

# Role of FDI in Tourism Industry with Reference to North Eastern Region of India

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**Abstract**—*Man is nomadic by nature; and it is due to this temperament, mankind has ultimately given birth to the industry of Tourism. Tourism can no longer be regarded only as leisure activity but an engine that would also provide impetus to other handful of industries. But this non-smoke industry in north east region is still in the midst of darkness, as the immense potentialities are still left unexplored. In this respect, FDI can play a massive role in the affluent tourism industry of this region. Although north east region is covered to the extent of almost 98% by foreign countries and only 2% of it is connected to the mainland India, this region has not yet reaped the benefits of its connectivity with these neighboring countries. One of the effective means of developing north east tourism industry is allowing foreign direct investment (FDI) inflow to a great extent. This paper intends to study the factors which reflects the importance of FDI inflow towards the tourism industry and throws light on the problems and prospects of it and attempts to identify the measures to overcome the problems of FDI inflow.*

## 1. INTRODUCTION

North east region is regarded as one of the world's richest biogeographic area and is also a region with great cultural and ethnic heritage. Proper emphasis on its unexplored resources can result to an unimaginable growth for this particular region which can also undoubtedly turn into a beautiful tourist spot for the nation at large and create a niche for itself at the international market.

Tourism is a non-smoke industry and holds immense potential for economic development of a country. Ministry of Tourism, Government of India has introduced “**Atithi Deva Bhavah**” program - a campaign that was being introduced nationwide aiming at sensitizing key stakeholders towards tourism. It can no longer be regarded only as leisure activity but an engine that would also provide impetus to other handful of industries. The tourism industry in north east region is still in the midst of darkness, as the immense potentialities still are left unexplored. Even if north east region has great potential for tourism industry, the same has not yet been explored due to innumerable reasons and the most important one is the lack of investment (finance). In this respect, the role of FDI can accelerate a tremendous move for the tourism industry particularly for the north east region.

## 2. NORTH EAST REGION

The north east region is covered by international border by about 98%. The north eastern states include Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim. The region is surrounded by China, Bhutan, Myanmar and Bangladesh. The region is bestowed with scenic beauty, natural resources, rich cultural and ethnic heritage, amalgamation of various tribes, religious monuments, fairs and festivals which undoubtedly can be regarded as an “unexplored paradise”.

## 3. FDI INFLUENCE IN NORTH EAST

FDI can play a great role in the flourishing tourism industry in this region. A great number of researches have been conducted on problems and prospects of FDI in retail sector but almost no research has yet been made on the significance of FDI in tourism industry explicitly on north east region. North East region is popularly known as “Chicken-neck” since it is covered to the extent of almost 98% by foreign countries and only 2% is connected to the mainland India. But still the region is not able to reap the benefits. Innumerable problems are responsible for such setback such as transport bottlenecks, insurgency, law and order, lack of proper infrastructure etc, for which the region fails to attract cross-border businesses. The north-eastern states have a lot to catch up to meet with 9% GDP growth rate of India. One of the effective means of developing north east tourism industry is by allowing foreign direct investment (FDI) inflow to a great extent, which in turn may also play a significant role in influencing tourism entrepreneurs in the unorganized sectors. At this backdrop, FDI has much scope to be invited to awaken the tourism industry which is still in slumber of darkness. But prior to that, the region itself should be able to eradicate the loopholes to make it a much better destination for the rest of the world. Impact of FDI in north east region is very less. A negligible percentage of about 0.02% of FDI is being able to attract by this region. No doubt that the Central Government is preparing numerous agendas for development of this region so that it can be transformed into a hub for FDI; but a lot of tasks need to be

completed to meet with imminent requirements. "Look East Policy" which is at present turned into "Act East Policy" can play a significant role for north east region's development purpose. Trade relations can be improved, transportation problems can be eliminated, tourism sector can be developed, and unemployment problem can be improved.

#### 4. OBJECTIVES OF THE STUDY

1. To study the factors which reflect the importance of FDI inflow towards the tourism industry;
2. To study the problems and prospects of FDI in tourism industry;
3. To identify the measures to overcome the problems of inflow of FDI in tourism industry.

#### 5. METHODOLOGY

The present study has been an empirical one. The data have been collected mostly from secondary sources which include books, journals, government notifications, websites etc. and the same have been acknowledged in the reference section of the paper.

