

# **A Study of Growth and Development of Hotel Industry in Gangtok**

A thesis submitted  
to

**Sikkim University**



In Partial Fulfilment of the Requirement for the  
**Degree of Master of Philosophy**

By

**Manila Tamang**

Department of Tourism  
School of Professional Studies

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# सिक्किम विश्वविद्यालय

(भारतीय संसद के अधिनियमद्वारा स्थापित केन्द्रीय विश्वविद्यालय)  
गुणवत्तापूर्ण प्रबंधन प्रणाली ISO 9001:2008 हेतु प्रमाणित संस्थान

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Date-03/07/2020

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### Certificate


This is to certify that M.Phil thesis entitled "A Study of Growth and Development of Hotel Industry in Gangtok". which is being submitted by Miss Manila Tamang D/O Shri Chandra Prakash Tamang for the award of the M.Phil degree in Tourism from Sikkim University, Gangtok. This is a record of bonafide research work carried out by her under my supervision and guidance.

The research work has reached the standard of fulfilling the requirements of the M.Phil degree. It embodies a work of candidate herself. The results obtained by her have not been submitted to any other University, for any degree or diploma. Miss Manila Tamang has worked under my guidance for the mandatory period statutorily prescribed under the ordinance of the University.

I wish her all the success in her future endeavors.

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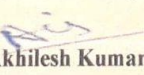
**“A study of Growth and Development of Hotel Industry in Gangtok”**

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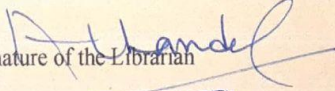
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<b>TABLE OF CONTENTS</b>		
<b>Chapter</b>	<b>Particulars</b>	<b>Page No.</b>
	Acknowledgment	I
	Table List	II
	Figure List	III
	Acronyms	IV
Chapter 1	Introduction 1.1 Nature of Hospitality and Hotel Industry 1.2 Hotel Definition, Structure, and Classification 1.3 Growth and Development of the Indian Hotel Industry 1.4 Status of HRACC approved hotels in India 1.5 Present Status and Emerging Trends in Indian Hotel Industry 1.6 Profile of Sikkim Hotel Industry 1.7 Present Employment Opportunities in Sikkim Hotel Industry 1.8 Statement of the Research Problem 1.9 Significance of the research 1.10 Rationale of the research 1.11 Scope of the research	 1 - 2 2 - 5 5 - 8  8 - 10 10 - 11  11-14 14-17  18 18-19 19-20 20
Chapter 2	Review of literature	21 - 29
Chapter 3	The Study Area Profile 3.1 Geographical Background of the State 3.2 Sikkim Tourism Profile 3.3 Tourist inflow in Sikkim 3.4 An Overview of Gangtok 3.5 Homestays in Sikkim	 30 30-34 34-36 36-37 37-38

Chapter 4	Research Methodology 4.1 Framework of the research 4.2 Objectives of the research 4.3 Research Design of the study 4.4 Sampling 4.5 Collection of Data 4.7 Analysis of Data	 39 40 40 41 41-43 43
Chapter 5	Result and Discussion 5.1 Demographic profile 5.2 Objective 1 – Result and discussion 5.3 Objective 2 – Result and discussion 5.4 Objective 3 – Result and discussion	 44-45 45-53 53-59 60-62
Chapter 6	Conclusion and Suggestions	63-66
	References	67-79
	Appendix	80-90

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## Table List

Table No.	Particulars	Page No.
Table 1.1	Registered and Non-Registered Hotels in Sikkim	12
Table 1.2	Total Number of Homestays in Sikkim	13
Table 1.3	Employment provided by hotels in Sikkim	14
Table 1.4	Status of Tourism and the Hotel Sector in the State Economy	15
Table 3.1	General information of Sikkim	32
Table 3.2	Foreign tourist arrivals to Sikkim	34
Table 3.3	Domestic tourist arrivals to Sikkim	35
Table 3.4	Updated summary of Homestays 2018	38
Table 5.1	Demographic characteristics of hotel owners/operators in Gangtok.	44
Table 5.2	Establishment Information of hotels in Gangtok	45
Table 5.3	Total number of hotels in Sikkim during 2016-18	46
Table 5.4	Total number of Homestays in Sikkim	47
Table 5.5	Details of hotels in East Sikkim	48
Table 5.6	Details of homestays in East Sikkim	49
Table 5.7	Total number of hotels in Gangtok according to area	50
Table 5.8	Average occupancy percentage of hotels of Gangtok in the year 2018	51
Table 5.9	Star category of hotels in Gangtok	52
Table 5.10	Result of KMO and Bartlett's Test	54
Table 5.11	Communalities	55
Table 5.12	Rotated component matrix	59
Table 5.13	Details of employment provided by the hotels in East Sikkim	60
Table 5.14	Employment opportunities available in hotels of Gangtok	60
Table 5.15	Entrepreneurship opportunities	61
Table 5.16	Job opportunities	62
Table 5.17	Government revenue generation through hotel industry of Sikkim	62



## **Figure List**

Exhibit No.	Particulars	Page No.
1.1	Major Classification of Hotels in India.	4
1.2	Hotel occupancy rate in India during 2012-2017	8
1.3	Numbers of Approved hotels in India.	10
1.4	Issues and Challenges Faced by State Hotel Industry	16
3.1	Tourism map of Sikkim	33
4.1	Research Framework	39
5.1	Total number of hotels year wise	46
5.2	Total number of Homestays	47
5.3	Details of hotels in East Sikkim and growth over the year	48
5.4	Growth of homestays in East Sikkim	49

## Acronyms

MoT	Ministry of Tourism
UNWTO	United Nation World Tourism Organisation
IBEF	Indian Brand Equity Foundation
ITDC	Indian Tourism Development Corporation
OTA	Online Travel Agency
CAGR	Compound Annual Growth Rate
RevPar	Revenue Per Available Room
TCAD	Tourism & Civil Aviation Department
SWOT	Strength, Weakness, Opportunity, and Threat
GDP	Gross Domestic Product
STDC	Sikkim Tourism Development Corporation
GoS	Government of Sikkim
HRACC	Hotel & Restaurant Approval & Classification Committee
GoI	Government of India
ITDC	Indian Tourism Development Corporation
FDI	Foreign Direct Investment

# CHAPTER 1

## INTRODUCTION

### 1.1 Nature of Hospitality and Hotel Industry

Hospitality is an ancient concept and has been a part of human civilization for very long. The word “Hospitality” is originated from an antique French word ‘hospice’ that provides the sense of “to provide care/shelter for tourists” (Siu, 2019). The travel and hospitality industry is an enormous well established and fast-growing business on the earth. It has been acknowledged that the hospitality industry is providing throughout the year services to its customers. Skilled manpower sincerely works for prominent visitor’s satisfaction, which prompts guest dedication and benefit to the hospitality industry. Characteristics of the hospitality business are mostly intangible, inseparable perishable, and variable. These special features differentiate the hospitality industry from its counterpart traditional manufacture industry. Total Quality Management (TQM) and other various service quality management developed in line with the requirement of the hospitality industry have helped and executed successfully in improving services to the customer by empowering employees that meets the visitor’s expectation. The hospitality industry is dependent on various numbers of internal, external factors and trends for growth.

According to WTTC (2019), the tourism industry becomes truly global in the present decade and is considered as an increasingly important market segment in terms its economic impact which contribute significantly, 10.4% to global GDP and 319 millions of job for job seekers, approximately 10% of global employment. The most important part of the tourism is *Health, Safety, Security*, which are among significant factors responsible for tourism development of any destination (Wilks, 2006). *Diversity*

*and Changing Demographics* determines the highly sensitive and slightly changeable nature of the global hospitality industry. The perception of guest's satisfaction is directly responsible for the growth of the Industry. *Sustainability and Environment-Friendly* practices are becoming popular in the global hospitality business. Renewable and Clean Energy-based operational management drifts the hotel industry to cope up with environmental sustainability (Han, Hsu, Lee, & Sheu, 2011). Renewable and clean energy-based operational management is in global demand for the hotel Industry to lead sustainability. Another important trend is *Travel with a purpose that* comprises a particular purpose and motivation among travellers for any particular destination to get unique travel experience and active participation to understand local values and culture (Robinson & Clifford, 2012). *Social Media and Mobile* are powerful and friendly mediums for travellers to connect with many hospitality services at the global level (Leung & Bai, 2013). The idea of Sustainable Development in the global hospitality industry is a holistic approach to benefits and integration among all stakeholders (Prud'homme & Raymond, 2013). In the present scenario, the growth of the hospitality industry is highly determined on all the above-discussed parameters: there effective applications and management.

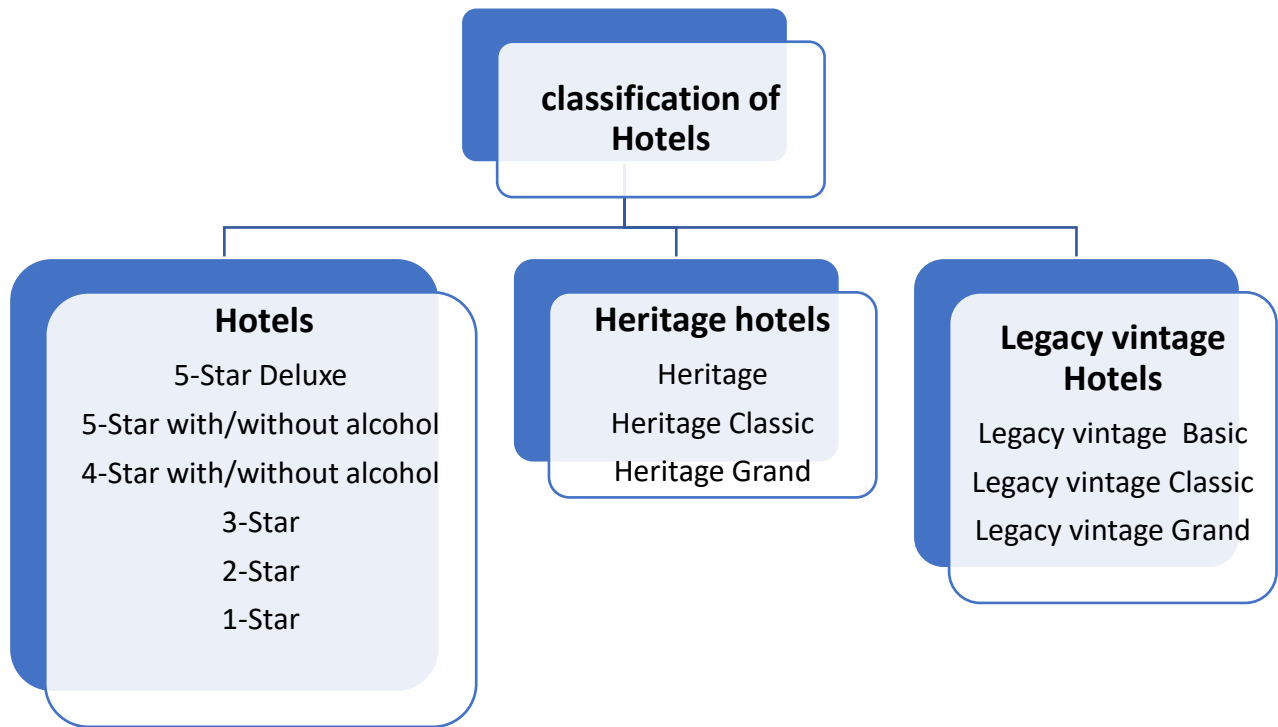
## **1.2 Hotel Definition, Structure, and Classification**

A hotel is a commercial establishment that offers accommodation, food, beverages, and other ancillary services to the customer provided that the customer is able and willing to pay for that service and is in a fit state to avail that service (Bhatnagar, 2011). Hotels can be categorized based on various principal elements such as location, level of services provided, theme, duration of stay, ownership, star classification, etc. However, hotel ranking formulated on star classification is widely recognised and more prevalent. In India, MoT has classified the operational hotels into

mainly three categories: hotels, heritage hotels, and legacy vintage hotels. Hotels have been classified and ranked based on stars. The HRACC examine, inspect and classify/reclassify the hotels on the grounds of the prerequisite services and facilities offered based on existing guidelines to be followed (MoT, 2019). The tourism ministry of India classifies Indian hotels in seven major categories on the basis and highlights of facilities offered by them. The Indian hotel industry received a major boom by the establishment of various luxurious accommodation units in Delhi to provide the facilities and services to the Asian Games in 1980. (Banerjee, 2013). The Hotel Industry significantly contributes towards the economic development of the country, along with allied enterprises like the tourism/service provider industry, catering industry this is a source of employment and earnings for any nation (Munjal & Bhushan, 2017).

The hotel industry in various ways demonstrates the nation's development and advancement. The hospitality business of India is growing increasingly to satisfy the necessities and needs of the customer most effectively. India is an exceptionally acclaimed destination in the world. To provide food and accommodation needs of travelers, different hotels and resorts have come up in India. The vast structure ranging from Luxury to Budget hotels which can fit in each financial limit. The Government of India (Ministry of Tourism) is access to different segments of travelers extensively promoting the Indian Tourism Industry in the concept of “Atithi Devo Bhavah” which truly signifies “Visitor is God’ to motivate foreign tourists (Wandrekar, n.d.). The hotel business in India is experiencing a fascinating stage. One of the major purposes behind the expansion sought after for accommodation units are because of the growth and development in the private sector segments like information and communication technology, telecommunication, retail enterprises, etc. Hence, the hotel Industry catalyzes the nations' development and advancement (Banerjee, 2013).

**Figure 1.1 Major Classification of Hotels in India**



**Source: Ministry of Tourism India, Govt. of India (2018)**

Figure 1.1 represents hotel classification found in India includes: *Heritage Hotels* refers, to some of the old Havelis, Traditional house and some part of Fort and Palaces which truly signifies the antique historical splendour of our country which have been converted into a pleasant tourist spot to motivate domestic as well as international visitors. Most of the heritage hotels are located in the western side of the country like Rajasthan, Gujarat, Delhi, etc. *star hotels* provide high standard facilities and services to its customers to feel and experience sumptuous hospitality with enriched dining opportunities. Legacy vintage hotel concept came up in the year of 2018 to classify hotels build on 50% of material sourced from heritage properties. A hotel would be considered in this category if the architectural, intricate design and construction have a sense of tradition qualities and ambiance of that heritage area. Apart from this, the

Tourism Ministry has other distinct types of classification for accommodation units such as Bed and Breakfast, Apartment hotel, etc.

### **1.3 Growth and Development of the Indian Hotel Industry**

The first hotel units in India were set up during the British period in the early 18<sup>th</sup> Century in cities like Calcutta, Mumbai, and Delhi. Charles Ville and Savoy hotel built in 1861 and 1895 respectively were among the premier hotels established at that time in Indian hills, Mussoorie. Also, Shimla received its first hotel establishments as (Clarkes and Savoy) hotel in 1898 and 1902 respectively (Sufi, 2015). Indian entrepreneur and the founder/owner of the great Tata Empire Mr. Jamshedji Tata established the first-ever Indian hotel in 1903 in Mumbai. Further, Mr. Rai Bahadur Mohan Singh took over Clarkes Hotel in 1938 (earlier known as Carlton Hotel) in the Northern part of India and the Grand Hotel of Calcutta. This established the Oberai group of the hotel in India.

