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Hotel Licenses: Comparative Study of Thailand and Karnataka

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Abstract

India has a promising tourism sector however there are several challenges in tapping into its full potential. These include a lack of effective advertisement and infrastructure. This paper explores one such element of tourism - hotel licenses. It takes the approach of comparative policy analysis including the theoretical and methodological framework of historical analysis and case study to evaluate hotel licensing in India. Thailand is well known for its hotel industry and therefore has been taken as a case study to derive lessons from. This paper focuses on Karnataka and Thailand as they are close in terms of economic and demographic profile. Using secondary sources, it was found that Karnataka, as compared to Thailand, is overregulated requiring multiple licenses, making it difficult to enter the market. It was also found that there is a need to rework economic public policy tools to make entering the market lucrative.

Keywords: Hotel, License, Tourism, Regulations

Hotel Licenses: Comparative Study of Thailand and Karnataka

Introduction

The growing influence of the tourism sector as an economic powerhouse and its potential as a tool for development is irrefutable. Not only does the tourism sector spearhead growth, but it also improves the quality of people's lives with its capacity to create large-scale employment of diverse kinds. It supports environmental protection, champions diverse cultural heritage and strengthens peace in the world.

Tourism as a sector is deeply relevant to a nation's progress. It has been called a "transformative activity" (Huijbens & Jóhannesson, 2019) It includes the intersection of various industries like hospitality, transportation etc. It therefore serves as a stimulant for investment in infrastructure, human capital and technology (Shahzad et al., 2016). Since tourism is competitive, it also serves as an antidote to the concentration of technology and knowledge. A thriving tourism sector can contribute to a country's global image and soft power. Tourism, most importantly, facilitates economic growth and social development.

For a country like India, with a rich culture and heritage, geographical diversity, and medical and healthcare community, tourism as a sector can enhance its economy and soft power. There is immense potential for cultural, religious, spiritual, adventure and medical tourism. An increase in tourism will facilitate the overall growth of India as it will serve as a stimulant for economic growth, infrastructure development, and employment generation. To tap into the full potential of what the sector has to offer, there are some challenges to be addressed. A thorough literature review of the issues arising in the sector highlights a need to improve.

Dr and Nair (2020) emphasised that tourism should be worked on with a strategic goal. The study also suggested the revival of religious tourism. Several studies were conducted on regional levels. Sahu (2013) studied Orissa and found that the government should improve on the cultural aspects of tourism. There were also issues relating to the damage of historical sites and the degradation of the environment. Koshti and Sharma (2015) found there to be issues regarding human resources near Agra. Rana & Kumar (2016) found that the Himalayas need to serve as

well-connected tourism destinations to attract foreign travel. Himalayas can be promoted for the beauty of mountains and forests can be promoted along with their historical significance.

One of the key issues discovered was poor infrastructure. Moorthygari & Sridhar (2012) studied tourism from the perspective of international tourists and found that India lacks infrastructure, advertising and campaigns. Dharmwani (2013) conducted a study on Rajasthan and found there to be social and environmental issues, poor infrastructure and lack of proper connectivity.

Thailand can be looked at as a case study for gaining insights into what makes it a top tourist destination globally. Much like India, Thailand is also a developing nation but it has been able to attract foreign tourists from all across the world, so much so that 40% of their GDP in 2019 was contributed by tourism. To draw an effective comparison, a focused study comparing Thailand with a state of India close to it in various aspects has been done. The derivations from the study can then be employed at a macro level. Karnataka is almost half the size of Thailand however it is close to it in terms of climate and gross domestic product and per capita income. Several studies also highlight the potential in terms of tourism in certain areas in India including Karnataka.

To draw an analysis of Karnataka's current situation, theoretical and methodological frameworks of Comparative Policy Analysis can be applied. The comparative historical analysis can be utilised to develop a theoretical and conceptual understanding of the tourism sector and the strategy of the government regarding it. Studying the past ten years of both governments' approaches to tourism policy in their respective areas serves as a basis to understand the thought behind the current policies as well as act as a backdrop for today's situation.

Hotels play a huge role in the thriving of a country's tourism sector. It helps enhance the overall experience of the tourists. It increases revenue generation and is crucial for branding a destination. Thailand is known for its hospitality sector which has helped it come up as a top destination for travel. The method to go into further detail would be the case study method of taking Thailand as a case study and comparing its policy of licensing hotels to Karnataka's, using it as an example to model present-day policies.

