

A conceptual study of the contribution of TFCI in the growth of financial inclusion in Indian Economy

Dr. Rachana Saxena, Gonica Verma, Ajay K. Srivastava

Abstract

Background/Objectives: The contribution of the Tourism Finance Corporation of India to the expansion and improvement of the Indian tourist industry has significantly increased. The paper is an attempt to analyse the role of the Tourism Finance Corporation of India in growth and development of the Indian economy through financial inclusion.

Method: Data gathering and result interpretation both use literature reviews and analysis.

Significance of the study: This is an assessment of the Tourist Finance Corporation of India's critical contribution to the expansion and development of the country through financial inclusion.

Findings: The Tourism Finance Corporation of India has delivered on its commitment to ensuring inclusive growth, according to published research.

Conclusion: The growth and expansion of India's tourist industry has been significantly aided by the Tourism Finance Corporation of India.

Keywords: financial Inclusion, economic development, Indian Tourism Finance Corporation.

I. INTRODUCTION

Due to its extensive cultural legacy and unending natural beauty, India has been a traveler's paradise for visitors and travellers from all over the world since the beginning of time. With a wide variety of beautiful mountains, roaring rivers, valleys, deserts, forests, sparkling lakes, stunning beaches, and tropical islands, this country has everything a traveller is seeking for and would treasure for a lifetime. Due to the limitless chances it provides, India's tourism industry has grown to be one of the most significant in the nation and the engine driving the economy. In 2019, tourism provided 39.80 million jobs, or 6.8% of all employment worldwide, according to the World Travel and Tourism Council (WTTC). It also brought in US\$194 billion, or 6.8% of India's GDP. In 2019, tourism provided 39.80 million jobs, or 8% of all employment in the pre-COVID era, and produced US\$194 billion, or 6.8% of India's GDP, according to the World Travel and Tourism Council (WTTC).

India-based Tourism industry Financial organisation is Tourism Financing Corporation of India Ltd. The business offers funding support for new, growth, diversifying, and remodelling projects in the tourist and service sectors as well as associated activities, facilities, and services. It provides term loans as a means of providing financial assistance to its clients. The Company's main goal is to help borrowers in the travel, healthcare, education, logistics, and pharmaceutical industries with their financing needs. It provides Rupees Term Loans, loans for projects, corporate loans, loans secured through securities, bridging loans, financing for

financing mergers and acquisitions, subscriptions for stocks and debt, and other sources of financing. It offers assistance with initiatives including new construction, growth, diversification, and modernisation. Loans with variable and fixed rates are both available. It furthermore purchases shares on a regular basis and invests in non-convertible debt instruments (NCDs) of rated corporations.

The authorities of Independent India had no choice but to establish the foundation for a structure that would continue to bring in money and help the nation's economy expand, given the phenomenal increase that tourism in India was projected to undergo. In light of this, the National Committee on Tourism started drawing out standards for marketing tourism in India.

The final consequence of this work was the creation of the Tourist Financing Corporation of India (TFCI), a specialised finance organisation that was created in 1989 and has since played a crucial role in building a tourism infrastructure throughout the nation, generating thousands of employment opportunities and lively tourism centres.

By sponsoring a variety of specialist sectors, including heritage tourism, cruises, adventure, health, wellness, sports, MICE, eco-tourism, film, rural, and religious tourism, among others, TFCI has significantly contributed to the development of the nation's tourist infrastructure over the past three decades.

Since its formation, TFCI has functioned as a catalyst in the growth of building infrastructure in India's hospitality sector. It has furthermore made it possible for many businesses to

focus their investments on distinct tourism market sectors and regions. Established by a number of government agencies, including IFCI, LIC, OIC, SBI, BOI, Canara Bank, etc., TFCI has actively contributed to the development of several innovations for the nation's tourism industry, including projects that have been a success at some of the most well-known tourist destinations in India. These pioneering projects included the Indian Railways Palace on Wheels, Esselworld, the Ananda Spa and Wellness Resort within the Himalayas, and many more that are today recognised as distinctive hospitality options on a global scale.

The top lending organisation has supported a number of branded hotels in India to this point and has ties to nearly all significant local and foreign brands, including ITC, Leela, Taj, Lalit, Lemon Tree, Hyatt, Marriott, Hilton, Radisson, Holiday Inn, etc.

TFCI has also served as an advisor to the national government of India, a number of state governments, and their connected agencies in order to develop the required infrastructure and boost demand to support the growth of tourism in the nation.

It has been formed in collaboration with the Ministry of Environment and Forests (GoI), the Government of Gujarat, the Gujarat State Tourism Development Company, the Tamil Nadu Tourism Development Corporation, the MP State Tourism Development Corporation Ltd., the Delhi Tourist Transport Development Corporation, the Jharkhand Tourism Development Corporation, the Government of Himachal Pradesh, and other organisations. Moreover, TFCI has provided guidance to the Ministry of Railways about the start-up and operation of Pan-India luxury train services.

To fill the gap between current initiatives and funding limits, TFCI has been at the forefront of helping to construct sustainable infrastructure. Building sustainable development hotspots for the nation's micro, little, and medium-sized firms (MSMEs) is one of TFCI's primary long-term ambitions for promoting equitable growth. As TFCI owns about 90% of its hospitality portfolio from the MSME category, the MSME segment continues to gain and strengthen with significant financial loan support from TFCI.