Later after independence, the GoI has realized the potential of the hotel industry and invested in the hotel business. Hence, Hotel the Ashok came into existence in New Delhi during the regime of first Prime Minister, Pt. Jawaharlal Nehru. In 1966, one of the major organizations called ITDC was established by GoI, which main objective was to establish and manage operational hotels/inns all over the country (Seth & Pran Nath Seth, 2003). The Indian hotel industry growth in the last decades of the 20th century has been progressive and impressive (Munjal & Bhushan, 2017). The private sector is contributing efficiently to the growth of the accommodation sector in our nation, many of the country's entrepreneurs are operating hotel chains with the highest standards and global recognition worldwide. To meet up with the competition of domestic and international hotel chains, Indian hotels are developing incessantly, and provide the

markets for all categories of tourists from low to high class. Indian hotel chains came forward to set up their international market with the prime objective of guest satisfaction. To compete in the Indian market, hotels are successfully motivated customers through different marketing technology tools like social media, online marketing, direct marketing, Online Travel Agencies (OTA), and other travel apps (Sufi 2012). Varieties of Indian hotel chains such as Taj, Oberoi, Sarovar Hotels, etc. have marked their presence to international markets were able to win awards on global levels for providing exceptional services and guest satisfaction (Sufi, 2015). Later the recent growth and development in this industry have been based on the substantial proliferation of the Indian tourism industry. In 2002 GoI launched the “Incredible India” campaign that had a strong impact on domestic tourists as well as international tourists induced a remarkable hike in tourist arrivals to India (Thadani & Mobar, 2014). Sharma & Thusoo (2017) highlighted the hotel industry contributes as a significant determinant for the growth of the service sector in India. It is generating a considerable amount of foreign exchange and hence adding a significant contribution to the economy. Kumar, Dash, & Purwar (2013) identified that the industry is increasing at around 12% average rate and the market is about USD 3.8 Billion. At present demand and supply of rooms is imbalanced due to insufficient numbers of hotels available in the market. The current demand for rooms is around 150,000 but the supply is around 110,000 rooms only (Sufi, 2015). Indian travel and tourism sector is playing a constructive role in the economic growth and emerged out as one of the topmost industries amongst other service sectors in India. The immense growth opportunities of the sector are supported by India’s increasing population and rise in income levels. Besides this user-friendly, time and cost-efficient modern technological advancements in the Indian tourism and hospitality sector are some major drivers for the continuous

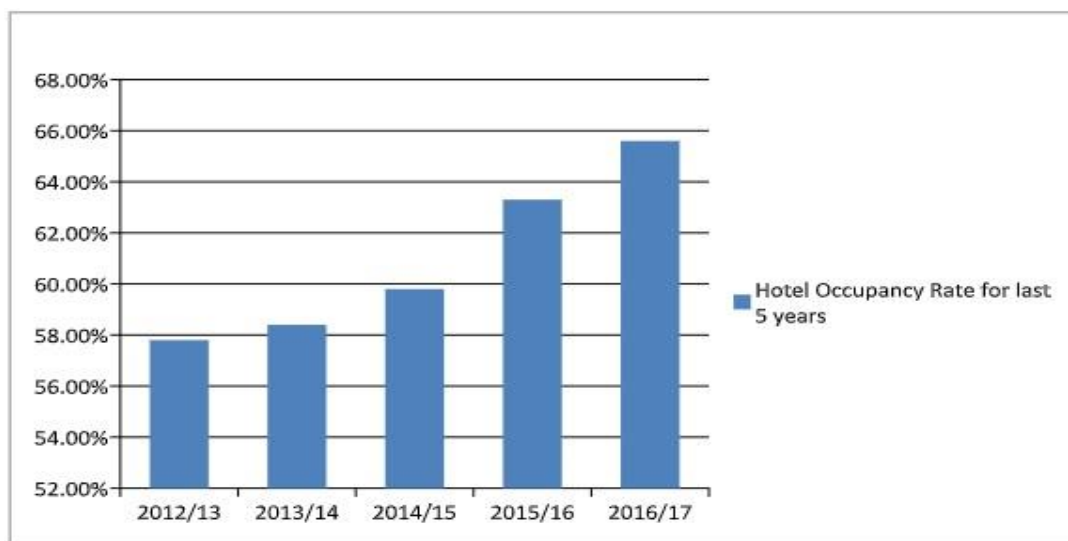


boom of this sector across the country. Hence tourism and hospitality sector is luring many domestic and foreign business enterprises. Throughout the course of 2000-2018, the tourism sector attracted around US\$ 12 billion of FDI. It has been predicted that international hotel chain market will share 47% in 2020 and 50% in 2022 of the Indian hotel market (IBEF, 2019). In India, the service sector progress trend will continue by the preface of e-visa for international visitors and with the domestic economy uplifting to increase in numbers of domestic tourists (Kansara & Mishra, 2019). The major catalyst for the increased hotels is due to the increase of domestic as well as foreign tourist arrivals, rising in income levels and high airline passenger numbers. Accommodation units of the country have witnessed huge competition and irregularity in the market from 2011 to 2017, economic slowdown slashed the revenue per available room (RevPAR) and hence, growth of the sector up to 2%. Though the current phase is quite satisfactory and supportive for the better performance of the industry, demand for the hotel rooms is estimated to increase at a CAGR of 6% during fiscal 2018 to 2023. An increase in domestic purchasing power parity and ease of facilitation (booking and payments etc.) in the sector fostered the development of hotels. Forecasting of the accommodation sector of India is prospecting positive and supply is estimated to grow at CAGR of 4%, resulting from an increase of 71% by the fiscal year 2023. Average Room Rate (ARR) is forecasted to increase at a CAGR of 3 % (CRISIL, 2019). Indian hotel industry lacks a vast gap in demand and supply, the demand for rooms has been growing rapidly about 6.8% but comparatively, the supply growth in India is just 3% for the past couple of years. There is an urgent need for more hotels, especially the budget hotels for the huge mid-market hotels' segment (Kansara & Mishra, 2019).

India is very rich in its cultural diversity which includes different religions, customs, languages, cuisines, and traditions from the Eastern part to Western India and

from Northern India to Southern India. Due to these various attractive tourism resources, most of the travellers from abroad countries want to visit India to get a sense of that. The Indian accommodation sector is becoming excessive manifold from warm home-stays to amazing ethnic villa and maharaja's palaces, tropical huts, and traditional guesthouses to the magnificent comfortable and expensive star category deluxe hotel suites, etc. (Banerjee, 2013).

**Figure 1.2 Hotel occupancy rate in India during 2012-2017**



**Source: The Indian Hotel Industry, Sunshine Ahead (2018)**

Figure 1.2 represents the hotel occupancy rate from the last five years. The hotel occupancy rate in India is increasing at a considerable level resulting in the growth of the hotels. During 2016-17 occupancy rates were approximately 66 % as compared to the performance of hotel occupancy during 2012-13 (57%) the growth is quite impressive in the last five years.

#### **1.4 Status of HRACC Approved Hotels in India**

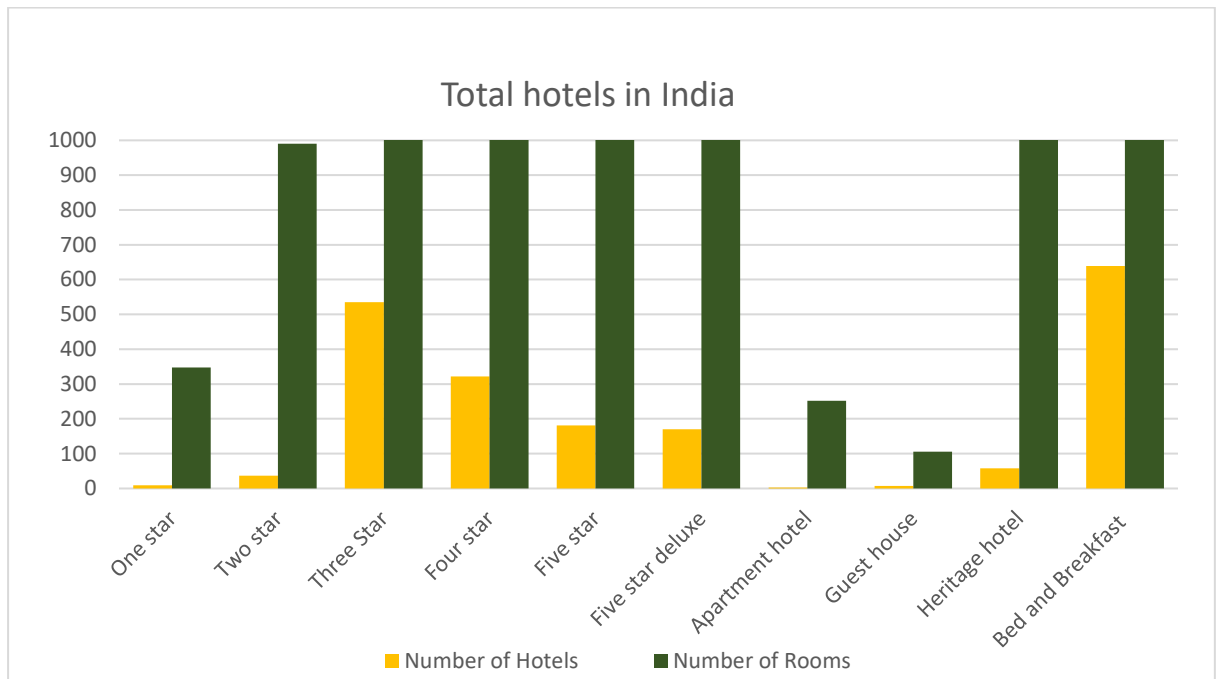
The hotel industry of India has noticed progressive growth in recent years though this is not as per the current market requirements there is a measurable gap in

the demands and supplies of hotels and hotel rooms in India. This is basically because of operations of unorganized non-classified hotels in forms of Guest houses/ lodges/Dharmshalas across the country which are devoid of any accreditation either from Government of India/State Government Departments/ organizations. In India, there are only 9 hotels with 348 numbers of rooms of 1-star category available currently. Similarly, 37 hotels with 990 numbers of rooms of 2-star category, likewise 535 hotels with having 18889 of rooms in 3-star categories. Moreover, 322 hotels with having 16451 numbers of rooms of 4-star categories, 181 hotels with having 22673 of 5-star categories, 170 hotels with having 37955 of 5-star Deluxe categories. Also, 3 apartment hotels with a capacity of 252 rooms, 7 Guest houses with 106 rooms, 58 Heritage hotels with 1843 numbers of rooms, and 639 Bed & breakfast establishment with 2983 rooms. Altogether 1961 hotels with capacity 90897 number of rooms have been approved by the Indian tourism ministry till 2018 is represented in Figure 1.3 (Ministry of Tourism, 2019).

Besides this large number of hotels and other accommodation units are operating in the country are not registered with the Ministry of Tourism, India. These hotels are either registered with the State Government and other Government local bodies or yet to be registered. Approval of accommodation units is necessarily important to maintain the service and facilities in line with international standards. However, the government always fosters the registration of hotels to establish and maintain quality for excellent customer satisfaction. Now it is very easy and simple to register because the Ministry of Tourism has developed a dedicated website (<https://hotelcloud.nic.in/>) for the classification and approval of the hotel. This web application for E-classification three easy step process: Registration, Application, and Occupancy. This website allows hotels to fill the online application with few necessary

details and apply for hotel classification or hotel project approval. Hotels those are classified have to submit monthly occupancy report. In addition, this website facilitates each hotel to check their monthly reports and application status details. Also, the relevant guideline and user manuals are provided in this website for reference purposes.

**Figure 1.3 Numbers of Approved hotels in India.**



**Source: Ministry of Tourism (2019)**

### **1.5 Present Status and Emerging Trends in Indian Hotel Industry;**

Based on the report, the Hotel Industry is estimated to achieve INR 1,210.87 Billion at the end of 2023. The estimated CAGR is projected around 13% between 2018 and 2023. It is a primary driver of economic growth in India. The diversity of the Indian hotel market is characterized by the level of service (upscale, mid-market for the major hotels in India and economy). The occupancy rate is increased and recorded around 65% for the financial year 2017 and financial year 2018. In terms of revenue sources for hotels around 53.6% of the total earning of the Hotels come from room selling, food

and beverages, and banquet services. There is an inadequate supply of hotel rooms due to increased leisure and leisure travel (Research and Market, 2019).

The Indian hotel sector is sensitive and highly global market-driven, global hospitality trends for marketing like social media and hotel booking/apps, etc. are very popular and have their high outreach across India, therefore, hotel owners are adopting this kind of latest marketing practices. These user-friendly and high outreach technologies are governing the Indian hotel market sector. FDI is a major development in the growth of the hotel sector. The hospitality sector of India is allowed with 100% FDI encourages various International investors to develop tourism and hospitality infrastructure. Goods and Services Tax (GST) with a high slab after its implementation in the hospitality sector significantly tampered the easy rise of the Indian hospitality market targets a concern of this. Later the Indian government recognized the impact of GST in the hotel room and reduce to some extent for better facilitation to promote tourism and hospitality in Indian.

### **1.6 Profile of Sikkim Hotel Industry**

As per survey report of Sikkim Tourism Department 2019 (Given in Appendix) on existing accommodation capacity and strength of the state there are currently total 26-star category hotels are available in the state including 5 star deluxe, 5 stars, 4 stars, 3 stars, and 2 stars with the sum of 793 rooms along with 836 double beds and 63 single beds with the capacity of 1778 numbers of beds and rooms are available in Sikkim. There are one 5 star deluxe, four 5 star, four 4 star, eight 3 star and nine 2 star hotel properties located in Gangtok. Furthermore, other hotel properties are either registered with the Tourism Department, Government of Sikkim, or Gangtok Municipal Corporation.

**Table1.1. Registered and Non-Registered Hotels in Sikkim**

Area/District	East	West	North	South
Registered with TCAD	275	85	8	40
Registered with Gangtok Municipal Corporation	127	0	0	0
Non-Registered with TCAD	217	124	132	50
Total No. of Hotels	619	209	140	90

**Source: Tourism Department, Government of Sikkim (2018)**

Table 1.1 represents the total number of hotels registered/non-registered in Sikkim. Sikkim is receiving a large number of tourist arrivals to fulfill the accommodation needs of tourist's state has come up with large numbers of budget hotels and standard category hotels across the state. As per the report, East Sikkim has a total no of 275 hotels that have been registered with TCAD, GoS, 127 hotels have been registered with the Gangtok Municipal Corporation (GMC) and the total numbers of 217 hotels are not registered with any Government Organization. Altogether there are 619 numbers of hotels are available in east Sikkim. West Sikkim comprises the total number of 85 hotels that have been registered with the TCAD, GoS. Remaining 124 hotels lack any kind of Government authorization. A Sum of 209 hotels are available in west Sikkim, and as per record, there are only 8 hotels that have been registered with the TCAD, GoS in North Sikkim. Remaining 132 hotels are not registered with any Government Institution. Therefore, 90 hotels are available in North Sikkim. South Sikkim with having 40 hotels registered with the TCAD, GoS, remaining 50 hotels are not registered with any Government Organization. A Sum of 90 hotels are available in South Sikkim.

