

## Why India's tourism sector needs a regulatory rethink

- *By Amitabh Kant\**

India's monuments, mountains, beaches, and cuisine make it one of the world's richest destinations. Yet its tourism performance lags woefully behind. We attract just about 10 million foreign tourists a year, a number Thailand surpasses in three months. The gap lies not in appeal, but in competitiveness.

Compare like-for-like destinations: a four-star beach hotel in Goa averages ₹12,000–₹15,000 per night, while a similar property in Phuket or Da Nang costs half. Even Sri Lanka, despite instability, offers better value and satisfaction. India has thrice Thailand's coastline and twice Kenya's national park area, yet far fewer tourist destinations or premium accommodations near natural attractions.

The reason is not entrepreneurial energy but regulatory density. Entrepreneurs face dozens of permissions, high excise fees, and lengthy approval cycles. A hotel may require 50 clearances—from Fire and Pollution to Police and Urban Local Bodies—while a restaurant needs 30. Even small operators in transport or water sports must navigate several NOCs. Projects that take 18 months in Southeast Asia can take three years in India, with capital costs 20–30% higher due to delays and compliance hurdles.

If India hopes to make tourism a \$1 trillion industry and generate 50 million jobs in the next decade, states must move from regulation to facilitation. Many reforms are straightforward; what's needed is mission-mode execution and recognition that tourism competitiveness depends as much on policy as on beauty.

### 1. Balance Economy and Ecology

India's most appealing areas—beaches, monuments, forests, and water bodies—are the hardest to build in. Three regulatory regimes fence off these spaces:

- Coastal Regulation Zone (CRZ) norms, which restrict construction within 200–500 meters of the high-tide line, treat small eco-resorts the same as concrete hotels.
- Ancient Monument and Archaeological Sites Remains (AMASR) Act, which blocks or limits development within 100–300 meters of protected monuments, regardless of scale or design.
- Forest, wildlife, and environment clearances apply the same procedures to small lodges as to industrial projects.

These frameworks were meant for protection, not exclusion. Without differentiation or faster pathways for low-impact projects, they have rendered many prime locations—Ganga banks, Konkan beaches, Kerala backwaters, tiger reserves—virtually off-limits for sustainable investment.

Other Asian peers balance conservation with access. Thailand permits eco-resorts under its Green Tourism certification; Vietnam allows low-density beachfront development with strict waste norms; Sri Lanka zones its coasts by elevation and flood

risk. India, too, needs protection with participation—risk-based, not blanket, restrictions.

## **2. Simplify or Scrap Redundant Licences**

A recent Atithi Foundation report mapped hotel and restaurant compliance and found over two dozen overlapping permissions, recommending that at least 10 be simplified, 6 scrapped, and 10 merged.

For example, the Shops and Establishments Act adds no real oversight for small hotels already registered under GST and EPF. These should be exempt or granted instant, lifetime registration. Similarly, Eating House and Health Trade licences duplicate the FSSAI food licence and can be removed.

Trade licences are another tangle—separate ones for lodging, bars, spas, swimming pools, and even signage. A Unified Municipal Licence can replace 15–20 separate approvals, improving transparency and investor confidence.

## **3. Make Fire and Pollution Clearances Risk-Based and Time-Bound**

Safety norms are essential; the issue is the process. Fire NoCs often take months and require yearly renewal, even without structural changes. States should issue provisional NoCs within seven days for low-risk units and make full certificates valid for 5–10 years, using accredited third parties to expand capacity and curb delays.

Pollution classifications are similarly outdated. A solar-powered, LPG-run hotel can be tagged "Orange" or "Red," like a factory. The Green and White categories already used for low-emission industries should apply to clean, modern hotels with proper waste management.

## **4. Empower Homestays and Local Operators**

Homestays are the backbone of rural and cultural tourism. Still, guidelines cap them at six rooms and require the owner to live on-site—constraints that exclude professional, high-quality operators. States should expand the cap to eight rooms and drop residency requirements while maintaining safety norms.

Equally, small homestays shouldn't need separate NOCs from fire, police, or municipal departments. The goal must be to formalise without overburdening—bringing informal operators into the system rather than driving them out.

## **5. Level the Playing Field in Transport and Adventure Tourism**

Private tourist buses are often barred from government-owned Inter-State Bus Terminals (ISBTs), forcing them to pick up passengers on the roadside. Allowing regulated access for a fee would improve safety and the experience, and reduce congestion.

Uniform implementation of the All India Tourist Permit (AITP) is also overdue. Some states still impose extra border taxes, undermining seamless travel. Harmonisation will boost interstate circuits and lower costs.

Adventure and water-based tourism face their own maze of district-level licences. A single online portal integrating maritime and tourism departments could enable one-time approval for multiple destinations—unlocking India's vast coastal and river potential.

### **Deregulation Doesn't Mean Disorder**

Critics conflate deregulation with dilution. But what tourism needs is clarity and proportionality, not an absence of rules. Simplifying, merging, or scrapping redundant processes—and introducing risk-based systems—would make compliance predictable without weakening oversight.

Tourism is a state subject, which means reform can thrive through competitive federalism. States like Goa, Himachal Pradesh, and Rajasthan have already piloted unified hospitality licences and online single-window clearances. Others can go further—introducing automatic renewals, waiving fees for micro-operators, and digitising all approvals. If India truly seeks investment, jobs, and global recognition, deregulation must be its new tourism policy. Entrepreneurs are ready to build; governments must now clear the way.

*\*The author is Chairperson, Fairfax Centre for Free Enterprise and a key driver of God's Own Country and Incredible India. Views expressed are personal.*