

A Study on FDI in Telangana Tourism

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ABSTRACT

Introduction.

The most important factor for the economic globalization is found to be the FDI. FDI is helping India for the economic development. Foreign direct investment is defined as investing in other countries to gain the assets and profits from the country. Foreign investors will invest in the company or individual to earn some profit.

Need for the Study: Many of the foreign visitors are attracted towards the tourist places of Andhra Pradesh so it made us take up the above topic for study.

Methodology: The study is completely based on secondary data.

Scope and limitations: The study is limited to Telangana.

Objectives: To study the role of FDI in Telangana tourism.

Foreign direct investment:

Foreign direct investment (FDI) or foreign investment refers to the net inflows of investment (10 percent or more of voting stock) in an enterprise which is operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital. It usually involves participation in the issues of management, **joint-venture**, transfer of technology and expertise. FDI further classified in to two categories namely: inward foreign direct investment and outward foreign direct investment, which is creating an inflow of foreign investments, which is the cumulative number for a given period. Direct investment will not consider the investment through purchase of shares. FDI is one example of international factor movement. An investment abroad, usually where the company being invested in is controlled by the foreign corporation. The simplest explanation of FDI would be a direct investment by a corporation in a commercial venture in another country. It is a key for separating the action from involvement in other venture in foreign country which completely operates from outside in home country.

Foreign direct investment in India:

Starting from a baseline of less than USD 1 billion in 1990, a recent UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010-2012. As per the data, the sectors which attracted higher inflows were services, telecommunication, construction activities and computer software and hardware.

Some countries like Mauritius, Singapore, the US and the UK were among the leading sources of FDI.

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FDI for 2009-10 at USD 25.88 billion was lower by five per cent from USD 27.33 billion in the previous fiscal. Foreign direct investment in August dipped by about 60 per cent to approximately USD 34 billion, the lowest in 2010 fiscal, industry department data released showed.

In the first two months of 2010-11 fiscal FDI inflow into India was at an all-time high of \$7.78 billion up 77% from \$4.4 billion during the corresponding period in the previous year

FDI Policy in India:

FDI as defined in Dictionary of Economics is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new site. To put in simple words, FDI refers to flow of capital from one country to another. In this regard the production capacity of the economy will also increase.

Foreign Investment in India is governed by the FDI policy announced by the Government of India and the provision of the Foreign Exchange Management Act (FEMA) 1999. The Reserve Bank of India ('RBI') in this regard had issued a notification, which contains the Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000.

This notification has been amended from time to time. The Ministry of Commerce and Industry, Government of India is the nodal agency for motoring and reviewing the FDI policy on continued basis and changes in sectorial policy/ sectorial equity cap. The FDI policy is notified through Press Notes by the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP). The foreign investors are free to invest in India, except few sectors/activities, where prior approval from the RBI or Foreign Investment Promotion Board ('FIPB') would be required.

Issues Related To FDI in India:

- Union Budget 2012-13: Efforts on for consensus on 51% FDI in multi-brand retail. (March 16, 2012, TIMES OF INDIA)
- FDI down 33% in Dec to \$1.35 bn (March 1, 2012, TIMES OF INDIA)
- Government justifies 26% FDI cap in print media (December 21, 2011, TIMES OF INDIA)
- FDI inflows up 36% in Jan-Oct (January 2, 2012, TIMES OF INDIA)
- FDI jumps 60% to \$1.74bn in November (December 24, 2009, TIMES OF INDIA)
- Government puts off FDI in banking (April 24, 2003, TIMES OF INDIA).
- India's retail industry is estimated to be worth approximately US\$411.28 billion and is still growing, expected to reach US\$804.06 billion in 2015. As part of the process of economic liberalization set in place by the Industrial Policy of 1991, the Indian government has opened the various retail sector to FDI slowly through a series of steps:

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1995. World trade organization's general agreement on trade in services, which includes both wholesale and retailing services, came into effect.

1997. FDI in cash and carry (wholesale) with 100 present rights allowed under the government.

By the end of 2019 there is 100% improvement in the role of FDI in our country.

Telangana is promoted by its tourism department as the Kohinoor of India.

.Impact of FDI on Telangana Economy has been phenomenal. The state is going through the developmental phase for the past few years. Hyderabad is one such state in which the foreign investors show interest.

The state of Telangana is situated in the southern part of India. It has a long coastline and is one of the largest states in India. Visakhapatnam is an important port city in Telangana, and also an important commercial center. The twin city of Hyderabad and Secunderabad are famous for the information technology and IT enabled services sector.

Hyderabad is also globally famous for its splendid Ramoji Film City, the artificially created set of a city for shooting films. Tirupati, the world's richest temple attracts tourist from all over the world. Hyderabad old city is also famous for Pearls and bangles. The State government of Andhra Pradesh has been attracting various foreign investors.

INVESTMENT REGULATIONS IN FDI

In the Hotel Industry Sector, Foreign Direct Investment (FDI) has been permitted up to 100% under the automatic route. For foreign technology agreements, automatic approval is granted if:

1. Up to 3 % of the capital cost of the project is proposed to be paid for technical consultancy Services.
2. Up to 3 % of the net turnover is payable for franchising and marketing/publicity fees.
3. Up to 10 % of gross operating profit is payable for management fees, including incentives fees.