As per the report of the Tourism Department, Sikkim 2018, the state hotel industry growth and development is not substantial, there is a huge gap between supply

and demand of approved/ classified hotels in the state. There are currently 1058 hotels, 69 Restaurants, 66 Tourist Guides, 1119 Travel Agents, 371 homestays, and 47 hotels (under construction stage) (Government of Sikkim, 2018). The IHM Gangtok was established in 1990 by GoI and GoS with the main objective of to offer and foster fundamentals of hospitality education in the state, and also to ensure the incessant supply of skilled manpower to the hotels.

**Table 1.2 Total Number of Homestays in Sikkim**

Area/District	East	West	North	South	Total
Registered with TCAD, GoS	341	169	34	157	701
Non-Registered with TCAD, GoS	98	98	10	141	347
Total No. Of Hotels	439	267	44	298	1048

**Source: Tourism Department, Government of Sikkim (2018)**

Table 1.2 shows the total number of homestays in Sikkim. Large numbers of homestays have been set up during the last few years in Sikkim. There are around 701 registered homestays available now in Sikkim. As per available data, Sikkim has a total of 1048 homestays in all four districts (East, West, North, and South) out of which 347 homestays are not registered with any Government organization.

Homestays are considered as accommodation units in the state, apart from lodging it provides the visitors with an opportunity to learn about the local culture, customs, traditions, rituals, lifestyles, languages, etc. besides this other tenet like eco-friendly environment, hospitable and comfort zone, social and responsible atmosphere can able to motivate more numbers of tourists. Homestays of Sikkim Himalaya especially promote community-based tourism and earned money from the customers by providing facilities and services to them. Host communities started preserving biodiversity, culture, and tradition so that they enable to attract tourists, as it gives the

local peoples with job opportunities like guides, cook, etc. (Yadav, Gupta, & Lama, 2018).

### **1.7 Present Employment opportunities in Sikkim Hotel industry**

Sikkim has the potential for promoting tourism and hospitality sectors across the state. The natural attractions on the backdrop of the Mount Kangchenjunga, its flora and fauna and culture of various traditional community has attracted tourists from every corner of the world. This makes the viable of the hotel industry in Sikkim. Due to the rapid growth in the accommodation sector in the state, it provides employment opportunities to the locals as well as outsiders in the sector.

The total number of employees engaged in hotels of Sikkim shown in Table 1.3. District wise the total number of hotels and employees engage in the hotel sector in Sikkim. East Sikkim has the sum of 619 hotels with 2536 local residents' employees and 2100 non-local employees. West Sikkim has a total of 209 hotels with 439 local workers and 504 outsider workers. North Sikkim has 140 total hotels with having 236 local employees and 281 non-local employees and South Sikkim have altogether 90 hotels with having 305 local employees and 196 outsider workers.

**Table1.3. Employment provided by hotels in Sikkim**

Area	Total no. of Hotels	Number of Employees	
		Local	Non-local
East	619	2536	2100
West	209	439	504
North	140	236	281
South	90	305	196
Total Hotels	1058	3516	3081

**Source: Department of Tourism, Government of Sikkim (2018)**



As shown in Table 1.4, there is limited data available to examine the share of the Tourism and the accommodation sector to the state economy. As per the report of Sikkim Tourism Policy 2018 state has around 61% of the employee from outside the state. Most of the hotels here are charter out by the outsider. Even though, this segment plays a vital role in employing the local people. Most of the local youths have been engaged in these sectors (Government of Sikkim, 2018). According to IBEF (2018), the tourism industry and other related industries like hotels, trades, real estate, transportation, and communication which contribute around 48% to the state economy.

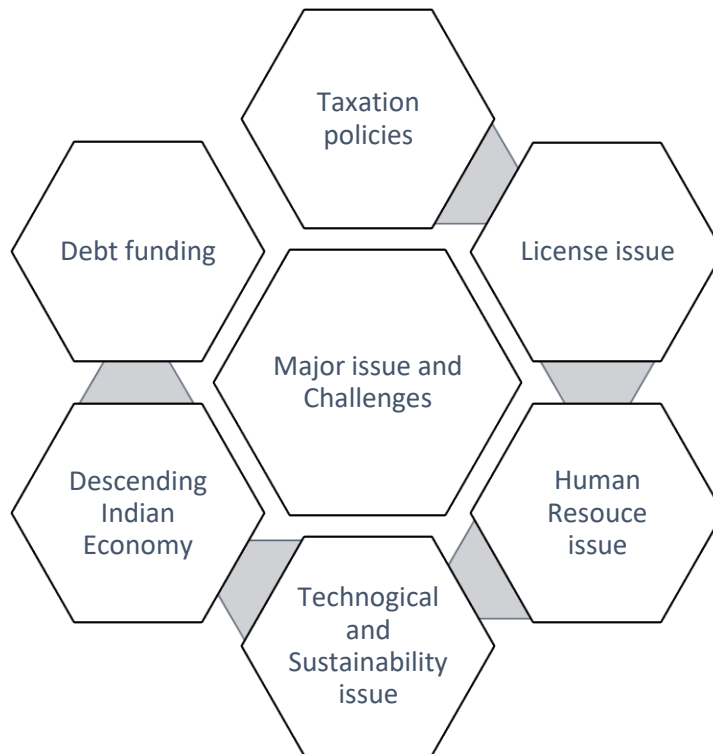
Tourism is considered a key player in promoting and increasing the state economy with income generation and employment generation. Hotel is one of the crucial elements of the tourism industry, as it provides food and lodging facilities/services to the customers. The sector provides direct and indirect employment opportunities to trained and untrained people of the state (Sikkim tourism policy 2018.)

**Table1.4 Status of Tourism and hotel Sector in States Economy**

Segments	Total Numbers
Travel Agents	1119
Restaurants	69
Tourist guides	66
Hotel under construction	47
Employment generated (jobs)	12000-15000

**Source: Government of Sikkim (2018)**

**Figure 1.4 Issues and Challenges Faced by State Hotel Industry**



**Source: Kashyap (2014)**

Figure 1.4 represents the major issue and challenges encountered by the hotel business. Hoteliers of Sikkim have been facing various difficulties to get approval from the different authorities and ministries of the state. There are various documental formalities for the licensing and approvals of hotels in Sikkim. This permission has to get from different governmental authorities, most of the time it is demotivating for entrepreneurs to walk so long for fewer approvals. The lack of availability of suitable land leads to hold back the growth of the hotel industry. This is the major reason due to which the state is facing a lack of presence of any five-star National and Global hotel chains. The inadequate number of Skilled manpower is a major drawback of the Indian Hotel Industry. The case of Sikkim is worse due to the unorganized structure of the state Hotel Industry and this all is developing a non-professional environment of state Hotel Industry. Low salary structure to staff, Hotel Train Institutes and Government

encouragement towards training are some major hassles of insufficient human resources. One major issue of the state hotel Industry is related to underdeveloped marketing systems like Promotion sales and further customer relationship management. A major part of the state hotel Industry is unorganized and deals with the lack of standard business professionalism. State Hotel Industry is facing a gap of communication between hotel owners and its management/operational staff. This gap somehow applies to other jobs in other sectors where they get a higher salary (Kansara & Mishra, 2019).

The state government has been persistently trying to generate a good relationship among different authorities and stakeholders for the prosperity of the travel and tourism industry. The private sector holds almost total catch up of the State Hotel Industry. It needs to create a pleasant environment for visitors, among local administration, residents, transport service providers, and other support service providers' media, private sectors, hoteliers, and NGOs. Hotel sectors or accommodation units are playing an important role in Sikkim's tourism sector. Today, Sikkim is facing a big challenge for the infrastructure. Although the state is intentionally focusing on fewer tourist arrivals so as not to surpass the carrying capacity of different courtesies in Sikkim. The state government is focusing on the improvement of infrastructural facilities and the services. This would allow more tourist arrivals and the efficient use of tourist infrastructure throughout the year. The best season to visit Sikkim is April to June and October to November (vacation months) as well as suitable seasons for the people from outside the states. Limited tourist arrivals have been seen during the months of July-September and December-February (Arha & Singh, 2008).

## **1.8 Statement of the Research Problem**

Accommodation units in our country is quite unorganized, lack uniformity in the phase of standard customer services, available facilities, amenities, and overall image. This is a quite common phenomenon in hill stations of India including Gangtok. Lots of unclassified accommodation units are in operations in Gangtok without the standard parameters of the hotel industry and hence lead to guest dissatisfaction on the account of quality services, value for money, customer loyalty, brand image, etc. This ultimately hampers the growth prospects in the long term. Some other major factors responsible for the resistance in the industry are seasonality, lack of trained manpower; customer dissatisfaction, etc. The hotel sector of the state is quite unorganized and lacks a professional Management Environment. Besides the rising numbers in visitor's arrival in the state, Sikkim is still lacking in sufficient numbers of star category accommodation units. There is a substantial gap between demand and supply of quality accommodation basically during peak tourist season. Lack of major hotel groups/chain hotels in the area illustrates there are issues in the industry due to seasonality, high running cost, low profitability, etc. The major problems faced by the global hotel sectors to enter the state is because of poor infrastructure facilities, high capital costs, economic risks, competition in the industries, and scarcity of land (Hotel Sector Analysis Report, 2019). Only limited studies are available in this area particularly to the Gangtok region, the present research will focus to understand and find out suitable conclusions for the incessant growth and smooth functions of the state hotel industry in terms of standard of customer services.

## **1.9 Significance of the research**

Hotel by its very nature is a necessarily important element of tourism besides transportation, attraction, amenities, and activities. It is a benchmark for the tourist to

choose and select a destination while planning a trip. Sometimes the wacky and wonderful properties of hotels act as an attraction in their rights such as Tree hotel, Container hotel, Casino hotel, etc. Therefore, the growth and development and their significant contribution in terms of economy, socio-cultural, and environment is an important field of study in tourism research. The present scenario of tourism in Gangtok and its correlation with the hotel industry is an important realm of tourism scholarship to explore the possibilities and challenges of the hotel sector. Although it is evident that there is an unprecedented tourist footfall in the state capital, only mediocre research has been undertaken, how this great degree of tourism has set up and configured the growth and development of hotel business in Gangtok. Over the years, the number of hotels growing significantly in Gangtok. However, it is unknown what are the factors behind this growth, its contribution to the local economy, and the development of tourism entrepreneurship and benefit to the local community. Through this research, the study has attempted to discern the possible significant factors which influence the growth and expansion of hotels, the present structure of hotels, and the economic impact of the hotel in Gangtok.

### **1.10 Rationale of the research**

Through extensive research has been conducted in abroad on hotels regarding the important determinants that affect the progress and development of hotels and its contribution to the economy, a similar type of studies based on hotels in India are few and far between. If we consider the research focused on hotels in Gangtok and its growth and development, then it is rarely found in tourism literature and marginal studies have been undertaken on this specific area of interest. Further, no specific, special and systematic attempt has been purposed based on hotels of Gangtok to explore, understand, recognize and interpret the development, expansion, and

contribution of hotels despite being a major tourist place in the lap of Himalaya. Therefore, an effort has been made in this study to address the current research gap which involves factors influencing the growth of hotels in Gangtok and the economic impact of hotels on the state economy.

### **1.11 Scope of the research**

The scope of the undertaken study has been constrained to present structure and status, growth and development, and economic impact of hotels located in Gangtok. Through quantitative empirical research, this study examines and produces the currently existing structure of classified/unclassified hotels, significant factors that contribute to the increase of hotels, and the economic impact of hotels. The study investigates the major variables collected through a survey questionnaire that has a significant impact on the hotels in Gangtok. Then grouped the variables into possible important factors through the multivariate factor analytic technique to identify underlying structure or dimension based on the interrelationship among variables for reducing redundancy to appeal to parsimony.

## **Chapter 2**

### **REVIEW OF LITERATURE**

Kumar (1975) proposed that the Government of India has formed Hotel Standards and Rate Structure Committees in 1957. The main objective of this committee is to classify the hotels based on the standard guidelines. The committee inspects the hotels and recommends modifications and suggestions for the improvement of standards of the hotel.

Guha (1981) stated the importance of the hotel industry in Indian tourism by applying efficient management techniques. The study suggested that efficient and effective management would increase and maximize the potential of the hotel industry, eventually leading to a high rate of tourist inflow.

Dharmarajan (1981) emphasized the role of the public sector in the hotel of India, he further advocated the fundamental importance of hotel industry for the tourism industry as it is one of the core components of tourism industry provides immense economic contributions such employment opportunities, revenue generations, multiplier effects, and foreign exchange earnings, etc.

Devendra (2001) examined the past and present trends of hotels. From the study, it has been found out that in most cities an average growth of 5% in hotel development activities and the percent is going to increase in the future.

Bhatia (2002) mentioned that the Hotel Review and Survey Committee was constituted in 1967 by the Government of India. The Committee after an extensive survey of hotels in the entire country proposed 29 recommend points for the enhancement and up-gradation of the hotels in Indian to global quality parameters

including the recommendation of the review of hotel classification in at least once in 3 years.

Dev (2002) tried to critically analyse the hotel industry from a spatial perspective in Himachal Pradesh. The study discussed the significance of the relationship between tourist potential places (TPP) and tourist potential regions (TPR) based on the variables, viz. the number of hotels, number of rooms and number of beds in the first part; and in the second part, tourist information centres, tours and travel agents and availability of computerized system of reservation of the seats in the buses. Manali has emerged out as TPP and has placed itself prominently in global tourism map in the second part, among the four tourist potential regions, namely, Kullu-Manali, Shimla, Dharamshala-Palampur, and Kangra.

Kannan (2005) emphasized the role of the public sector in the Indian hotel industry, he further advocated the fundamental importance of the hotel industry for the tourism industry as it provides immense economic contributions such employment opportunities, revenue generations, multiplier effects, and foreign exchange earnings, etc.

Torres & Kline (2006) developed a model of effective management of customer relationships. The model has been developed by critically examine the existing literature related to customer delight. The finding suggested that customer delight is a better measure of customer satisfaction regarding customer relationship management. They suggested that the proposed model can be used to achieve customer delight.

Jauhari (2006) analysed the gap between the skill required for the hospitality organization and the current provision of hospitality education. The study used a structured interview method for both educationists and industrialists to understand the



skill gap. The result revealed that a gap exists that can be amended by promoting skill development program in the hospitality industry.

