
ROLE OF FDI IN ENCOURAGING HOSPITALITY SECTOR IN THE CHANGING ECONOMIC ENVIRONMENT: AN EMPIRICAL STUDY

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Abstract

Foreign investors invest their resources to earn profits out of the revenue incurred while strengthening the hospitality industry. Foreign Direct Investment is characterized as unfamiliar financial investors blending their resources into another nation with command over the administration of resources and benefits. For the most part, it is a fact that the more FDI a nation obtains, the more is the chance to develop economically. Financial development could create a nation full of opportunities. FDI frequently brings enormous amounts of assets, and new innovations to the nation, just as cutting edge board abilities permit nearby enterprises and areas to acquire a great deal of involvement (Mason & Brown, 2014). The hospitality sector has been developing efficiently and effectively in the current years, and it has been generating lots of wealth from other countries. Foreign direct investment promotes employment and has given rise to colossal human resources available in the hospitality sector. This paper aims at portraying a view of FDI and its role in fostering the hospitality industry in a dynamic economic ecosystem. A sample of 190 people from the hospitality sector was surveyed to know the role and significance of FDI in Encouraging the Hospitality Sector in the Changing Economic Environment. Mean, and the test was applied to analyze the data and reach results. It is found that FDI plays a significant role by encouraging the Hospitality Sector in the Changing Economic Environment.

Key Words-Hospitality, industry, tourism, hotel, FDI, economy, travel, visitors, development.

Introduction

One of the essential aspects of the hospitality industry's economic expansion and development is Foreign Direct Investment. Foreign Direct Investment has given a very prominent definition of FDI, universally accepted and acknowledged. It characterizes it as an investment done by international parties of the international economy that showcases the objectives of a resident in a financial system getting an enduring revenue in the citizen of

another economy. The persisting revenue suggests a related link between the current financial investors and the instant financial agents that create a considerable level of influence by the monetary investment bodies on the operations of any company. There is a direct relationship of investment, which is set up when the current investor has procured at least 10% or even a more significant amount of the current offers or bidding for an organization that operates abroad. The investments that are made direct involve building a connection between FDI and current financial aid companies and all of the ensuing money exchanges done among associated enterprises residing in different economic regions (Akyüz, 2015).

FDI strengthens the funds that the hospitality sector already has and, at the same time, enhances the capabilities, technology, and skills. It promotes businesses and supports the economy. This study will establish the fundamentals of understanding FDI's role and significant contributions to the hospitality sector. When seen from a bird's eye view, the tourism and hotel industry significantly impact the economy. It is said to be an inclusive activity that incorporates many other industries. While analyzing the advantages FDI provides, it was found that it spreads over a larger area if a comparison is made with other industries in the economic system (Andreff, 2016). FDI fulfills the essential needs of the hospitality sector, namely highways, modern technologies, airports, and other required resources in the hospitality sector, and is pertinent for economic progress.

The hospitality sector is a segmented sector that accounts for around three and a half billion US dollar industry in the world economy (Hong, 2018). Many countries are at a developing stage in the hospitality sector which can grow and develop if they receive funds from other countries. India sees a considerable expansion in the hospitality sector, and the projections show further better results in the coming years.

As per the renowned organization for global tourism, India is the pioneer in the hospitality sector in the South Asian region, with close to nine million appearances in the year 2020. India has slowly arisen as one of the top countries in the travel and tourism industry, expanding rapidly between 2005-2014, as was mentioned by the World Tourism and Travel. Henceforth, major understanding determinants of FDI is vital for any developing economy. In recent years, FDI has had a significant effect on the Indian economy and a natural effect over the long way. The current review looks at the FDI in the Indian hospitality and tourism industry, its support in the Indian Tourism Industry, and its effect on the Indian economy. Thus, understanding the determinants of FDI is vital for any rising economy as FDI plays an impactful role in any economy, for that matter, in the days to come.

