

OPINION | Why hospitality needs a budget sensitive to its unique features

The sector is both people-driven and capital-intensive. Support for patient capital and skilling programs through fiscal incentives will provide India an economic boost

The hospitality sector approaches Union Budget 2026 with a clear focus on how policy decisions can influence demand for travel, investment sentiment, and long-term sector growth.

Both direct and indirect outcomes of the budget play a meaningful role in shaping performance across business and leisure travel. While an industry-friendly budget improves overall business confidence, which translates into higher corporate travel spending and increased allocations for MICE events. Infrastructure-led growth further strengthens tourism flows, benefiting hotels across cities, resorts, and emerging destination markets.

Capital-intensive, with long gestation periods

Hospitality is a capital-intensive industry with long gestation periods and therefore supportive tax incentives remain a key expectation. Positive direct tax measures can materially improve project viability and encourage fresh investment, while indirect incentives can enhance operating cash flows and strengthen confidence across the sector.

Equally important is the need for a more coordinated and streamlined regulatory framework. A central facilitation mechanism that works closely with state governments to standardise approvals during construction and operations would significantly reduce execution timelines and development risk.

Project feasibility can also be meaningfully improved through higher permissible FSI for hotels in emerging cities and leisure destinations. This enhances returns on capital and improves financial outcomes for new developments. Additionally, state-level incentives such as industry-rate electricity tariffs, rationalised property taxes and water charges, interest subsidies and reimbursement of employee-related costs for new job creation can accelerate hotel development in newer markets and support balanced regional growth.

Given rising construction costs, access to long-tenure loans that are aligned with the cash flow ramp-up cycles of hotel projects would provide meaningful support.

VGF needed for leisure destinations

Viability Gap Funding for emerging leisure destinations such as the Andaman and Nicobar Islands, Lakshadweep and the Northeastern states can help unlock investment in regions with strong tourism potential but higher development costs and infrastructure constraints. These measures would improve financial viability, attracting private capital into underdeveloped but high-potential destinations.

Luxury segment is the fastest growing segment

India's economy continues to grow rapidly and is drawing foreign direct investment across sectors. The expansion of Global Capability Centres by Fortune 500 companies is driving sustained demand for premium business travel and quality hospitality infrastructure.

Consumption in the luxury segment is growing faster than other segments, a trend that is clearly visible in hospitality. However, luxury hotels require significant capital; longer gestation periods and targeted fiscal incentives would help attract investment into this segment. Strengthen India's ability to host high-spending business and leisure travellers.

To foreign exchange earnings, hospitality is a significant contributor and employment generator. Rationalisation of GST rates would improve competitiveness, encourage more MICE events within India and help reduce the outflow of destination weddings and events to overseas markets. Treating services provided to foreign nationals as deemed exports with no GST would further enhance India's attractiveness as a global tourism and events destination.

Support for skilling is essential

At its core, hospitality is a people-driven business. Our focus on service excellence and financial performance has always been closely linked to how consistently we invest in our teams. We've retained our workforce through the pandemic and continued priorities training, digital upskilling, and leadership development, reinforcing our belief that 'when we take care of our people, they take care of our guests and assets'.

Budget 2026 can further support the sector by enabling structured apprenticeships, certification-led skilling, and incentives for formal training, particularly in culinary, food and beverage, wellness, and hotel operations. Support for sustainability-focused development, including incentives for green building design, renewable energy adoption, and environmentally responsible tourism infrastructure, would reduce longterm operating costs while preserving destinations that are central to tourism demand and long term sector resilience.

(Ranjit Batra, CEO, Ventive Hospitality Limited.)