A. J. Singh & Thadani (2007) explored the investment and its effect on competitiveness in the Indian hotel market. This is depending upon tourism policies, marketing policies, competitiveness, brand proliferation, ownership quality, skilled employees, customer demographics, etc.

Singla (2007) pointed out the problems encountered by the Indian hotel industry as the problem of seasonality which affects the occupancy rates. The work further highlighted the low profitability of the hotel sector is because of lower occupancy rates; this is more badly affected due to the high costs of hotel operations, raw materials, and human resources. He also pointed out other reasons like competition, global uncertainty, changing technology, high power, and fuel costs for the low profitability. One of the major impediments for the growth of the Indian hotel industry is high direct and indirect taxes. Customer satisfaction is a complex perspective to measure and understands as some of the guests may be satisfied with certain facilities others may not.

Chand & Katou (2007) investigated the human resource management principle adopted by the Indian Hotel industry which affects organizational performance. Data collected from 439 hotels through a questionnaire based on 27 human resource practices. The result revealed that the hotel performance depends upon the type and category of the hotel. Furthermore, hotel performance also influenced by manpower planning, selection and recruitment, job design, development, and pay structure.

Ball, Horner, & Nield (2009) examined the various issues and challenges encountered by India and China hospitality industry. They studied economics, socio-

demographic, culture, and trends in India and China. Furthermore, they highlighted some case studies from both India and China to further clarify the practice followed by the tourism and hospitality industry.

Batabyal (2012) investigated the rise of accommodation units in Sikkim and facilities available in these units. The research concluded that the ever increase in tourist arrivals in the state leads to the more establishment of hotels in the area especially in the capital city Gangtok. In addition, the study found out the various drawbacks of accommodation units in Sikkim which can lead to affect guest satisfaction. Based on the findings, he suggested that improvements in food quality and restaurant facilities, accessible facilities, and systematic and planned training for hotel employees can cope with the problems in the hotel industry.

Jauhari (2012) explored the major problems encountered by the Indian hospitality industry. The issues include understanding new tourists, land acquisition, deployment of technology, and skill gap in existing human resources.

Sufi (2012) elucidated the applications of modern technology and other useful innovations in Indian hotels that are incessantly practiced to cope up with international hotel chains. The growth of Indian hotels is well marked and their market share is also noticeable. This is due to the evolvement of Indian hotels as diversified, competitive, innovative, and intensely guest orientated. The modern technological advancements of marketing and customer satisfaction like online marketing, social media marketing, app-based marketing, mobile marketing, online travel agency, etc. placed the Indian hotel chains well recognized at domestic and international level.

Şentürk (2012) discussed the rapid rising of competitiveness among the industry players to become a leader, to lead the industry in the country. The author highlighted

the strategic management tools and techniques which have been used by service sectors worldwide. The strategies are Customer Relationship Management (CRM), Strength, Weaknesses, Opportunities, and Threats Analysis (SWOT), and Total Quality Management (TQM).

Kang, Stein, Heo, & Lee (2012) examined the willingness of the guest to pay for sustainable environmentally friendly practices of the United States hotel industry. The findings approved that the guest with higher environmental concerns is ready to pay premiums for the green initiative. The result also found that that luxury hotel guests are more likely to pay premiums compared to economic hotel guests.

Rizal & Asokan (2013) explained that tourism and tertiary segments play a significant role in increasing the Sikkim government economy. A tertiary segment involves hotels, real estate, transportations & communication contribute around 48% of the Gross Domestic Products (GDP) to the state economy. Almost all the above sectors are interrelated with the tourism sector.

Yameen (2013) described the Indian hotel industry and its strategy adopted to overcome the challenges in the business environment and suggested some measures to improve the efficiency of the hotel. They concluded that four points which include from awareness to non-awareness, to interest, from interest to desire and desire to final action can be adopted to overcome the current challenges.

Lockyer (2013) explained that accommodation sectors are the cornerstone of the tourism industry. The idea of contemporary accommodation unit in India was come up during the 1840s in Mumbai. After that many hotels have been built in western style in India. Private trademarks like Taj, Oberoi, Ashok, and ITC were the major brand's existence at that time. For the Indian Government, the establishment and building of

hotel units have been carried out by the Indian Tourism Development Corporation (ITDC).

Nath (2013) explored the potential of Indian hotel chains. The study represented a positive growth of the Indian hotel industry. Indian brands can successfully compete with major international hotel chains. The research further highlighted some discrepancies of hotel categorization/ approval processes such as star category hotels with their market share and brand presence.

Mahendru (2015) examined the transformation of the Indian hotel industry through Digital marketing. This study analysed the structure of the hotel industry regarding marketing communication, the role of digital marketing promoting hotel business, and an in-depth understanding of digital marketing. The result revealed that the decline of inflation, stable Government, and government strong focus in the tourism industry is expected to increase hotel performance in the future.

Kumari & Devi (2015) stressed the role of service quality, especially in the hospitality sectors. This work suggested that the gap between customers' expectations and management perception in service quality of the hotel has been led to customers' dissatisfaction. Moreover, suggested that service providers need to understand the customers' need and want so that it would help in improving service quality in the service sectors.

Lahap, Isa, Said, Rose, & Saber (2015) expressed that trademark is a crucial factor for the industry, especially for the service provider industry due to its existing characteristics like vulnerability, consistency, intangibility, and diverse nature of the sectors. Hotel industry or the service provider industries employees need to focus on the fulfilment of customers' needs and demands while bringing assistance to the

customers. Furthermore, they examined that service-based industries workers need to be very observant while dealing with customers.

Buijendijk & Tschunkert (2016) highlighted that the growth has been endured for the development of least developed countries because, apart from providing accommodation to the customers' hotel sectors also generate employment opportunities to the local people, develop skill and enhance economic growth to the country in Myanmar.

Rana (2017) has found that the hotel industry has a vital role in the economic growth of the country. The research mentioned the importance of employee job satisfaction in the sector. It refers to the sum of all the emotions and feelings of an employee towards their job. The study strongly recommended that an organization should keen to look after employee satisfaction by providing them a good incentive, rewards, promotions, job security plans, etc. according to their performance. The organization should consistently train their employees to motivate and encourage them for better performance.

Oshins (2017) highlighted the speedy transformation of service-oriented industry management and ownership through the latest trends and technology. Now a day's customers have many choices of brands to book accommodation. Simultaneously, service industries need to face the challenges occurring due to the existence of the new market, even competitors are more. They need to deal with some shortage of skilled manpower because leadership quality will enable them to grab the existing opportunities in the new market.

Sarathy & Purushothaman (2017) determined the current trends in the Indian hospitality industry. The result suggested that functional growth, improving the

standard and constant transformation are the major emerging trends in the Indian hospitality industry. In addition, regular jobs are available those who want to join the Indian hospitality industry and Government focus on existing and new tourism projects will further develop the tourism and hospitality India.

Sharma & Thusoo (2017) stated that the service provider industry is playing a vital role in promoting and developing tourism. It generates employment opportunities for the local people and increases the revenue of the country. They mentioned various elements that lead to the growth of the service providing industry comprises spending patterns of customer, diversity in tourism products, infrastructural development in the tourist destination, and increase of Foreign Direct Investment.

Anawade & Bendale (2017) discussed the latest emerging trends in the hotel industry involving the changing demand of the customers, due to the rapid increase in globalization, technology, transportation facilities, the spending pattern of the customers, etc. These are the number of factors that are mainly responsible for the growth and development of hotels (R. Singh, 2019).

Pramanik (2018) studied the Casino present in the hotels and its contribution to the State government. Sikkim came up with the first land-based foreigners-only Casino venue for tourists to promote international tourism in the state and country as well. Casino Sikkim at The Royal Plaza, Casino Mahjong at Mayfair Spa Resort & Casino, and Casino Deltin Denzong at Denzong Regency Gangtok are the full-fledged live onshore Casino in Sikkim, which generate employment opportunities for the local peoples and contribute revenue to the state government. Hotel owners or hotel operators need to pay around 25% commissions on all Gaming revenue to the State Government.

According to IBEF (2019), some components of the Tourism and Service industry involve apartments, hotels, motels, guest houses, bungalows, restaurants, homestays, lodges, etc. The Travel and Tourism Sectors contributed Rs 5.94 trillion to GDP in the year 2017. The tourism and hotel sector has got FDI of US\$ 11.62 billion till 2018 and became the third-largest Foreign Exchange Earnings for the country. The growths of International brands of hotels are increasing in India. The Carlson group of hotels is focusing on the rising of its numbers to 170 by the year 2020 in India. Some of the other groups like Berggren hotels aim to put on around 18 hotels by 2021 and other 15 functioning hotel brands include Hampton, Conrad, Hilton, Hilton Garden Inn, and Hotel & Resort & DoubleTree by Hilton. Moreover, the world's fifth-largest hotel group Lavre, intent to rise to 10-15% by 2021 from 5-7 % as of 2018.

## **Chapter 3**

### **THE STUDY AREA PROFILE**

#### **3.1 Geographical Background of the State**

Sikkim, the Hidden Land for many years, became the 22<sup>nd</sup> State incorporated to Indian in 1975. It is located in the north-eastern part of India and spreads across 7,096 Km (State Tourism Policy, 2018 Government of Sikkim). The state is endowed with natural beauty and diverse cultural heritage includes; snow-capped mountains, lakes, unspoiled forest areas, the valley of flowers, religious structures including monasteries, etc. therefore the state is attracting the enormous number of visitors across the country.

The geographical patterns of the state are mountainous, low altitude hills are densely covered with forests and the state forest cover is around 48% of the total area. The weather ranges from sub-tropical humid to temperate alpine. The average temperature of the state varies from 0 to 28 °C, while the annual rainfalls vary from 2,700mm to 3,200mm. The state is least populated in the country with having several 6,10,577 people as per the 2011 census which is unevenly distributed (State Tourism Policy, 2018 Government of Sikkim).

#### **3.2 Sikkim Tourism Profile**

The state is acknowledged every corner of the world for the great peak Mt. Kanchengdzonga (8586m) which is the 3<sup>rd</sup> highest peaks of the nations and has its religious value among the local people of the states. Kanchegdzonga is the only site of India which is inscribed as the mix heritage category under the UNESCO world heritage list of India. Two major rivers Teesta and Rangeet flow through Sikkim. Some of the touristic infrastructural development of the destination includes; circuits development, ropeways, and religious monuments (Samdruptse, Solophok, Tathagatha Tsal Ravangla), skywalks, religious festivals like Pang Lhabsol, Bhumchu, Saka Dawa, etc.



Tourism festivals involve Gangtok Winter Carnival and flower festivals in Sikkim has been able to attract and motivate tourists worldwide. Owing to the tagline of peaceful, organic, and greenest state, it has been one of its great potency for the growth and development of state tourism (Sikkim Tourism Policy 2018). The state is having diverse flowering plants includes around 515 orchids, 60 species of Primulas, and around 36 species of rhododendron. Sikkim has been put up in 17<sup>th</sup> position among the list of “52 best places to go in 2017” by the New York Times (IBEF, 2018). The best season to visit Sikkim is during April-May and October-December. As because April-May is the flowering season as visitors can enjoy the diversity of flowering plants like varieties in rhododendron species and Primula species in Yumthang valley and Versay as well. During October-December visitors can adore the majestic beauty of snow-capped mountain peaks in the state (K. Singh, Sharma, & Barua, 2007). The economy of the Sikkim largely depends upon agriculture and tourism. It is one of the largest producers of spice Cardamom. Recently, the Government has largely focused on investing tourism because the state has immense potential to significantly attract a higher degree of tourists which would boost the state economy.

According to IBEF (2019), Sikkim has been ranked 17<sup>th</sup> in the New York Times “52 best places to go in 2017”. Many residents are employed directly and indirectly in the hotel industry or owned hotels and restaurants. The tourism and hotel industry plays a major role in the local economy. An increase in the number of tourists arriving in Sikkim has been observed over the past few years due to several proactive promotions taken by the state government.

The details of the geographic and demographic characteristics of the state is shown in Table 3.1. Sikkim has 4 districts namely North, South, East, and West District. North district is considered as a beautiful district among all. It covered around 4,226

Sqkm land and known to be the largest district of the state having Mangan as a district headquarters. Tourist spots include Yumthang, Yume Samdong, Gurudongmar, etc are the famous places to visit in North Sikkim. Furthermore, South Sikkim covered over the area of around 750 Sqkm with an altitude of between 400m-2000m. It is the smallest district of the state. Namchi is the district headquarter of South Sikkim. Some of the major tourist attraction involves, the statue of Guru Padmasambhava at Samdruptse, Char Dham at Solophok, Temi tea garden, the statue of Lord Buddha at Ravangla, Tendong trekking hills, etc have been able to attract many tourists from outside the state. The map of Sikkim is shown in Figure 3.1.

**Table 3.1. General information of Sikkim**

1	State	Sikkim
2	Country	India
3	District	4
4	Capital	Gangtok
5	Area covered	7,096 Sq kms
6	Population	6,10,577 (census 2011)
7	Communities	Lepcha, Bhutia, Nepalese
8	Elevation	280m(920ft)-8585m(2800ft)
13	No. of the mountain peak	28
14	Highest mountain peaks	Mt. Kanchenjunga(8586m)
15	Glaciers	21
16	Lakes	227
17	Hot springs	5
18	Rivers and streams	100
19	Passes	8
20	National parks	1
21	Wildlife sanctuary	7
22	Birds	574 species
23	Butterflies	689 species
24	Flowering plants	4458

**Source: Government of Sikkim (2018)**

Figure 3.1 Tourism Map of Sikkim



Source: (Government of India, n.d.)

East Sikkim is a famous tourist destination among four districts of the state for visitors who visit Sikkim due to the location of state capital Gangtok. Spread over the area of about 954 Sqkm, it has some of the major places of tourist interest such as Gangtok, Aritar, Zuluk, Tsongu, Nathang Valley, Rumtek, Ranka, etc. West Sikkim having an area of about 11.66 Sqkm with a population of around 1,23,174. Gyalsing is

known to be a district headquarters. It comprises a lot of historical monuments and landmarks includes; Rabdentse, Pelling, Pemayangtse, Yuksam, Hee-Bermiok, Tashiding, Darap, which has been considered as the strongest tourism assets of the state which can enable to attract tourist globally (STDC, 2016).

### 3.3 Tourist Inflow in Sikkim

Table 3.2 represents the foreign tourist arrival to Sikkim from the year 2013 to 2018. From the table, it can be seen that the year 2018 received the highest number of international tourists compared to previous years. Particularly, in October month 12826 foreign tourists visited Sikkim, which was the largest among all other months of the year. Also, from the year 2013 to 2018 October month receives a higher footfall of tourists in Sikkim. The fluctuation in tourist arrival is due to seasonality.