#### 6. FACTORS INFLUENCING IMPORTANCE OF FDI INFLOW TOWARDS TOURISM INDUSTRY

1. FDI provides assistance in foreign exchange earnings ;
2. It helps in opening up to new markets;
3. Facilities such as proper infrastructure ( roads, buildings, hospitals etc.), upgraded technology, creation of new jobs can be introduced by FDI inflow;
4. FDI helps in gaining access to world class platform.

These factors mentioned above will ultimately have huge impact on the tourism industry for which its alliance is of utmost significant for north east.

#### 7. PROSPECTS OF INFLOW OF FDI IN TOURISM INDUSTRY

India needs a tourist spot which is rich in flora and fauna and north east region can prove to be the best example for the same, as the area has tremendous potential, which can prove to be an impetus for development of other related segments. North east region has an image of being a backward part of the country but if a proper strategy can be initiated and implemented by every department, this region can act as an important resource for economic development and tourism industry can act as an accelerator for it. Tourism industry also helps in improving the employment problem, socio-economic conditions and contributes towards income generation. The region is bestowed with wildlife sanctuaries, national parks, religious destination, historical monuments, hill stations etc. In a workshop organized by the CII, in partnership with the Ministry of Development of North Eastern Region, North East

Council and Association of Tour Operators of North East India, Priya M. Varghese of Tata Consultancy Services (TCS) informed that the northeast accounts for 7.9 percent of the country's geographical area but attracts only 0.9 percent of domestic tourists and 0.3 percent of international tourists ( IANS NEWS ,SEPTEMBER, 25 ,2012).Government has already allowed 100% FDI on tourism industry in India. A proper implementation of the program me would result in greater prospect of development of the sector. Thus the prospects of inflow of FDI in tourism industry is bright which would in turn, in times to come, may prove to excel and surpass all other sectors of industry which will let the north east region to flourish to a great extent.

#### 8. PROBLEMS OF INFLOW OF FDI

Tourism industry is booming in national and international scenario but its impact in regional context is negligible. Immense opportunities exist in the north east region but it has not yet been focused to the necessary extent for which government fails to encourage the inflow of FDI in north east tourism sector. Lack of central government funds for creating tourism infrastructure in the region, minimal number of hotels and tourism resorts, lack of unified tourism policy, ineffective promotional measures, ineffective role of tour operators, lack of inter regional connectivity, multitude of taxes, high Taxes, delay in FDI Approvals & Govt. Policies, highest import duty on imported liquor used in hotels, service Tax on Tour Operators, Inland Air Travel Taxes, hardships in Income Tax Act Relating to Hospitality Industry etc. act as hurdles for inflow of FDI in north east region.

#### 9. FINDINGS OF THE STUDY

The study has the following findings:

1. There are tremendous prospects for growth in tourism industry in north east region.
2. The inflow of FDI can act as a catalyst or accelerator for all round development of the region and for the nation at large.
3. Although the approval of 100% FDI is being granted for tourism sector, till now, its impact on north east tourism sector is comparatively low.
4. Innumerable reasons are surrounding for such haphazard situation which can be handled properly if Government plays an active role along with the awareness of local youths who can be entrepreneurs.
5. The problem of high taxes, delay in FDI approvals etc. may stand as hurdles for effective development of tourism industry, but there are ways to fight against it.
6. The encouraging role of both central and state government, awareness of common people, enhancement of knowledge, introducing flexible policies, proper incentives etc can prove to be remedies for encouraging FDI inflow in tourism sector of north east region.

## 10. CONCLUSION & DISCUSSION

- The government should play active role in encouraging FDI to tourism sector in this part of the country.
- The media should be discouraged to make too much of negative publicity of the events taking place in the region as an isolated manner which do in no way reflect the true picture of the culture of the people of this region.
- There should be more and more positive publicity of the tourist spots, culture, ethnicity etc. of these regions.
- There should be National and International Seminars on tourism industry in this region.
- The local youths should be encouraged to take tourism activities as their livelihood and entrepreneurship on tourism should be encouraged in this sector in an organized manner.
- The ATDC should have tie-ups with tourism agencies of the neighboring countries so as to attract foreign tourists.
- The law and order situation of the region should be improved so as to stimulate the sense of security in the minds of the tourists.

Tourism industry is a service sector industry and can be the most effective sector for FDI inflow. The complete scenario of FDI inflow is changing. More and weaker states have been targeted along with powerful ones for inflow of FDI. Thus, tourism sector should be considered as or promoted to a multiplier effect industry in order to attract FDI inflow with special emphasis on north east region. The problems are few, but prospects are many in inviting FDI in tourism sector of the North Eastern Region of India. The sooner we realize it, the better for the people of not only this region but the tourists as well.

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