Literature Review

Many nations at the development stage are focusing on the hotel and tourism industry as a conceivably encouraging pathway for financial and workforce developments. This is a moderately new situation for specific countries. It mirrors the quick expansion in the hospitality industry as far as the two essential things are concerned, namely the number of appearances and revenue generated for the current years lately. Primarily, the travel industry was put underneath agriculture and manufacturing since it was not seen as a vast or proper

source of development. Interestingly, today, however, a quiet, critical reappraisal is occurring in the industry, which has potentially valued the hospitality industry as a possible method for procuring trade-related revenues, producing enormous jobs for youngsters and women. It is also advancing the financial scope and an additional service-based economy, assisting with restoring declining metropolitan regions and other kinds of social and cultural activities around the globe, and promoting distant rural regions as well (Ruiz Pulpon & Canizares Ruiz, 2020).

For instance, there is presently a development in research that is designated "pro-poor tourism" that is acquiring standard support through the different communities and improvement support networks (Chen *et al.*, 2021). FDI is one of the sources through which the developing nations can take over the hospitality industry. However, the elements of FDI in this influential area, and its suggestions, have been moderately contemplated. There is very little observational data present about the degree to which the hospitality industry is related to FDI in the worldwide economy or its general effect. Because the hospitality industry should be closely monitored, with or without FDI, and because FDI presents extraordinary challenges and concerns, this report intends to provide data and analysis that will assist strategy makers in developing significant policies that will aid their developmental objectives and methodologies for achieving those objectives.

A significant portion of the hospitality industry's growth is likely due to how it integrates cross-cutting activities such as arranging services and goods such as convenience, housing, transportation, recreation, and the development and production of horticulture and fisheries (Dikmen & Bozdaglar, 2017). The hospitality sector's structure encompasses various actors, from global TNCs to medium-sized and local businesses (SMEs). This stimulates interest in the sector at various market sizes and levels (Appiah-Kubi *et al.*, 2020). Additionally, rather than the reverse, the customer's relationship with the manufacturer or producer enables even the most negligible trade to be important to the global economy. Whether an organic product or a hairdo, each deal with a vacationer addresses a commodity.

This is a tremendous opportunity, particularly for small businesses that believe it is challenging to get into the global manufacturing network. If adequately planned, the hotel business can significantly reduce poverty via revenue generation and employment expansion chances alone. On the other hand, the hotel business is a fragile sector that is defenseless against external shocks (Espeso-Molinero & Pastor-Alfonso, 2020). For instance, economic, ecological, and political challenges can all create complications. Due to its cross-cutting character may also include anticipated social and financial costs for networks and the environment. Its job-creating potential is not always fully realized. Wages may be low, and human resource procedures need to be improved for the most part.

Similarly, the tourist business has been associated with rude or illegal acts, or most often with subversion of traditional characteristics. Indeed, even in the absence of such challenges, there

would be a perception in many developing countries that the tourism industry has failed to deliver on its promises. Its negative impacts on networks and communities may be severe and must be carefully evaluated against potential benefits. For emerging countries, one example is that the hotel business should be carefully regulated to provide optimal benefits without jeopardizing the local economy, ecology, social norms, and natural resources (Sengupta & Puri, 2020).

The Indian hospitality industry is inextricably linked to the country's economic growth and development. As the gross domestic product grows, it expands commerce in critical infrastructure like transportation structures, which is critical for the travel and tourist sectors (Pechlaner et al., 2021). In India, the hotel business is inextricably related to the tourist sector. During the past decade, India has changed into one of the most recognized tourist destinations globally because, in the opinion of public authorities, a relentless campaign dubbed "Incredible India" has displayed India in a dazzling light to international travelers (Babu, 2020). In 2005, foreign tourist arrivals increased by sixteen percent, propelling the revival of India's hospitality sector—many new vacation destinations are projected to increase foreign visitor arrivals. Numerous strategies are included within the framework, intended to stimulate the Indian hospitality industry for international tourists. FDI is allowed in hotel inns and the tourism business in a specified manner. The hotel industry in India is worth US\$32 billion, accounting for more than 5.3 percent of GDP (Khan et al., 2017).