**Table 3.2 Foreign Tourist Arrivals to Sikkim**

Year	2013	2014	2015	2016	2017	2018
January	873	4145	3458	2946	5883	5796
February	1247	3803	3119	3108	5054	4887
March	2524	5211	4971	6797	5888	5798
April	4895	2855	6909	8477	8474	9885
May	1312	4927	2326	4800	3407	3222
June	804	3939	1727	2779	1933	3129
July	563	2496	1382	1678	1000	2643
August	2579	1429	1563	2067	1043	2435
September	3942	2410	1406	1844	2182	2811
October	5292	8906	4431	12090	5892	12826
November	3210	5537	3877	14405	4084	9908
December	4457	3517	3310	5021	4271	7832
Total	31698	49175	38479	66012	49111	71172

**Source: Government of Sikkim (2017)**

**Table 3.3 Domestic Tourist Arrivals to Sikkim**

Year	2013	2014	2015	2016	2017	2018
January	30292	28824	54229	78538	166824	76023
February	31278	19830	44366	87813	189358	53076
March	48102	24597	32515	74872	217762	93360
April	69054	63730	89648	93220	265055	322468
May	131804	92199	138695	144225	195890	345664
June	68205	85763	86218	89654	109334	173451
July	17161	19472	19521	20250	14350	39128
August	7713	11875	19535	20310	16680	24226
September	20115	25478	25535	26570	34736	26714
October	50461	75025	75908	78948	41281	96412
November	42836	53275	55827	10607	56438	87606
December	59728	62350	63026	15756	68146	87999
Total	576749	562418	705023	740763	1,375,854	1,426,127

**Source: Government of Sikkim (2017)**

The domestic tourist arrival to Sikkim from the year 2013 to 2018 is shown in Table 3.2. The arrival of international tourists in the state has been growing rapidly for the last few years. From an around 576749 tourist arrivals in 2013 to 1426127 tourists' arrivals in 2018 (Domestic) and about 31698 tourist arrivals in 2013 to 71172 tourists' arrivals in 2018 (Foreign). Most of the domestic tourist who visited Sikkim is from West Bengal, Assam, Odisha, Gujarat, Maharashtra, Delhi, and Bihar. The majority of foreign tourists traveling to Sikkim are from the USA, UK, Germany, France, Thailand, Italy and Australia (Government of Sikkim, 2017).

Domestic tourism contributes a major part compared to the international tourism of the state. The above table explains the remarkable growth in domestic tourist arrivals. In the last couple of years apparently, the number of foreign tourist arrivals is very low in the state. The tourism industry is boosting the state economy and received

unprecedented growth in the last decades. The tourism sector has emerged out as the largest service industry in the private sector. Tourism and hospitality sector has untapped potential in the state, it is an inclusive and collective approach including all the stakeholders to foster the tourism and hospitality sector to mark the state in world tourism map as a popular destination (Government of Sikkim, 2018)

### **3.4 An overview of Gangtok**

Gangtok, the capital city of Sikkim located at an altitude of 1600 meters. It is the most urbanized and modernized city of the state and it is one of the most often visited places by the tourists in Sikkim. It is famous for its diverse communities which hold different ethnicity and culture. Visitors can enjoy the spectacular panorama of Mt. Khangchendzonga and Mt. Siniolchu. New Jalpaiguri (NJP) and Bagdogra are the nearby railway station and airports which are around 124km away from Gangtok. It holds the impression of modernization and urbanization. Most of the star class hotels, restaurants, guest houses, homestays, lodges, etc. are situated in and around Gangtok city. Visitors can have the opportunity for shopping (handicraft, handlooms, souvenirs, local artifacts, etc.) at the local market which can meet the needs of the tourists. It is reachable by road National Highway 10. It is thoroughly accessed with all the districts of the state. Mostly shared taxis operate from the different rural areas to Gangtok regularly. Gangtok provides the opportunity of different star class hotels from one star to five stars, Government Bangalow, lodges, homestays, etc. It offers the major activities for the visitors which includes; local sightseeing, excursion to Tsongmo lake, Nathula Indo China Border, Souvenir shopping, monasteries visits, village excursions, wildlife sanctuary visit, Bird watching, Pilgrimage visits, special audiovisual presentations, Hiking, Mountain Biking, etc. which can attract more numbers of tourists from worldwide annually. The various places of interest in and around Gangtok

involve, Rumtek Monasteries, Fambong lho wildlife sanctuary, Government Institute for cottage industry, Enchey Monastery, Tashi View Point, Ganesh Tok, and Himalayan Zoological park, Bulbuley, Hanuman Tok, Ridge-Park-White Hall, and Flower Exhibition Centre, National Institute of Tibetology- Deorali, Do-Drul Chorten, Ban Jhakri Energy park, Lingdom Monasteries, Bakthang waterfalls, Kanchengdzonga Tourist Complex, Saraswati Mandir, etc. which can motivate domestic visitors as well as international visitors.

### **3.4 Homestays in Sikkim**

Homestays have emerged into a secondary accommodation sector in tourism over recent years. It is the concept of people providing accommodation to guests in their home. The house owner act as a host for the tourist in return for a fee. Homestays are private homes for non-commercial purposes which provides accommodation to guests in someone else home (Scott, 2019).

Sikkim is one of the most sought-after mountain tourism destinations not only in the mind of Indian travellers but also in the mind of international travellers. As a destination, it has a lot to offer a tourist especially to stay in Homestays in Sikkim to meet local people, explore new culture and enjoy nature (Vasupal, 2015). It not only benefits the tourist but also benefits the local community in terms of economic gain. According to Sikkim registration of homestay establishment rules 2012 “ Homestays means any private house located in rural/urban area where the house owner or his-her families are physically residing in the unit earmarks some rooms exclusively for the use of tourist bearing certain basic minimum service standards and eligibility criteria” (Government of Sikkim, 2013). These are some mandatory requirement to establish homestay which includes at least one room and a maximum of five-room, the owner should physically reside in the same home, the house should conform with the

traditional ethnic architecture, one member should communicate English and Hindi, rooms should minimum standard size according to rule and easy access (Government of Sikkim, 2013). There is a total of 1048 homestays registered and non-registered with the Tourism and Civil aviation department spreading over all four Districts of Sikkim is shown in Table 3.4. Further detail about the homestays is given in Result and discussion section.

**Table 3.4 Updated summary of Homestays 2018**

Area	Registered with DTCA	Non-registered with DTCA	Total no. of homestay
East	341	98	439
West	169	98	267
North	34	10	44
South	157	141	298
Total	701	347	1048

**Source: Tourism Department Government of Sikkim (2018)**

Some of the famous homestay in Sikkim include Village homestay, Dzongu homestay, Yuksom homestay, Kewzing homestay, Rey mindu homestay, Lingee paying homestay, etc. The government of Sikkim has enacted guidelines for the registration of homestays. The websites of the Department of Tourism and Civil aviation has enlisted all the homestays with details for further information about the homestay to guide the tourist. Recently, homestays are joining hands with online travel search engines such as Airbnb, MakeMyTrip, Goibibo, yatra, etc. to promote their homestay.



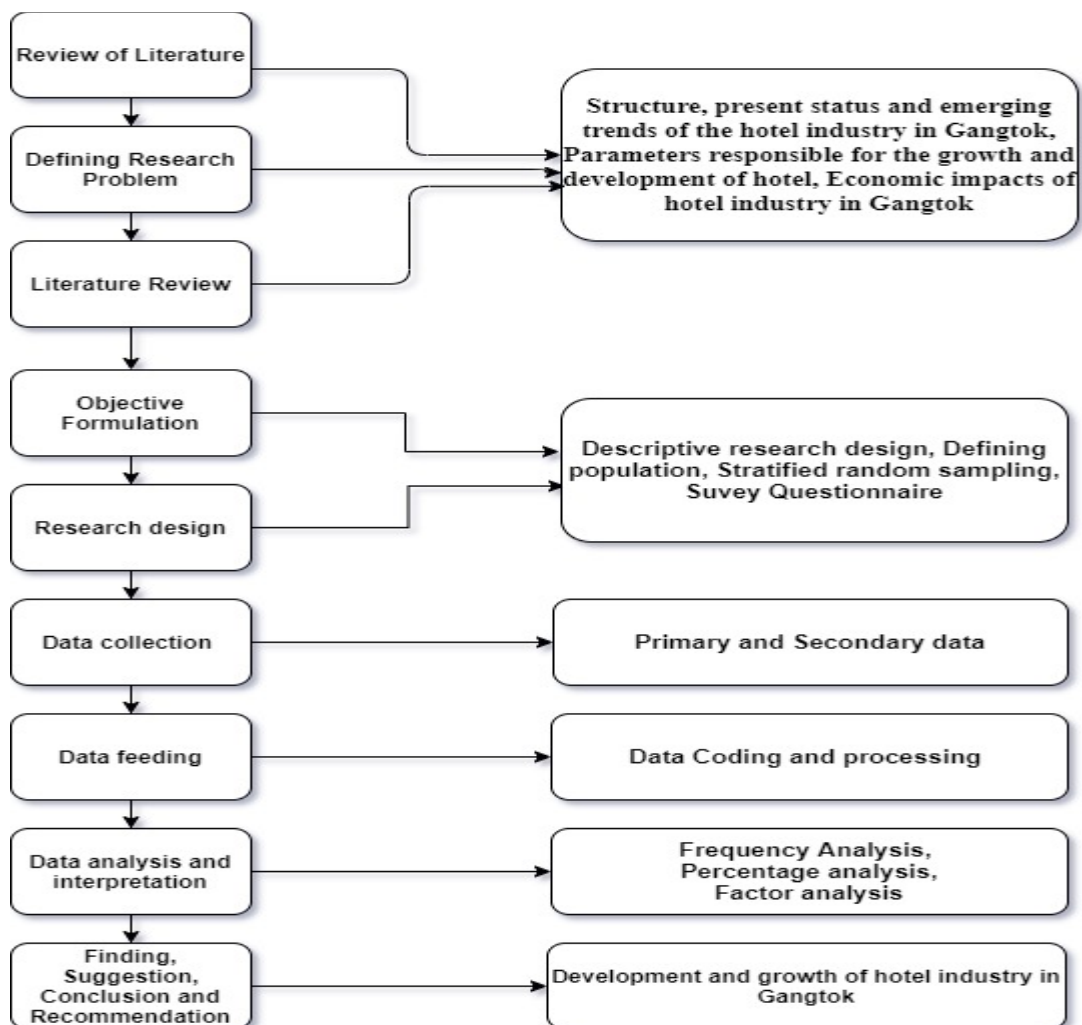
## Chapter - 4

### RESEARCH METHODOLOGY

#### 4.1 Framework of the research

The present research is a broader study that analyses the growth and development of hotels and its economic impacts on the Hotel Industry of Gangtok. It is based on a quantitative study of hotels located in Gangtok. The overall framework applied to this research is shown in Figure 2. This is used in this study to thoroughly achieve and address the mentioned research objectives.

Figure-4.1 Research framework



Research Framework for the study

## **4.2 Objectives of the research**

The research objective of the study includes

- ❖ To study the structure, present status, and emerging trends of the hotel industry in Gangtok.
- ❖ To identify and assess the major parameters responsible for the growth and development of the hotel industry in Gangtok.
- ❖ To study and assess the economic impacts of the hotel industry in Gangtok.

## **4.3 Research design of the study**

Research design is the overall method of technique to logically and systematically arrange the research process to answer the stated problems (Malhotra, Hall, Shaw, & Oppenheim, 2006). It involves the collection and analysis of data. Generally, it is chosen focused on the statement of the problem which the researcher wants to address (Jennings, 2001). Broadly, research design in tourism studies: includes descriptive research design, exploratory research design, and causal or experimental research design (Kothari, 2004). Descriptive design was adopted in this study that employed quantitative methods to collect and analysis of data involving the administration of a survey questionnaire to successfully address the research problems (Ayeh, Leung, Au, & Law, 2012; Kivela & Crofts, 2005). Descriptive design is a scientific technique of observing and describing the particular phenomena without influencing (Dulock, 1993). The inter-relationship of adequate facilities, the emergence of accommodation, affordable price, occupancy of hotel, environmental policy, financial support, revenue generation, entrepreneurship opportunity, job opportunities, customer satisfaction and employee satisfaction were tested with a sample of hotels in Gangtok.

#### **4.4 Sampling**

A sample should represent the population, particularly when random sampling is used. The population is the complete set of objects (individual or elements) from which samples are drawn, studied and generalize the result obtained from the sample. In this study, the total number of hotels located in Gangtok is the population. For this purpose, the study collected the total number of hotels from the DTCA, GoS. As per the report, there are a total of 517 hotels in Gangtok divided into 10 areas. The areas include First area – Sicherty, Second area - Balawakhani, Burtuk, Manbir Colony, Third area -Sisagolai, Panihouse, Deorali, Syari and Tadong, Forth area - 6th Mile, Ranipool, Jalipool, Marchak, Fifth area - Chandmari, Changey, Tathangchen, Rongyek, Kazi Road, Dechelling, Chogay, Sixth area - Nam Nang Road, Seventh area - M.G.Marg, Tibet Road, Lal Bazar, New Market, Eighth area – NH – 10, Ninth area - Arithang, Bye Pass, Ranka and Resithang and Tenth rea - P.S. Road, P.N.G. Road, and DPH Road. It was difficult to select samples in Gangtok since numerous hotels are located in and around Gangtok. In order to identify the sample, a stratified random sampling method is adopted to select hotels. In stratified random sampling, the population is first divided into small groups called strata with some common characteristics. After that random sampling is carried to select samples from each group. In this study, each area was taken as a stratum or group and 10 areas were 10 strata for stratified random sampling. Then random sampling was used to select the hotels for this research. Based on the stratified random sampling a total of 120 hotels are selected to collect the data.

#### **4.5 Collection of data**

Data collection is the method of gathering information on variables in a systematic and planned way that enables us to find out the answer to the problem,

hypothesis testing, and evaluate outcomes. It is the paramount component of research in all the fields of study such as social science, management, humanities, science, etc. While the technique for data collection may vary from discipline to discipline, but the concept is the same i.e. accuracy and honesty should have followed during data collection. Research can be conducted by primary data, secondary data, or both. It is depending upon the stated research questions and variables for which data is collected. In this quantitative study of hotels, both primary and secondary sources of data have been gathered.

### **Primary data collection**

Primary data is collected for the specific aim and objective of the study. It can be gathered by using research instruments such as interviews, surveys, and observation (Kothari, 2004). In this instance, it has been collected from the hotel owners or hotel operators by administering the survey questionnaire as a research instrument. The questionnaire was formulated by thoroughly reviewing the existing literature to find out the variables which have a significant impact on the growth and development of hotels. It was mainly comprised of three sections: demographic information about the hotel owners or operators, information on accommodation unit, and information on selected attributes in relevance to the operation/performance of hotels. The first section consists of the demographic variables to collect personal information about the hotel owners/operators in Gangtok. It provides information related to research participants that are necessary to determine whether the individual is a representative of the target population for generalization. The demographic variable includes name, age, gender, educational qualification, profession, and monthly income of hotel owners/operators. The second section composed of information on hotels located in Gangtok which includes the name of the hotel, address, year of establishment, hotel chain, the total

number of available rooms, the total number of staff members, etc. Finally, the third section comprised of information related to selected variables related to the operation and performance of hotels through the five-point Likert scale.