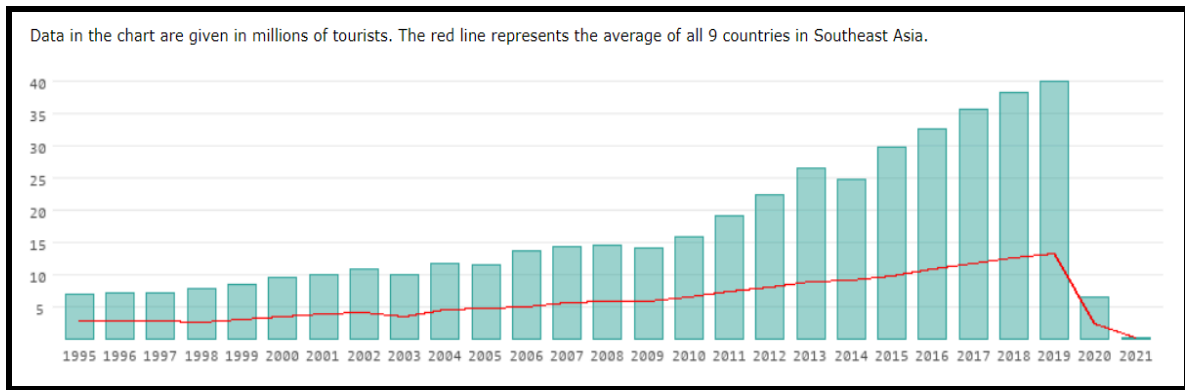
“The case study approach is particularly useful to employ when there is a need to obtain an in-depth appreciation of an issue, event or phenomenon of interest, in its natural real-life context” (Crowe et al., 2011). The case study method can explore a single policy in depth to identify its context and efficacy. "In-depth study was undertaken of one particular 'case', which could be a site, individual or policy" (Green & Thorogood, 2009). While studying public policy, the case study approach can help bring out critical information regarding policy interventions and help formulate a theoretical and empirical understanding of them in real life context. The case study approach dives into the causal and mechanical aspects of the cases being examined and the learnings derived from them can then be adapted and implemented in homogeneous cases. Thailand and Karnataka serve as perfect cases for comparative analysis as both have similar climate, GDP, and per capita income besides being developing economies with limited resources at their disposal.

Historical Analysis

A) Thailand

Thailand has come out as a country that has seen a consistent trend of growth in its tourism sector for the past 20 years. The Tourism Authority of Thailand creates four-year plans alongside its laws and policies to facilitate the tourism sector on issues like safety, hospitality etc. For the hospitality sector, Thailand created the Hotels Act 2004, which mandates a license to run a hotel. Thailand has also been providing fee waivers, and tax incentives to boost its tourism sector. All these efforts have led it to become one of the top countries with the highest inflow of international tourists. Figure 1 shows that Thailand has seen a massive influx of tourists through the years. To cater to this demand, Thailand became a home to 800,000 hotels.

Figure 1- tourists visiting Thailand between 1995-2021



B) Karnataka

Karnataka’s tourism sector contributes 14.8% of the Gross State Domestic Product. The government aims to take it to 20% by 2025 and enable job creation of 65 lakh direct and indirect jobs. The government also aims to focus on infrastructure, which is a common concern in Indian tourism.

Since 2009, the government has been focusing on infrastructure development as a part of the broader tourism policy. The policies are updated at a regular interval of every five years. All the policies have heavily emphasised upon increasing the accommodation. Measures taken include expansion of government-owned accommodations, subsidising hotels, and “encouraging corporate homes, operated by corporate entities at tourist destinations providing local experiential tourism..., encouraging use of heritage buildings as hotels for providing accommodation facilities to tourists” (Department of Tourism, 2015). Another focus of the policies was on the development of infrastructure for smooth travel.

Figure 2 - Karnataka Government’s Tourism Vision for 2025



Case Study

A) Thailand

An exploration of Thailand's Hotel Act 2004 (Hotel Act, 2004) and its licensing system can be studied to understand how Karnataka can fulfil its vision. Hospitality has played a major role in bringing Thailand to where it is today in terms of international tourism.

“This sector has emerged as a key player in Thailand's economy, driving growth in hospitality and compensating for sluggishness in other sectors. The hospitality offerings, ranging from basic amenities to upscale options, consistently garner praise for their service quality. Moreover, compared to developed nations, Thailand's relatively affordable prices grant tourists wider access to high-end experiences in the hospitality sector.” (Anon, n.d.)

