

HVS Monday Musings: India Union Budget 2021: Seeing the Glass Half-full?

February 7, 2021 / By Akash Datta , Dipti Mohan



After making several representations to the government, the Indian hospitality sector, one of the worst-hit by the pandemic, was expecting some game-changing announcements during the Budget 2021 speech which would help accelerate the sector's recovery.

However, the first ever 'digital' budget of the country failed to provide any direct and immediate support to the sector. In fact, the funding to the Tourism Ministry was slashed by 19% compared to the previous year, even though the allocation of funds for promotion and publicity has been increased. The situation may seem to be grim, but we feel that the sector should view the glass as half full and not half empty due to the fillip given to certain other sectors, which will indirectly help in the tourism and hospitality sector's growth in the long-term.



Capex push and vaccination drive will help revive corporate travel: The sharp 34.5% year-on-year increase in capex is expected to accelerate economic recovery in the country and help in job creation. Meanwhile, the allocation of funds to the COVID vaccination drive will help improve traveller sentiment. Both these initiatives are likely to help in the revival of corporate travel in the country.

Government's increased focus on health and wellbeing is favourable for medical tourism: the government plans to take a 'holistic approach' to healthcare by focusing on preventive health, curative health and well-being going forward. The PM Atmanirbhar Swasth Bharat Yojana will focus on expanding the healthcare infrastructure in the country, which will help strengthen India's position as a global medical tourism hub in the post-COVID world. Even pre-COVID the country was a preferred medical tourism destination with 18% share of the global medical tourism market as per a report by FICCI and IMS Health.

Augmenting infrastructure development will boost tourism: the government has announced massive investments for improving the road and rail network in the country, along with plans to privatize airports at Tier 2 & 3 cities. These initiatives will help improve the regional and last-mile connectivity to hitherto unexplored and under-served tourist destinations in India. For instance, the government's aim to develop an additional 8,500 km of national highway has come at an appropriate time as people have discovered the joy of road-trips in the COVID era. The government's plans to set up a Development Financial Institution, with an initial capital of INR200 billion, will help accelerate infrastructure development in the country.

Summary

India's first post-COVID budget failed to provide any direct and immediate support to the Indian hospitality sector. However, the massive fillip given to other allied sectors such as healthcare and infrastructure will indirectly help boost the tourism and hospitality sector's growth in the long-term.

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Establishing India as a manufacturing & textile hub: the government has announced production linked incentive (PLI) schemes to boost the manufacturing sector in the country. Along with this, the government also plans to set up seven textile parks over the next three years, which will help in the development of the hospitality sector around the project sites.

Access of funds made easier for REITs and InvITs: Last but not the least, enabling debt financing for the Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) will further ease access of funds for infrastructure and real estate sectors, including hospitality. Dividend paid to REITs and InvITs have been exempted from tax deducted at source (TDS), which will help increase retail investor participation in such issues.

The strong emphasis on infrastructure sector in the current Budget will assist job creation and in turn improve demand, which bodes well for the hospitality sector. A similar trend was witnessed after the September 11 attacks, when the central government increased its focus on infrastructure development which resulted in a strong growth in demand in the subsequent years.

About Akash Datta



Akash Datta, HVS Senior Vice President - Consulting and Valuation, leads consulting engagements, encompassing market studies, feasibility studies, strategic planning, valuation, and forecasting. Akash has spent nearly 13 years in the hospitality industry having successfully worked with International Hotel and Consulting firms such as Hilton, JLL and HVS in South Asia and the Middle East. In 2005, Akash started his Consulting career with HVS as an analyst following which he undertook his MBA in International Hospitality Management with concentration in Real Estate Finance from IMHI ESSEC in Paris, France. Known for his industry insights, Akash works with leading companies, private clients, industry groups, and global networks. Contact Akash at +91 989 9517 404 or [\[email protected\]](#).

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