### **Secondary data collection**

The data which is derived from the other research used in the study to address or understand the research problem is called secondary data (Malhotra et al., 2006). It can be gathered from government departments, census, reports, organizational records, newspapers, books, etc. In this study, secondary data also collected in addition to primary data to explore and answer the research problems. It was collected from various sources such as Sikkim tourism development corporation, tourism Department, Government of India, Tourism Department, Government of Sikkim, Books, Journals, Reports, Government records, etc.

### **4.6 Analysis of data**

Data analysis was carried out by using SPSS 20 and Microsoft Excel 2019. Firstly, the collected data was entered into Excel, then Excel file was imported to SPSS for analysis. Various statistical analysis techniques such as Factor analysis, Frequency analysis, and Percentage analysis were conducted based on the appropriate variables to examine the growth and development of hotels, present status, and structure of hotels and economic impacts of hotels in Gangtok. Furthermore, suitable graphs are generated through Microsoft excel for the visualization of the data.

## Chapter 5

### RESULT AND DISCUSSIONS

#### 5.1 Demographic profile

The demographic characteristics of hotel owners/hotel operators are shown in Table 5.1. It is identified from the table that 72.5% are male entrepreneurs and 26.7% are female entrepreneurs. The figure indicates that the hotels in Gangtok are mostly dominated by male hotel owners/operators. Females have less opportunity over the hotel business. Among the male and female hotel owners/operators, 47.5% were between 18-38 years, 41.7% were 39-45 years and 10.8% were above 45 years. The hotels in Gangtok are mostly operated, young entrepreneurs. In terms of educational qualification, 50.8% were graduate, 15.8 were postgraduate, 15% were professional degrees and 18.3% were hospitality and tourism degrees. The figure of educational qualification signified that most of the hotel owners/operators without having a degree in hospitality and tourism can manage and operate their hotels effectively and efficiently. Profession wise 71.7% were engaged in private business, 26.7 were freelancer and 1.7% were government employees.

**Table 5.1 Demographic characteristics of hotel owners/operators in Gangtok.**

Demographic variable	Description	Frequency	Percentage
Gender	Male	87	72.5
	Female	32	26.7
Age	18-38 years	57	47.5
	39-45 years	50	41.7
	Above 45 years	13	10.8
Educational Qualification	Graduate	60	50.8
	Postgraduate	19	15.8
	Professional degree	18	15
	Hospitality and tourism degree	22	18.3
Profession	Govt. employee	2	1.7
	Private business	86	71.7
	Freelancer	32	26.7

Table 5.2 represents the information about the hotels located in Gangtok. The table clearly identified that most of the hotels (54.2%) were built between 2001 to 2010. Only 17.5% were established before 2001. The information related to the hotel chain was quite impressive because the majority of the hotel owners/operators are self-sufficient and self-sustainable to run, operate and manage the hotel business. Among the sample of hotels collected, only 14 hotels were linked to national or international hotel chains. The majority of hotels in Gangtok had rooms less than 30. As far as the employee is concerned 90.8% of hotels had up to 20 employees as most of the hotels had room keys less than 30.

**Table 5.2 Establishment Information of hotels in Gangtok.**

Information about hotel	Description	Frequency	Percentage
Year of establishment	1940-2001	21	17.5
	2001-2010	65	54.2
	After 2010	34	28.3
Related to any hotel chain	Yes	14	11.7
	No	106	88.3
Total number of available rooms	Less than 30	113	94.2
	31-50	5	1.2
	51-100	2	4.7
Total employee	Up to 20	109	90.8
	21-50	6	5.0
	51-100	3	2.8
	More than 100	2	1.7

## **5.2 Result and Discussion - Objective - 1: Structure, present status and emerging trends of the hotel industry in Gangtok**

The first objective of the study is to explore the structure, present status, and emerging trends of the hotel industry. This is important because, without the knowledge of the existing status of hotels, it is quite difficult to measure the growth and development as well as the contribution of hotels to the state economy. The scope of

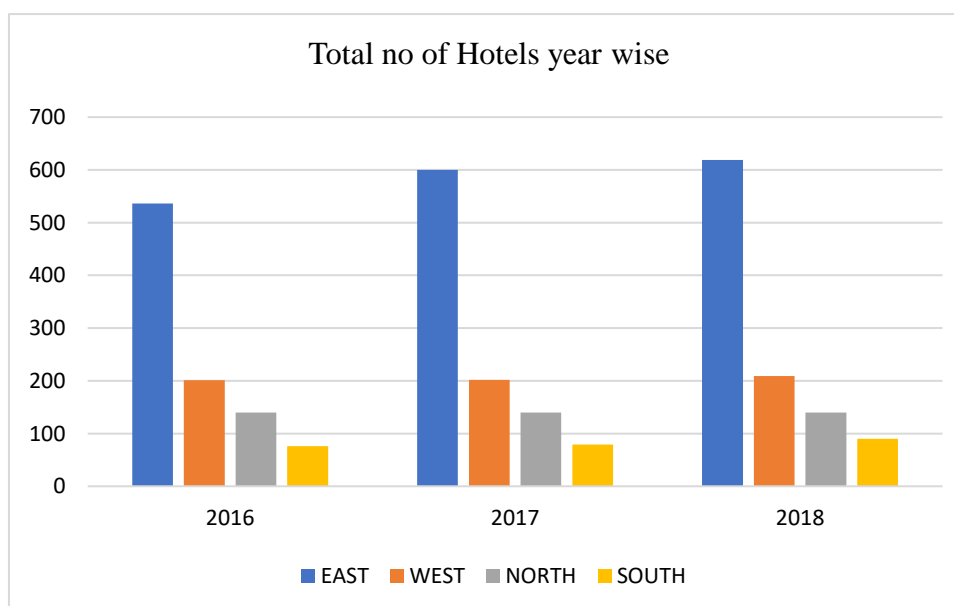
this objective is to explain the status and structure hotels and homestays in four districts of Sikkim and finally, represent the present structure, status and trends hotels in Gangtok.

**Table 5.3 Total number of hotels in Sikkim during 2016-18**

Total number of Hotels				
Area/Year	East Sikkim	West Sikkim	North Sikkim	South Sikkim
2016	536	201	140	76
2017	600	202	140	79
2018	619	209	140	90

Table 5.3 represents the total number of hotels in various areas of Sikkim. The East Sikkim contributes the largest number of hotels followed by West Sikkim. South Sikkim has the least number of hotels compared to East Sikkim, West Sikkim, and North Sikkim. East Sikkim has the largest number of hotels because of the location of the capital Gangtok. There is an increase in the number of hotels in East Sikkim, West Sikkim and South Sikkim except for North Sikkim from 2016 to 2018. The figured representation of hotel growth is shown in Figure 5.1.

**Figure 5.1 Total number of hotel year wise**



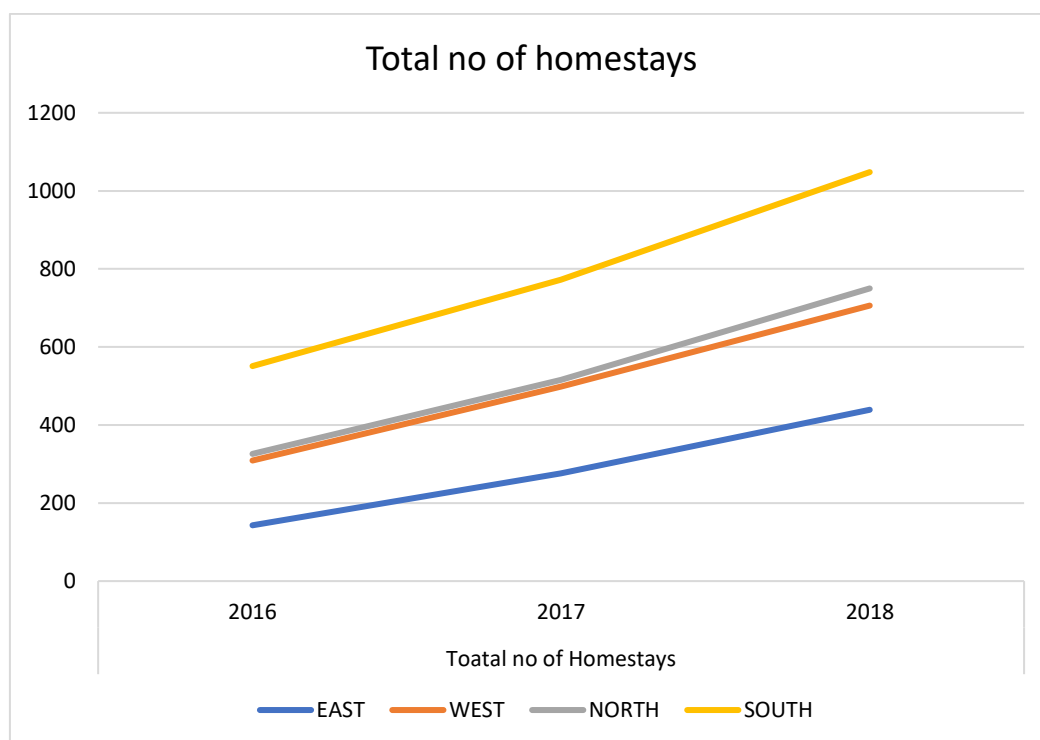


**Table 5.4 Total number of Homestays**

Area/Year	Total number of Hotels			
	East Sikkim	West Sikkim	North Sikkim	South Sikkim
2016	143	166	17	225
2017	276	222	18	256
2018	439	267	44	298

Table 5.4 represents the total number of homestays in various areas of Sikkim. The East Sikkim contribute the largest number of homestays followed by West Sikkim. North Sikkim has the least number of homestays compared to East Sikkim, West Sikkim, and South Sikkim. East Sikkim has the largest number of homestays. There is an increase in the number of homestays in East Sikkim, West Sikkim, South Sikkim, and North Sikkim from the year 2016 to 2018. The graphical representation of the growing of homestays is shown in Figure 5.2.

**Figure 5.2 Total number of Homestays in Sikkim**



**Table 5.5 Details of hotels in East Sikkim**

	2016	2017	2018
Hotels	536	600	619
Rooms	7081	7944	8604
Capacity	13731	16591	15918
Employees	3494	3782	4636

The details of the hotel located in East Sikkim is shown in Table 5.5. Over the year from 2016 to 2018, there has been an increase of hotels, hotel rooms, hotel capacity, and hotel employees. This indicates that the increase of tourist arrival to East Sikkim made the hotels' owners and entrepreneurs to increase the number of hotels as well as to increase the number of rooms in the existing hotels. The graphical representation of the growth of the hotel is shown in Figure 3.

**Figure 5.3 Details of hotels in East Sikkim and growth over the year**

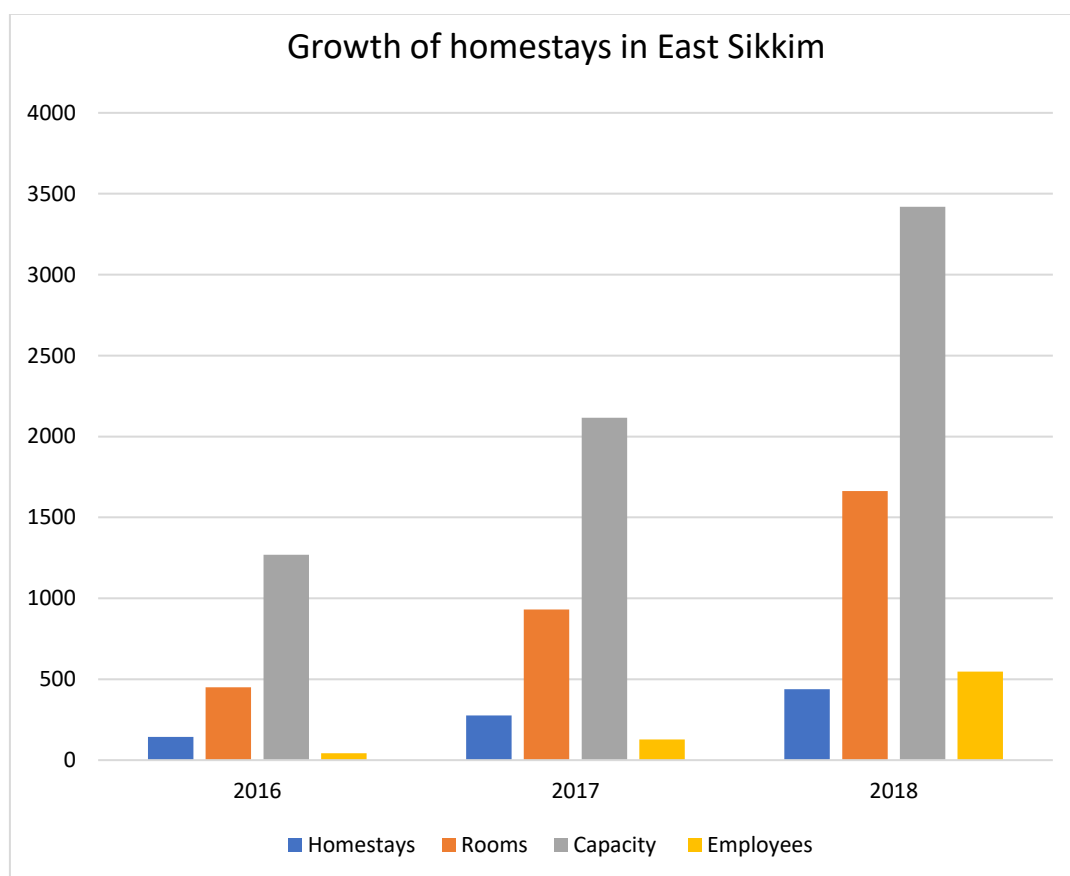


**Table 5.6 Details of homestays in East Sikkim**

	2016	2017	2018
Homestays	143	276	439
Rooms	451	931	1663
Capacity	1270	2115	3420
Employees	42	128	548

The details of the homestay located in East Sikkim is shown in Table 5.5. Over the year from 2016 to 2018, there has been an increase of homestays, number of rooms in homestays, homestay capacity, and homestays employees. The number of increases in homestays is due to the tourist preferences to stay in homestays to enjoy the authentic experience. The graphical representation of the growth of homestays is shown in Figure 5.5.

**Figure 5.4 Growth of homestays in East Sikkim**



The total number of hotels according to the area divided by tourism and civil aviation department, Government of Sikkim is shown in Table 5.7. The region P.S. Road, P.N.G. Road, and DPH Road have the largest number of hotels, and M.G.Marg, Tibet Road, Lal Bazar and New Market area has the largest number of rooms in hotels. All the hotels employed both local and non-local employees to cater to the guest.