Numerous hotel inns are starting operations in India, and many foreign tourism professionals manage the nation. Tourism and hospitality industries have been expanding rapidly in recent years, generating significant revenue from international and domestic visitors in most of India's destinations. In 2006, the nation saw a significant surge in the incoming hospitality business and a twofold increase in the number of foreign tourists to India. The hotel industry is most likely the third most significant income producer of foreign companies in India and employs the highest number of people. "Conde Nast Traveler," one of the world's most renowned travel journals, rated India as one of the most inspiring destinations to visit on the planet. According to the "World Tourism Organization," India must be one of the top or leading countries in the tourism sector in the South Asian area in the following years, with a large number of appearances (POPESCU, 2014). According to a famous "World Travel and Tourist," India is gradually becoming a quickly expanding tourism nation (8.8 percent).

Even though the hospitality sector boosts employment and fundamentally provides economic development, it is not a solution to diminishing demands. Along these lines, it is significant for neighboring financial investors to take some interest in the hospitality sector and its related activities. The FDI can also help by participating and enabling the employment of enterprises in the proximity for the proper arrangement of facilities such as transport, administrations, and food to mitigate nearby countries (Tan & Taeihagh, 2020). While some limited-scale projects have been set up to join the hospitality sector for erasing poverty, for a

gigantic scope, this necessitates the implementation of successful steps to eradicate poverty and its strategic plans to develop the hospitality industry in several ways.

To encourage local and international investors to engage in this business, the governmental authority has permitted 100 percent FDI in various development projects. The most often developed projects are resorts and hotels, locations for relaxation or sporting activities, and other recreational areas in the city's immediate vicinity. The government has permitted 100% investment in projects involving airports or air terminals, as well as renovation of such areas, subject to the condition that FDI for development and modification of existing airport spaces requires "Foreign Investment Promotion Board" (FIPB) authorization for projects exceeding a value of 74%. (Vyas, 2015). Based on specified criteria, a long-term charge event has been allocated to organizations establishing resorts, accommodations, and conference centers in beautiful resorts. Several leading global hospitality companies, including Accor, Berggruen Hotels, Hilton, Marriott International, "Premier Travel Inn" (PTI), Cabana Hotels, and InterContinental, have recently announced necessary growth plans and development strategies in India (Ruban, 2019). In the current environment, it is evident that several policymakers have forecast an additional US\$11.41 billion in incoming speculations over the next couple of years.

In India, the RBI proposed quarterly or annual reporting on the conveyance and strategy of unfamiliar internal installments consented to or permitted the operation of an inn under conditions that development of the lodging must be completed within a specified timeframe and standards that prohibit the financial investor or investing organization from selling undeveloped plots. There are several restrictions on non-residents acquiring resources. If they establish a contact office in India, the RBI authorizes them to acquire fixed property. The RBI must be notified within 90 days after acquiring the property in such circumstances. Without the authorization of the RBI, foreign citizens of non-Indian origin who acquire a fixed property in India cannot relocate the property. Several distinct variables influence foreign investment in the hotel business. First, there is the constructive attitude of the official authorities, which have approved 100 percent FDI in this sector (Behera, 2016). Second, tax holiday opportunities are being provided to firms or ventures which seek to invest in this area's growth. As a result, the hotel business is an excellent investment.

The objective of the study

1. To find the Role of FDI in Encouraging Hospitality Sector in the Changing Economic Environment.
2. To find the significance of FDI in Encouraging Hospitality Sector in the Changing Economic Environment.

Research methodology

A sample of 190 people from the hospitality sector was surveyed to know the role and significance of FDI in Encouraging the Hospitality Sector in the Changing Economic Environment. The nature of this study is empirical, and the data collection method was random sampling. Mean, and the test was applied to analyze the data and reach results.

Findings of the study

The demographic profile of the respondents was collected and demonstrated. It is found that a total of 190 respondents from different hospitality industries were considered to conduct the survey, of which 63.1% were male and 36.9% were female. Among them, 56.1% belong to the age group 30-37 yrs, 30.3% are from 37-45 yrs, and 13.6% are above 45 years of age. 13.6% of the total respondents from the food and beverage industry, 29.1% in the accommodation sector, 37.3% in the travel and tourism industry, and the rest, 20.0%, were from the hospitality industry's entertainment and recreation sector.

