** Although nothing much can be done in this regard but still at least it's necessary to create a proactive

system against these natural calamities. It's impossible to stop the natural hazards but at least the calamity handling machinery should be appropriate. There is a need to have an active separate department in this sphere which would form policies and strategies concerning natural calamities. So, the tourists should feel fear free when they come to the state; in their minds should be a feeling that if something like that happens then the administrators have a system which can easily tackle the situation.

## CONCLUSION

Human Resource Management, as an integral part of organization, often ensures the success of the shared relationship between employees and an organization by identifying and satisfying the needs of the employees beginning with recruitment and continuing throughout their career. Uttarakhand, India offers human resource challenges that are unique to this popular tourist destination. The customers' satisfaction has already been researched at length and is being used by the retailers to achieve competitive edge. Since everyone in the market is trying to satisfy the customers, merely satisfying does not seem enough and moving beyond customer satisfaction to customer delight is required.

So from the above discussion we can conclude that hospitality industry is growing at fast pace but simultaneously facing difficulties. Especially the state like Uttarakhand which has vast potential for hospitality industry, faces so many difficulties due to its geography and government negligence. If government takes significant steps in this direction like improve accessibility, promotional measures, low taxes, etc. then the conditions will significantly improve and this will lead to the increase in number of tourists in Uttarakhand which in turn increase the number of hotels and also improve the quality of services provided by the hotels.

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