**Table 5.7 Total number of hotels in Gangtok according to area**

Area/Region	Total number of Hotels	Total number of rooms	Employees	
			Local	Non-local
Sichey	48	897	180	172
Balawakhani, Burtuk and Manbir Colony	41	562	146	125
Sisagolai, Panihouse, Deorali, Syari and Tadong	85	1183	307	292
6th Mile, Ranipool, Jalipool, and Marchak	12	251	212	51
Chandmari, Changey, Tathangchen, Rongyek, Kazi Road, Dechelling and Chogay	35	696	224	232
Nam Nang Road	33	487	122	148
M.G.Marg, Tibet Road, Lal Bazar and New Market	85	1229	360	368
NH – 10	20	318	102	101
Arithang, Bye Pass, Ranka and Resithang	60	808	259	234
P.S. Road, P.N.G. Road and DPH Road	98	1194	491	283

The average occupancy percentage of hotels during 2018 is represented in Table 5.8. The occupancy percentage is high in April, May, and June because it is the tourist season in Sikkim.

**Table 5.8 Average occupancy percentage of hotels in the year 2018**

Month	Description	Frequency
January	0 – 30%	86
	31-60%	22
	Above 60%	12
February	0 – 30%	67
	31-60%	48
	Above 60%	5
March	0 – 30%	38
	31-60%	65
	Above 60%	17
April	0 – 30%	16
	31-60%	54
	Above 60%	50
May	0 – 30%	7
	31-60%	27
	Above 60%	86
June	0 – 30%	19
	31-60%	24
	Above 60%	77
July	0 – 30%	58
	31-60%	36
	Above 60%	26
August	0 – 30%	75
	31-60%	31
	Above 60%	14
September	0 – 30%	51
	31-60%	51
	Above 60%	18
October	0 – 30%	30
	31-60%	52
	Above 60%	38
November	0 – 30%	40
	31-60%	47
	Above 60%	33
December	0 – 30%	62
	31-60%	36
	Above 60%	22

**Table 5.9 Star category of hotels in Gangtok**

Category of Hotels	Number of hotels	Number of rooms	Total Capacity
5-star deluxe	1	68	136
5-star	4	170	342
4-star	4	245	543
3-star	8	177	390
2-star	9	177	367

Table 5.9 represents details of the star category of hotels in Gangtok. There are a total 26 star category of hotels present in Gangtok based on hotel and restaurant approval and classification committee. These hotels contribute 837 rooms to the accommodation sector of Sikkim tourism.

In the recent decade's hotel industry, has been significantly experienced a lot of changes in terms of management and booking. The transition from a stay to offer a seamless guest experience is evident in hotels. Emerging Trends in the hotel industry continuously appeared because hotels are trying to improve their customer experience. One of the major trends in the hotel industry is leveraging technology to enhance the guest experience (Bilgihan, Okumus, & Kwun, 2011). It can be proficiently used in every aspect of hotel operation such as marketing, guest management, inventory management, human resources management, etc. Hotels are gradually adopting technological trends to cope with the customer and to gain a competitive advantage (Koutroumanis, 2011).

Recently, social media are constantly being used as a marketing medium for hotels to advertise and sell hotel products (Kim, Lim, & Brymer, 2015). It has been evident that the use of social media not only continuously increases the revenue of the hotel but also creates a better image in the minds of a prospective customer (Noone,

McGuire, & Rohlf, 2011). In this study from the collected sample of hotels, 65% of hotel owners or operators agreed that they are sufficiently using social media as a promotion tool to market their hotels. Moreover, it is imperative to use social media because of ubiquitous information technology. Previous studies also warranted the application of social media in hotel marketing (Chan & Guillet, 2011; Hsu, 2012; Hudson & Thal, 2013). Denizci Guillet, Kucukusta, & Li (2016) expressed a positive view based on the analysis of Chinese hotels regarding the use of social media. The result identified that hotels are actively and consistently using social media to promote their products and services.

In addition, the trend of using the website is a vital platform to provide essential information and marketing of hotels (Li, Wang, & Yu, 2015). Through the hotel website, guests can use search, plan, and book the hotel rooms according to their needs. More importantly, it requires less investment to build a website to reach a wide array of the market segment. Even if customer books hotel accommodation through an online travel agency, they are visiting the hotel website for further details regarding the hospitality provided by the hotel. In this investigation, from the collected data revealed that 65% of the hotels used websites as their promotion and marketing activities. Hotel owners reported that in the future they are planning to invest more in web designing and developing.

### **5.3 - Result and Discussion - Objective-2: Identify and assess the major parameters responsible for the growth and development of the hotel industry in Gangtok**

Several studies on hotels have been identified as a growing market segment with enormous opportunity (Aggett, 2007; Choi, Olsen, Kwansa, & Tse, 1999; Chon, 2012). Specifically, in India, the future and prospects of the hotel industry is prosperous as the number of hotels and rooms in hotels vastly increases in recent decades and continues

to expand regularly (Devendra, 2001). This is attributed due to the hotel start-ups and the interest of international hotel chains to establish hotels in India. It has been reported that the occupancy percentage of hotels increased by 65% during the financial year from 2017 to 2018 (ResearchAndMarkets.com, 2019). Therefore, it is important to insight what are the factors contributing to the growth and development of the hotel industry. This objective is going to address the factors and parameters responsible for the growth of hotels in Gangtok. The scope of the objective is to find out the factors accountable for the increase of hotels in Gangtok, which would help the State Government to plan policies accordingly. Factor analysis was carried out to successfully justify this objective.

**Table 5.10 Result of KMO and Bartlett's Test**

KMO and Bartlett's Test		
KMO value		.784
Bartlett's Test	Chi-Square value	448.052
	df	55
	Sig. Value	.000

Table 5.10 represents KMO and Bartlett's Test. The Table depicts the KMO value as 0.784. KMO value greater than 0.06, indicates the sample is adequate and suitable for factor analysis (Kaiser, 1974; Sheridan & Ong, 2011). Likewise, Bartlett's Test is significant ( $p < .005$ ) with the degree of freedom 55, which identified data is suitable for factor analysis (Bartlett, 1937).



**Table 5.11 Communalities**

<b>Communalities</b>		
	<b>Initial</b>	<b>Extraction</b>
Adequate facility & Services	1.000	.733
Emergence of accommodation	1.000	.560
Affordable price	1.000	.633
Occupancy Rate	1.000	.441
Ease in environmental concern	1.000	.610
Financial assistance	1.000	.822
Entrepreneurship opportunity	1.000	.392
Substantial job opportunities	1.000	.551
Performance of hotel	1.000	.738
Skilled manpower	1.000	.610
Organization Growth	1.000	.727

Table 5.11 represents the communality in data. It is the total amount of variance that can be explained. The higher the communality is better representation of variable by the component. In general practice, a variable with communality value less than 0.4 is not taken for further analysis (Samuels, 2016) because the variable may struggle to load significantly in a factor and not reflected well by the extracted factor (Field, 2013). The communalities values vary from .392 to .822 represent the greater variance in data. The items in data will be well represented by the extracted factors.

Table 5.12 shows the rotated component matrix with the percentage of variance explained by the 3 components that influences growth and development of hotel industry in Gangtok. The thumb rule for selecting the number of factors based on the Eigen value is that the factor Eigen value greater than 1 were selected for further analysis (Hayton, Allen, & Scarpello, 2004; Sohrabi, Vanani, Tahmasebipur, & Fazli,

2012). It is the variance of the observed variables explained by the factor (Field, 2013). Three factors were extracted with eigen value greater than one. The factor 1 explained 38.63% of variance, factor 2 explained 12.98% of variance and factor 3 explained 10.35% of variance. Total 61.98% of variance is explained by three factors and remaining 38.01% of variance is unexplained. From the table, it can be seen that the rotated component matrix for the components based on varimax method shows the correlation between the component and factors (Lorenzo-Seva & Ferrando, 2006). These values are also called factor loading. Factor loading more than 0.45 is considered as the particular variable that is significantly represented by the corresponding factor (Tabachnick, Fidell, & Ullman, 2007). Here all the value of the factor loading is more than 0.45 after performing Varimax with Kaiser Normalization (Kaiser, 1959). Factor 1 consisted of five components, in case of factor 2, it consisted of 3 components and factor 3 comprised of 3 components. Three factors were established employing factor analysis and recognized as Entrepreneurship and performance, Affordable, adequate facilities and service, and Promotion of hotel industry in Gangtok. The Entrepreneurship and performance factor consists of five items: Organizational growth (.834), Performance of hotel (.799), Skilled manpower (.759), Substantial job opportunities (.697) and Entrepreneurship opportunities (.520). Affordable, Adequate Facilities, and Services factor comprised of Adequate facility & Services (.849), Affordable price (.712), and Emergence of accommodation (.656). The promotion factor consists of Financial assistance (.894), Ease in environmental concern (.766) and occupancy rate (.481).

In factor analysis, 12 variables that are responsible for the growth and development of the hotel industry in Gangtok has classified into three factors namely entrepreneurship and performance, affordable, adequate facilities and services, and

promotion. Entrepreneurship is a major determinant to contribute to the steady growth of hotels in Gangtok. Past studies in other destinations have also highlighted the potential benefit of entrepreneurship in the hotel industry as the tourism industry has a greater opportunity for entrepreneurship (Carlbäck, 2012; Glancey & Pettigrew, 1997; Tajeddini, 2010). Glancey & Pettigrew (1997). Ahmad (2015) identified the vast opportunity for entrepreneurship in the small and medium-sized hotel sector, challenges encountered by the entrepreneur to venture into the hotel business, and action taken by the owners to run and manage the business successfully in the competitive business environment. The most arduous challenges encountered by the young entrepreneurs revealed from the studies include stiff competition, reduced demand for hotel rooms, unskilled employees, and an increase in operating costs (Dzisi & Otsyina, 2014; Spencer & Zyl, 2015). The entrepreneurs have taken several key strategies such as competitive pricing, enhancing the quality of service, improving distribution channels, and superior customer service to tackle the challenges and they are successful in it (Ahmad, 2015).

Another important factor derived from the factor analysis which significantly contributes to the growth of hotels in Gangtok is performance, affordable, adequate facilities, and services. Before the establishment of a hotel, the hotel owner first looks into the determinants such as transport facilities, banking facilities, telecommunication facilities, water management facilities, waste management facilities, health care facilities, etc. (Judd, 2003; Khadaroo & Seetanah, 2007). These are the primary motivators of destination to establish a hotel. This study confirmed that all the facilities are available in Gangtok to promote hotel business. Since facilities are available for tourism in Gangtok, it is the most preferred tourist destination for middle-class visitors which leads to an increase in accommodation units.

Furthermore, the local government must emphasize and promote the hotel business by assisting the entrepreneurs in terms of legal and financial. In this study promotion of hotel, the business was come out as another most important factor to contribute to the growth of the hotel industry in Gangtok. The Sikkim state government has eased the environmental policy for the establishment of the hotel in Gangtok. This is one of the utmost criteria and required clearance from the government to build a hotel (R. Kumar & Sharma, 2014). In addition, financial assistance is also required to establish, manage, and operate a hotel. This study revealed hotel operators or hotel owners approved that they are getting enough financial assistance from the state or central government to support the hotel industry. For this central government has established the Tourism finance corporation of India ltd for financing tourism

**Table 5.12 Rotated component matrix**

Factor name	Item name	Factor loading			Eigen value	Percentage of variance explained	Cumulative percentage
		1	2	3			
Entrepreneurship and Performance	Entrepreneurship opportunity	.520			4.251	38.64	38.64
	Substantial job opportunities	.697					
	Performance of hotel	.799					
	Skilled manpower	.759					
	Organizational Growth	.834					
Affordable, Adequate Facilities and Services	Adequate facility & Services		.849		1.428	12.98	51.627
	Emergence of accommodation		.656				
	Affordable price		.712				
Promotion	Occupancy Rate			.481	1.139	10.35	61.981
	Ease in environmental concern			.766			
	Financial assistance			.894			

#### 5.4. Result and Discussion - Objective-3: Study and assess the economic impacts of hotel industry in Gangtok

The objective is intended to understand and explained the economic impact of the hotel industry in Gangtok. The economic impact involves employment opportunities, entrepreneurship opportunity and government revenue generation. At first, this objective has explained the detailed job opportunity provided by the hotels in East Sikkim, then moved to the employment opportunity provided by the hotels in Gangtok.

**Table 5.13 Details of employment provided by the hotels in East Sikkim**

Area	2016			2017			2018		
	Local	Non local	Total	Local	Non local	Total	Local	Non local	Total
East Sikkim	1701	1793	3494	1878	1904	3782	2536	2100	4636

**Table 5.14 Employment by the hotels in Gangtok**

Area/Region	Employees	
	Local	Non-local
Sichey	180	172
Balawakhani, Burtuk and Manbir Colony	146	125
Sisagolai, Panihouse, Deorali, Syari and Tadong	307	292
6th Mile, Ranipool, Jalipool, and Marchak	212	51
Chandmari, Changey, Tathangchen, Rongyek, Kazi Road, Dechelling and Chogay	224	232
Nam Nang Road	122	148
M.G.Marg, Tibet Road, Lal Bazar and New Market	360	368
NH – 10	102	101
Arithang, Bye Pass, Ranka and Resithang	259	234
P.S. Road, P.N.G. Road and DPH Road	491	283

Table 5.13 represents the employments provided by the hotels to the local people and non-local people. The number of jobs provided by the hotels has been increased from 2016 to 2018. For the year 2016 the number of people to get jobs in hotels was 3494, for 2017 it was 3782 and for 2018 it was 4636. The increase in employment opportunities in hotels directly signifies that there is a positive impact on the local economy due to the growing number of hotels in Gangtok. Table 5.14 represents the detail of the employment offered by the hotels in Gangtok.

**Table 5.15 Entrepreneurship opportunity**

Entrepreneurship/Business opportunity	Frequency	Percentage
SA	59	49.2
Agree	52	43.3
NAND	7	5.8
Disagree	2	1.7
SD		
Total	120	100

SA= Strongly agree, NAND=Neither agree nor disagree, SD=Strongly

disagree

The entrepreneurship or business opportunity provided by the hotel for the local people is shown in Table 5.15. Out of 100% (120 respondents), 49.2% of local people strongly agreed that the hotel provides entrepreneurship and business opportunity for them. 43.3% of people agreed that the hotel has brought a business opportunity for them due to the growth of tourist arrival in Gangtok. 5.8% of the respondents are neither agreeing nor disagree with the entrepreneurship opportunity offered by the hotels and only 1.7% of respondents have disagreed that the hotel provides business or entrepreneurship for the local people.

**Table 5.16 Job opportunities**

Job opportunities	Frequency	Percentage
SA	63	52.5
Agree	46	38.3
NAND	8	6.7
Disagree	2	1.7
SD	1	0.8
Total	120	100

Table 5.16 represents the job opportunities provided by the hotels for the local people. More than 50% of respondents are strongly agreed that hotel provides job opportunity for them. 38.3% of respondents are agreed, 6.7% neither agree nor disagree, 1.7 disagree and 0.8% strongly disagree about the job opportunity provided by the hotels for local people.