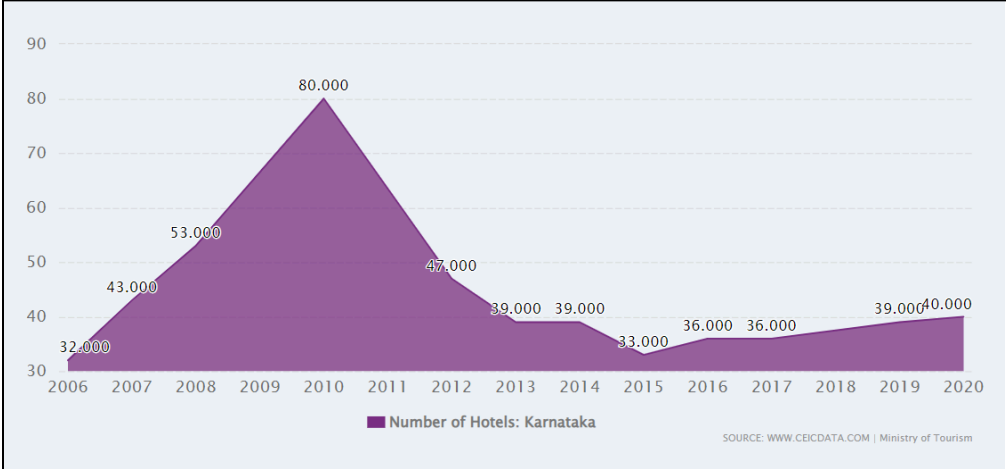
As per the Hotels Act of 2004, the ministry will have a committee to revise and rework regulations as needed. This body ensures the regulations keep up with the times. Further, the act is divided into several sections with three major themes: (1) hotel business operations, (2) hotel management, and (3) penalties and punishment for noncompliance. The act mandates who is eligible to run a hotel, the qualifications of the manager of the hotel, and the provisions required to attain a license. Based on the provisions mentioned in the act as long as the directives for a category of the hotel are met and the owner meets the criteria laid out, the license is approved. The hotels are required to renew their license every five years.

The recently updated regulations for hotels mandate certain requirements regarding safety measures and have relooked at the definition of non-hotels, excluding buildings with less than eight rooms and a capacity to host 30 guests in contrast to the earlier definition of any commercial building with four rooms and capacity for 20 guests.

B) Karnataka

The Government of Karnataka, too, has given priority to tourism. It has discovered approximately 319 tourist destinations that can cater to a variety of tourism types like religious, cultural, historical etc. Over the years the government has tried to develop the infrastructure for accommodation of the tourists. Karnataka’s growth in terms of hotels has been peculiar as in 2006 the number of hotels was 32,000 which increased to 80,000 in 2010 and again came back to 33,000 in 2015. In 2020, Karnataka had 40,000 hotels. This shows that there the market was responsive to the demand but it was short-run and unsustainable.

Figure 3- Number of Hotels in Karnataka over 14 years (2006-2020)



Much like in Thailand, to set up a hotel in Karnataka, a license is required. The process of obtaining the license requires several other licenses to be acquired. These range from licenses for floor plans, food, alcohol to music, etc. Approximately 20 different documents are required. The list of the same can be seen in Figure 4. Post acquiring these documents, the site is inspected and verified by the authority.

Post establishment of the hotel, the operational guidelines provided by the Government emphasise not just safety, facility requirements, operational excellence but also responsible tourism. These guidelines also highlight eligibility for incentives, subsidies and concessions to further the government’s 2025 vision.

Analysis

Both governments mandate the need to take a license to run a hotel and have some regulations to be adhered to. Comparing the two approaches the following was discovered.

In Thailand, to set up a hotel only two documents are enough: a document showcasing the building meets the safety regulations and a hotel license. Its Hotels Act, 2004 categorises hotels into four categories which must comply with the criteria set to get a license. These regulations are simple and easy to follow. The regulations revolve around the size, operations and management of the hotels to ensure a safe and smooth stay for the tourists.

In contrast to that, in Karnataka, outside of the hotel's license, several other licenses must be acquired to run a hotel. These range from food, alcohol, music, etc. Several documents and clearances are required which makes the process tedious.