Impact of FDI on Telangana Economy

- Telangana is one of the most favourite destinations for the foreign investors.
- The laissez-faire policies and the availability of good infrastructure have helped in attracting investments in agro-food processing, IT, infrastructure and engineering based industries from abroad.
- International big players such as Intel and Volkswagen have set up their production units in the state of Telangana.
- The FDI to the state of Telanga, in the period 2004-05 was ` 735.02 crores, out of which, ` 676.86 crores was by the means of the automatic route under the Reserve Bank of India and the other ` 58.16 crores was approved through Foreign Investment Promotion Board (FOPB).
- Telangana received 1,051 proposals pertaining to FDI, in the year 2005 with the amount of foreign equity of ` 14,439 crores, and around 308 proposals out of the total were accepted with foreign equity of ` 4,215 crores.
- In the year 2006 the FDI inflow to Telangana was ` 4,412.80 crores.

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REASONS TO INVEST IN TELANGANA TOURISM

1. Economic liberalization has given a new force to the hospitality industry.
2. Telangana hospitality industry is increasing at a rate of 15 percent yearly.
3. Current gap between supply and demand is predicted to grow as the economy opens and grows.
4. Government has predicted an additional requirement of 200,000 rooms in the next five years.
5. Due to stable political and social conditions in India, there will be an increase in the number of tourist arrivals.
6. India is ranked fourth among the world's most see countries
7. The present government in its process has taken a few projects like opening of the partial sky policy. This allows private domestic airline operators to fly on the Indian skies
8. An increasingly growing middle class group, the arrival of corporate incentive travel and the multinational companies into India has bright prospects for tourism. India's easy visa rules, public freedoms and its many attractions as an ancient civilization makes tourism development easier than in many other countries

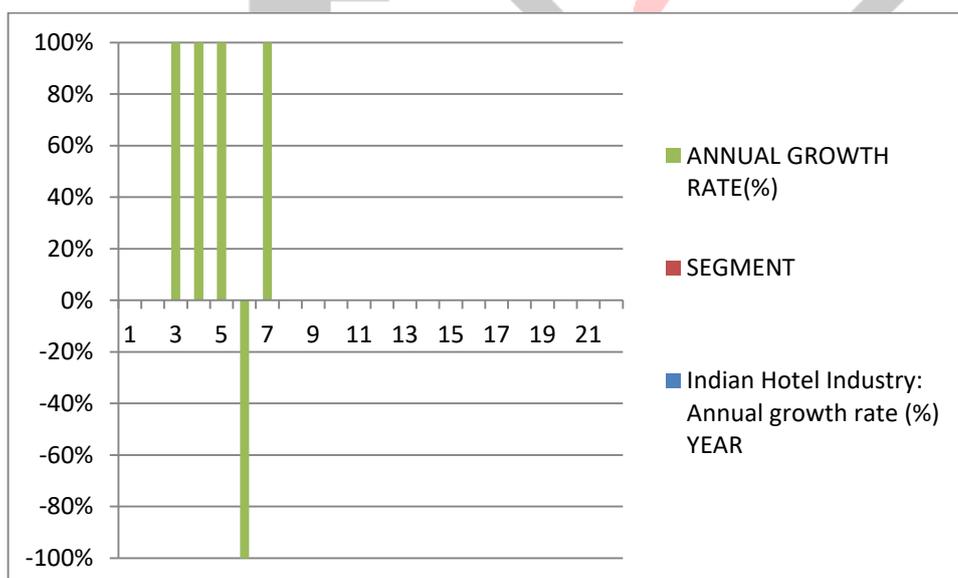
Beautiful places in Telangana specially Hyderabad like Hussain sagar Buddha statue, Charminar, etc which attracts more foreign visitors and foreign investors also



Table showing growth rate of hotel industry relating to tourism:

year	segment	Annual growth
2015-016	Hotel industry	17.5
2016-17	Hotel industry	14.4
2017-18	Hotel industry	13.1
2018-19	Hotel industry	-3.4
2019-20	Hotel industry	2.2

Chart showing the growth rete of hotel industry in tourism:



CONCLUSION:

FDI plays a significant role in expanding the tourism sector in Telangana. This shows that appropriate policy to explore tourism resources and plans to develop new tourist venues and facilities may need to be considered in order to meet the increasing demand of tourism in Telangana expected as a result of continued strong foreign direct investment.

The Travel & Tourism industry provides tremendous opportunity to Telangana in terms of contribution to its GDP and employment generation. According to CII estimates, an additional 1 million visitors can help generate revenues of Rs.4, 300 crore annually. Thus, Government policies, which would focus at increasing tourist arrivals in the state and facilitate investments in tourism infrastructure, would lead to significantly higher multiplier effect on the key economic parameters of the Indian economy.

From the above study following conclusion is recommended as the measures to attract more and more FDI:

There was need to rationalize the taxation on the hotel industry and adopt a single luxury tax across the country. For provision of single-window clearances at the local, State and Central Government levels to reduce procedural delays.

Tax holiday would encourage FDI in this sector and more players to set up hotels, to bridge the shortage of rooms which according to Government estimates stood at one lakh rooms.

It is recommended to increase the depreciation rate to 100% in order to incentives hotels to install pollution control equipment and energy generating devices to protect the environment.