**Table 5.17 Government revenue generation**

Government revenue generation	Frequency	Percentage
SA	62	51.7
Agree	44	36.7
NAND	11	9.2
Disagree	3	2.5
SD	-	-
Total	120	100

Table 5.17 represents the respondent's view of the hotel industry towards Government revenue generation. More than 50% of respondents strongly agreed that the hotel industry significantly contributes towards State Government revenue generation followed by 36.7% agreed. 9.2% of respondents neither agree nor disagree and 2.5% disagree that the hotel contributes towards revenue generation.



## Chapter 6

### CONCLUSION AND SUGGESTIONS

The accommodation sector is one of the primary element of tourism to promote and develop a destination. The hotel industry is not only generating a significant contribution to the Government revenue but also creates job opportunities for the local people. Due to the dearth of research in the growth and development of the hotel industry in Gangtok considering the level of tourism development in Gangtok, this study has focused to seek the present status and structure of hotels, growth, and development of hotels and the contribution of the hotel industry to the Sikkim State's economy. To achieve the desired objective and address the research problem, a quantitative study was undertaken by collecting data from primary and secondary sources. Primary data was collected from hotel owners/operators by adopting stratified random sampling using survey questionnaires and secondary data from the TCAD, GoS tourism office. Factor analysis is used to analyse interrelationship among the various variables which contribute to the growth of hotels and to explain these variables with regards to their common underlying dimensions called factors. The factor analysis condensed these variables into three factors which have a significant impact on the growth and development of hotels in Gangtok. These factors include Entrepreneurship and Performance, Affordable, Adequate Facilities and Services, and promotion. Percentage and frequency analysis are carried out to explore the present structure and economic contribution of the hotel industry in Gangtok. The overall result revealed that the future of the hotel industry in Gangtok is optimistic in terms of its scope to contribute to the job opportunities and development of tourism. However, attention from the Government, policymakers, practitioners, and stakeholders are needed to make this growth sustainable.

Though the study has significantly contributed to tourism literature regarding the growth and development of hotels, it is not free from limitation. The scope of the study is limited to hotels located in Gangtok. In the future, the study can be conducted based on the hotels by considering other potential tourism destinations in Sikkim. In addition, a comparative study can be undertaken to know whether there is a difference between the factors contributing to the growth of hotels in Gangtok and other tourist destinations in Sikkim. This study took only the hotels in Gangtok although the homestay contributes a large part of the accommodation segment in Gangtok. Therefore, in the future, a study can be conducted on the present structure and the factors involved responsible for the growth and development of homestay in Gangtok.

Sikkim has been a kind of mysterious State for the tourists (domestic as well as international) and hence is unknown and underrated tourist destination .it is a recent trend domestic tourist basically from West Bengal, South India and NCR (National Capital Region) started exploring the untapped tourism potentials of the State. Therefore some places from North Sikkim (Lachen and Lachung) and some in East Sikkim ( Nathu La Border, Tsongmo Lake), etc. became highly popularize, to facilitate these places Gangtok- the State capital of Sikkim is serving as most sought tourist transit/hub of the State. To cater to the demand of overnight visitors, hundreds of Hotels, Guest Houses, and Homestays started functioning in this beautiful hill station. Though the demand for hotel rooms in Gangtok and across the Sikkim is highly unpredictable somehow is dependent on seasonality (summer vacations, new years and festive seasons). This is the time when large numbers of domestic tourists' flock towards Sikkim and hence the hotel industry of Gangtok welcomes tourists openheartedly. In recent years as the graph of domestic tourism in India is flourishing,

Sikkim is also receiving unprecedented numbers of tourists, this is a good sign for the growth and development of the local hotel industry.

In order to further improve, the growth and development of the hotel industry in Gangtok following implications and suggestions have been proposed based on the findings obtained from the analysis. Although the majority of the hotels in Gangtok are practicing digital marketing modes such as ( social media and websites) to market their hotels to reach a wide range of customers and it is also important in the current situation of the technological world, it is advisable to apply broad advertising mediums ( both digital and print media) at pan- India level and some selected overseas destinations in their local languages, with targeting all segments of customers basically for family (leisure and recreation ) and Nature-Based Tourism category.

Further, wide promotion of popular tourism products of Sikkim is required and this can be carried out through trade shows, travel marts across India to bring out the customers which are unaware of the immense tourism potential of Sikkim. For the growth and development of all industries, subindustries, and sectors, Government support is strongly needed in terms of formulation of policy related to hotels, financial support, infrastructure development, tax subsidy, etc. Though the Government of Sikkim has taken various steps to promote the hotel industry in the state, it required further relaxation to revamp the growth of hotels. Transport infrastructure development is a crucial element for the development of tourism and hotels as well. However, the available mean of transport is not adequate to reach Gangtok. Land transportation is the only way to reach Gangtok via NH 10 which connects Siliguri to Gangtok and it is also vulnerable. The Sevok – Rangpo railway project is yet to take off. In addition, the Pakyong airport inaugurated in 2018 to promote tourism in Sikkim, but the airport is still in the development stage to get regular flights from other notable destinations. This

lack of transport facility discourages the development of tourism in Sikkim and that directly affects the growth and development of hotels in Gangtok. Therefore, the Government and other stakeholders must take aggressive steps to address the transport issues which hinders the growth of the tourism industry. Similarly, skilled and trained manpower for the hotel industry is always been a highly discussed issue in the tourism literature. It has been evident that skilled employees can serve better than unskilled employees. The government and hotels should encourage and develop strategic plans to train unskilled employees for service innovation and customer delight. Although some initiative has been undertaken by the Government to fulfil the gap, it demands continuous training and skill development program to build the capacity of the hotel employee. In Gangtok, a sizable portion of the hotels are not registered with the TCAD, GoS. Therefore, the Government should take steps such as registration of hotels that are mandatory to operate and run hotels in Sikkim. It would be helpful to improve the quality of the hotels to match the international standards. Also, the regular audit is necessary to check the environmental and sustainable practice followed by the hotels for the betterment of the environment and offering quality customer services and value for money. Technology is an important tool and can be used as leverage to facilitate hotel customers during their stay in the hotel. Therefore, hotels in Gangtok can adopt technology models to improve customer satisfaction and service innovation. Initially, it may cost to the hotels, but the future benefit is quite high as customers are moving toward a technological world. Furthermore, the government should encourage and implement various steps to provide financial assistance to those who are interested to start hotel business or owners who want to diversify the hotel business. For this purpose, the Government of Sikkim can establish a financial entity. The vision and mission of the entity should provide financial support for tourism-related projects.

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## Appendix

### QUESTIONNAIRE FOR HOTEL OWNERS/STAFF

Dear Respondent,

The under named (Manila Tamang) is pursuing M.Phil. in Tourism at Department of Tourism, Sikkim University, Sikkim. As a part of study, the under given questionnaire is a part of survey, that is being conducted to understand your responses and experiences towards the status of Hotel Industry of Gangtok, Sikkim. The data collected through this questionnaire will be used strictly for academic purposes. Kindly provide the information requested below.

Manila Tamang (M.Phil Scholar)

Department of Tourism, Sikkim University

Email:manilatamang05@gmail.com

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#### SECTION-I

#### PERSONAL INFORMATION:

1. Name : \_\_\_\_\_
2. Age: \_\_\_\_\_
3. Gender: Male/ Female: \_\_\_\_\_
4. Educational Qualification:
  - (a) Graduate
  - (b) Post Graduate
  - (c) Professional Degree
  - (d) Hospitality and Tourism Degree/Diploma
5. Profession:
  - (a) Government Employee
  - (b) Private Job
  - (c) Self Business
  - (d) Freelancer

6. Monthly Income up to:
- (a) up to 25000 INR
  - (b) 25001- 50000INR
  - (c) 50001-75000 INR
  - (d) INR 75001 and above


**SECTION-II**  
**INFORMATION ON ACCOMMODATION UNIT**

1. Name of the accommodation unit/hotel & category-

\_\_\_\_\_

2. Address- \_\_\_\_\_

3. Year of Establishment- \_\_\_\_\_

4. Is the accommodation unit/hotel a part of any chain?

(a) Yes

(b) No

(c) If yes name it- \_\_\_\_\_

5. Total number of available rooms:

(a) Less than 30

(b) 31-50

(c) 51-100

(d) Above 100

6. Total Number of Staff members:

(a) Up to 20

(b) 21-50

(c) 51-100

(d) More than 100

7. Monthly operating cost of accommodation unit/hotel: (Breakups as follows)

Monthly in INR

(a) Salary	<input type="text"/>
(b) Repairs and maintenance	<input type="text"/>
(c) bills	<input type="text"/>
(d) purchase and procurements	<input type="text"/>
(e) Rent	<input type="text"/>
(f) Other cost	<input type="text"/>

8. Monthly Average occupancy percentage:

Sl. No	Months	Total Occupancy Rate
1	January	
2	February	
3	March	
4	April	
5	May	
6	June	
7	July	
8	August	
9	September	
10	October	
11	November	
12	December	

9. Monthly Revenue per available room (RevPAR):

Sl. No	Months	Revenue Per Available Room(RevPAR)
1	January	
2	February	
3	March	
4	April	

5	May	
6	June	
7	July	
8	August	
9	September	
10	October	
11	November	
12	December	

10. What is the Medium of marketing/business development?

(a) Marketing Office/Centres

(b) Print Media

(c) Websites and social media

(d) Any other (please mention) \_\_\_\_\_

(e)

11. Do you practice internet based technological applications?

(a) Web portal and website

(b) Social media

(c) Mobile Apps

(d) Any other (please mention) \_\_\_\_\_

12. Out of the following which is/ are important to market your hotel?

(a) Location

(b) Brand

(c) Price

(d) Service culture

13. What are the major drawbacks of hotel industry in Gangtok?

(a) Lack of Government support and Political Environment.

(b) Lack of better transport facilities.

(c) Unorganized business sector

(d) lack of trained manpower

(e) low profit margin

14. What do you think about the future prospects of hotel industry in Gangtok?

- (a) Bright and Progressive
- (b) Average
- (c) Downfall and Declining
- (d) No idea


### SECTION-III

#### INFORMATION ON SELECTED ATTRIBUTES IN RELEVANCE TO OPERATION/PERFORMANCE OF ACCOMMODATION UNIT/HOTEL

**Note:** Following are the various factors with their key attributes regarding hotel you are requested to put your opinion on a “5 Point Scale.” Where,

1= Strongly Agree, 2= Agree, 3= neither Agree nor Disagree, 4= Disagree,  
5=Strongly Disagree

Sl. No	Statements	1	2	3	4	5
1	Visiting tourists demands for adequate facilities and advance visitor services					
2	Increasing number of middle-class visitors has given rise to emergence of new accommodation units/hotels in recent years					
3	Your Accommodation unit/hotel provides comfort at affordable price					
4	The occupancy of your accommodation unit/hotel is increased in recent times due to the increase in domestic travellers					
5	Do you get ease of environment at the policy level for the local hotel industry					

6	There are enough Central/State Government financial schemes for the aid/support of local hotel industry					
7	Local hotel industry contributes significantly towards state government revenue generation					
8	Hotel Industry provides business/ enterprising opportunities for the local people.					
9	Gangtok's hotel industry provides substantial job opportunities for local people					
10	Visitor /customer satisfaction plays significant role for the persistent performance of local hotel industry					
11	Skilled and efficient manpower is essential towards sustainable growth and development of local hotel industry					
12	employee satisfaction is essential parameter towards organizational growth					

THANK YOU

YOUR SIGNATURE\_\_\_\_\_

**Hotel and homestay data collected from the DT&CA, GoS**

**List of star category hotels in Sikkim as on December 2018**

Sl.no	Name of hotel	Category	No. of rooms	No. Of bed		Total capacity
				Double	Single	
1	May Fair Resort	5-Star (Deluxe)	68	68	0	136
2	Chumbi Mountain Retreat	5-Star	50	50	0	100
3	Sobralia Residency	5-Star	44	44	0	88
4	Tashiling Residency	5-Star	52	52	0	104
5	Denzong Regency	5-Star	24	8	16	50
6	Terrace Valley	4-Star	53	44	9	97
7	Tamarind Hotel	4-Star	31	62	0	124
8	The Royal Plaza	4-Star	81	81	0	162
9	Lemon Tree	4-Star	80	57	23	160
10	The Retreat	3-Star	20	20	0	40
11	Planter's Home	3-Star	11	9	4	22
12	Le- Premula	3-Star	20	20	0	40
13	Yarlam Resort	3-Star	37	30	0	60
14	Norkhill Hotel	3-Star	25	50	0	100
15	Gangtok Drift	3-Star	18	18	0	36
16	Yarlam Portico	3-Star	19	19	0	38
17	Golden Crest	3-Star	27	27	0	54



18	Vajra Residency	2-Star	21	20	4	44
19	Bamboo Grove Retreat	2-Star	13	26	0	52
20	The Bamboo Retreat	2-Star	10	22	0	44
21	The Ridge Hotel	2-Star	12	24	0	48
22	Tashi Delek Regency	2-Star	15	30	0	60
23	Ravongla Star	2-Star	16	16	0	32
24	Sikkim Delilght	2-Star	20	20	0	40
25	Red Mud Chalet	2-Star	11	9	2	22
26	Splendour-Inn	2-Star	15	10	5	25

**Updated summary of hotels (till December 2018)**

Sl.no	Area	Total no. Of hotels	Total no. Of Rooms	No. Of beds		Total Capacity	No. Of employees	
				Double	Single		Local	Non-local
1	East	619	8604	7305	1308	15918	2536	2100
2	West	209	2146	1996	216	4208	439	504
3	North	140	1490	1364	80	2808	236	281
4	South	90	870	812	93	1717	305	196
	Total hotels	1058	13110	1147 7	1697	24651	3516	3081

**Updated summary of Hotels with registration (Till Dec. 2018)**

Sl. No.	Area	Registered with DTCA, GoS	Registered with GMC	Non-registered with DTCA	Total no. Of hotels
1	EAST	275	127	217	619
2	WEST	85	0	124	209
3	NORTH	8	0	132	140
4	SOUTH	40	0	50	90
	<b>TOTAL</b>	<b>408</b>	<b>127</b>	<b>523</b>	<b>1058</b>

**Category of star hotels & their capacity (Till December 2018)**

Sl.no.	Category of hotels	No. Of hotels	Total no. Of rooms	No. Of beds		Total capacity
				Double	Single	
1	5 Star Deluxe	1	68	68	0	136
2	5 Star	4	170	154	16	342
3	4 Star	4	245	244	32	543
4	3 Star	8	177	193	4	390
5	2 Star	9	133	177	11	367
	<b>TOTAL</b>	<b>26</b>	<b>793</b>	<b>836</b>	<b>63</b>	<b>1778</b>

**Updated summary of Homestay (Till December 2018)**

Sl.no	Area	Registered with DTCA	Non-registered with DTCA	Total no. Of homestay
1	EAST	341	98	439
2	WEST	169	98	267
3	NORTH	34	10	44
4	SOUTH	157	141	298
	TOTAL	701	347	1048