Thailand has limited regulations however they bring out greater results due to successful implementation. On the other hand, the requirement of several licenses as a prerequisite to get a license for running a hotel act as a deterrent to entering into business. The process is contrary to the aim of the government providing subsidies.

However, it also must be noted that a steady growth in influx of tourists has been witnessed in Thailand while the same cannot be said for Karnataka. Unsustain increase in the number of hotels is an indicator of that. This means there is a need to ensure sustainable growth of the hospitality sector in Karnataka along with a focus on the process of licensing.

Discussion

The key lesson that can be learnt from Thailand is that the government can do more by doing less. There, lesser permits are required by individuals or companies running hotels to get a final license and the industry is flourishing. Therefore, to achieve greater results from the tourism sector, it is essential to simplify the regulations around the licensing of the hotel industry. If

compliance with regulations becomes easy, more people will take to investing in the sector. “This activity of procuring licenses delays the project by a year which is very dreary as compared to progressive countries like Singapore where only six licenses are needed from six government agencies. This kind of ambiguity arising from delayed processes requires the government of India to make the entire process quick, simple and transparent.” (Kashyap, 2014) A heavily regulated environment can also lead to stagnation in growth and development, and can fuel corrupt practices.

Though there are similarities between the systems of Karnataka and Thailand in their approaches - both require licenses, have measures that categorise hotels, and have a similar process for individuals to get licenses. Thailand goes a step further in operations and also deals with the management of the hotels. This means the law mandates certain criteria be met by the individual hired to manage the hotel. This allows for tourists to have a better experience.

This lesson can further be applied to the tourism sector across India. The issue of licensing is spread all over the nation; simplification of such rules would attract individuals to set up businesses which in turn would enhance the infrastructural capacity for the tourism sector of India in terms of accommodation.

This study however has its limitations. The study is conducted through an examination of secondary sources digitally available. This, therefore, rules out the possible analysis regarding hotel licensing in a qualitative fashion with regard to the general perception of participants in the industry. While Thailand and Karnataka are similar in GDP and per capita income, Karnataka is a state under the Union government and therefore has its own limitations and advantages. These play a role in the decision-making regarding policy decisions.

Public policy interventions are required to address market, systematic and learning failures, through public policy instruments, or tools that are economic, legal, informational, partnering, formal, informal and hybrid in nature, using “incentives, compensation, education, creation of networks, and coordination” (Aguinis et al., 2023)

By observing the tourism policies of Thailand and Karnataka over the years and the present day, the situation of the two certain derivations can be made for the Indian context. In the case of the

tourism sector, especially hotels, there seems to be a licensing failure. This requires careful observation and evaluation of the existing measures of licensing and reworking of the process to enable ease of doing business, improved quality of service provided, and sustenance of businesses in the market. To address this economic and legal public policy tools can be implemented. For example, economic public policy tools like subsidies and incentives can be adopted as measures along with the relaxation of legal tools of heavy regulations. Some of these measures are being implemented by Karnataka like providing incentives, subsidies and concessions however there is a dire need to relax the regulatory environment of the hotel industry.

Conclusion

India's tourism sector has great potential which if tapped into can lead to great economic growth and social development. Multiple studies have been conducted in the past that emphasise India's potential as well as areas requiring improvement. By comparative analysis, these findings can be addressed effectively by deriving lessons which can be implemented to bring required improvements to the ecosystem. India can learn from leading developing countries like Thailand. This study aimed to do just that.

Thailand as a case study demonstrates that it is a country with continuous growth in the influx of tourists and a flourishing hotel industry. By contrasting its policy and licensing system with an Indian state – Karnataka - which has a similar economic and demographic profile, the differences in the approaches have been analysed and lessons have been derived including a need for relaxation of regulations and the requirement of effective implementation of economic public policy tools like incentives, subsidies and concessions.

Stark findings were discovered while conducting the study like the spike in the number of hotels that opened in Karnataka and the decline in their numbers. It demonstrated the involvement of other factors beyond the regulatory landscape that impacted the hotel sector in the state, which can and should be investigated.

However, this study has its limitations as it relies solely on pre-existing data available in secondary sources. Therefore, it leaves room for on-ground primary research. The sources also

restrict the scope of the study which can be expanded to include trends in tourism in the two regions, the impact of macroeconomic factors in determining them, as well as the consequences of those factors. Research can be done in future to address these. Apart from this more research can be done in the field of tourism which can evaluate the impact of the policy measures taken in the two regions.

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