Table 2 Role of FDI in the hospitality sector

SI. No.	Role of FDI in the hospitality sector	Mean score	t value	Sig
1.	FDI helps bring an enormous amount of assets and innovations to the nation	3.81	12.14	0.00
2.	FDI is promoting employment to provide a workforce in the hospitality sector	3.50	6.21	0.00
3.	FDI promotes businesses of the hospitality sector and supports the economy of the nation	3.13	1.82	0.03
4.	FDI fulfills the requirements (highways, modern technologies, airports, and another required resource) of the hospitality sector, which in turn provides economic progress	3.93	12.42	0.00
5.	FDI is helping strategy makers to plan significant policies that could help their developmental aim and methodologies	3.77	9.30	0.00
6.	FDI helps generate revenues through local tourists by spending money in "hotels, restaurants and entertainment venues," etc	3.09	1.35	0.09
7.	FDI is helping the nation indirectly by encouraging tourist activities and providing better hospitality infrastructure	3.34	4.22	0.00
8.	FDI is helping the nation in optimizing their earnings by giving employment to their ideal resources	3.75	10.52	0.00
9.	FDI is an excellent source that upgrades technology, skills, and managerial capabilities in various sectors of the	3.51	6.81	0.00

	hospitality industry			
10.	FDI provides financial help for new structures and equipment and connecting local suppliers, competitors, benchmark and training centers	3.23	2.78	0.00

The following table illustrates the many roles of FDI in promoting the hospitality sector in a changing economic environment. According to the table, FDI satisfies the requirements (highways, modern technologies, airports, and other required resources) of the hospitality sector, which results in economic progress (mean score 3.93), and FDI assists the nation in bringing enormous assets and innovations (mean score 3.81). FDI also assists nations in optimizing their profits by employing their optimum resources, with a mean score of 3.75. FDI assists policymakers in developing significant policies that support their developmental goals and methodology, with a mean score of 3.77. With a mean score of 3.51, FDI is an excellent source for upgrading technology, skills, and management capacities in many hotel business areas. It promotes employment in the hospitality sector with a mean score of 3.50. With a mean score of 3.34, FDI indirectly benefits the nation by encouraging tourist activities and improving hospitality infrastructure; with a mean score of 3.23, FDI directly benefits the nation by providing financial assistance for new structures and equipment and connecting local suppliers competitors, benchmark, and training centers.

Additionally, respondents state that FDI promotes hospitality businesses and strengthens the national economy, with a mean score of 3.13, and that FDI aids in revenue generation through local tourists spending money in "hotels, restaurants, and entertainment venues," among other things, with a mean score of 3.09. Additionally, the t-test was used to determine the significance of the assertions. It was determined that the values in the significant column for all of the statements are less than 0.05.

Conclusion

This article emphasizes the critical importance of FDI in the growth and development of the hotel sector. This demonstrates the need to have appropriate policies in place to see and explore the hospitality sector's assets and resources to facilitate the influx of new guests. The development will occur if new infrastructure is constructed to accommodate the growing demand for tourists (Hallmann et al., 2014). However, investors and supporters of the hospitality industry would contribute to poverty eradication through a variety of means, as the travel industry is more pertinent than other financial or revenue-generating sectors, as it is more focused on service, inclusive of jobless individuals, and appropriate for rural areas with few elective financial activities. In any case, when the number of people employed in the area is moderate and includes the more gifted, the aggregate pay and other business benefits available through networks can make the hospitality industry critical for eradicating poverty,

increasing income, and improving the surrounding areas' prosperity. Thus, FDI investments would meet these objectives, and they should be considered to meet the tourism industry's growing needs in emerging nations (Rutty & Richardson, 2019). Thus, the preparations made by the government, which would prioritize increasing the number of tourist appearances in the country and collaborating with stakeholders in the hospitality business, would have a significantly more significant influence on the country's critical economic situation.

The study concludes that FDI serves a variety of functions, including meeting the requirements (highways, modern technologies, airports, and other required resources) of the hospitality sector, which results in economic progress; FDI assists nations in bringing massive amounts of assets and new innovations to the country; and FDI assists nations in optimizing their earnings by employing their optimal resources. Additionally, it is discovered that FDI contributes significantly to the hospitality sector's growth in a changing economic environment.

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