The goal of TFCI, a specialised NBFC, is to fully realise the potential of boosting tourism in India and driving economic growth to provide employment opportunities and secure sustainable lifestyles. This has opened the door for the effective implementation of marketing campaigns at tourist destinations, a precise evaluation of market potential, the development of sustainable infrastructure, and feasibility studies. According to its lending principles, TFCI keeps offering financial services and adding value to the hotel and allied industries. In addition to improving the environment for greater tourism, it is thought that they also provide employment, which helps the economy grow even more.

Supplying Exceptional Services in the Face of COVID-19

Some affected tourism locations are regaining popularity as the nation starts to recover from the effects of COVID. In these unrecognised conditions, TFCI has aggressively maintained its current portfolio, increasing assistance with new funding through a variety of programmes including the RBI-Covid package and the government-guaranteed ECLGS programme, and providing extra funding wherever necessary, to let borrowers bridge brief liquidity shortfalls until business operations normalise.

The biggest asset and support to overcome the Covid-19 scenario during the pandemic was TFCI's superior service, which was overseen by outstanding executives with a variety of expertise. By serving as a solid support system for the hotel sector throughout the crisis, TFCI also managed to maintain good profitability. With fresh distributions of Rs 457 Cr in FY21, its loan book as of March 31, 2021, was Rs 1,977 Cr (of which 84% went to the MSME group). While the situation was difficult, it maintained its financial stability, reporting and the after return of Rs. 81 Cr. during the fiscal period 21.

In addition, the tourist industry and allied industries accounted for around 79% of the managed assets, with exposure to hotels, resorts, conference centres, restaurant chains, amusement parks, etc. Through the proactive assistance of TFCI, government-led efforts like the introduction of the ECLGS plan, which is a huge relief for high-contact industries like hospitality etc., are anticipated to play a vital part in fast returning growth levels to what they were prior to the epidemic.

The possibility of the tourist industry to employ millions of people in the robust MSME segment and be recognised as a significant contributor to the nation's GDP is expanding. By contributing to a large number of MSME initiatives around the nation, TFCI has played a crucial part in this.

The largest banking institution in India has also played a crucial role in financing the reconstruction of royal heritage monuments including Umaid Bhavan, Devigarh Fort, Chomu Haveli, and Jehan Numa Palace. The TFCI has helped make entertainment facilities and water parks including Nicco Park, Shankus Water Park, Kishkinta Kingdom of Fun, Black Thunder Water Park, and Worlds of Wonder a reality. The Taj Exotica in Goa and CHG Marari Beach in Kerala are two upscale hospitality establishments that are good examples of initiatives that have had great success with TFCI's backing.

The outstanding board of directors of TFCI is distinguished by its professionalism, independence, and wealth of expertise. The management group, which is headed by Mr. Anirban Chakraborty (MD&CEO), has the necessary industry expertise to guarantee that successful tourist projects are properly conceived and constructed to benefit all stakeholders. One of the main advantages of working with

TFCI is that it acknowledges and suitably acknowledges the special financing requirements of this business, such as extended development timeframes, annual cash flows, etc., structuring every transaction correctly for the limitless scope of Indian tourism, which TFCI finds itself in today inside of an exciting location.

It is also looking for more post-Covid-19 diversification to increase its offers in allied industries including healthcare, education, and logistics while maintaining its presence as a significant lender to the travel and tourist sector. Now that tourist finance has been addressed, the institution is eager to tackle TFCI 2.0: Diversifying for Growth.

The mission of Aatmanirbhar Bharat at TFCI is progressively taking the lead in attesting to a commitment for boosting the economy in the MSME segments and making sure the foundation of the nation's economy is adequately supported and given thorough supervision. As part of its unrestricted growth and ambitious development ambitions, TFCI will research several financing solutions for the MSME sector, including acquisition finance, structural financing, and fee-based revenue-enhancing activities. In order to leverage its capital (CAR of 39.87% as of March 31, 2021) and hence boost its return on equity, the Company plans to actively pursue opportunities.

TFCI seeks and is pursuing its objective of making India the most well-liked and well-known tourist destination in the world with three decades of tourism leadership, strong growth, and committed associated partners. On the asset side, it has a spectrum of enduring partnerships that are very appreciative of the collaboration and assistance TFCI has provided throughout this epidemic.

As India and the rest of the globe recover from the recent downturn, TFCI continues to be a significant source of support for the country's tourist industry as it deals with the COVID's aftereffects. Having a strong foundation, TFCI has a steadfast ambition to actively and vehemently support future endeavours in India's tourism and allied industries. In addition to being associated with growth, diversification, and modernization, it has altered Indian tourism and continues to provide a legacy of exceptional projects.

REFERENCES

- [1] The World Economic Forum. The Travel and Tourism Competitiveness Report 2015. Available online: <http://reports.weforum.org/travel-and-tourism-competitiveness-report-2015/economy-rankings/> (accessed on 30 November 2015).
- [2] UNWTO Annual Report World Tourism Organization. UNWTO/WWW
- [3] unwto.org/About/Annual Report/UNWTO Annual Report 2015; World Tourism Organization: Madrid, Spain, 2015.
- [4] Beaton, K.; Lalonde, R.; Luu, C. A Financial Conditions Index for the United States; Bank of Canada ; Bank of Canada: Ottawa, ON, Canada, 2009.
- [5] Brave, S.; Butters, R.A. Monitoring financial stability: A Financial Conditions Index approach, Federal Reserve Bank of Chicago. *Econ. Perspect.* 2011, 1, 22–43.
- [6] Ericsson, N.R.; Jansen, E.S.; Kerbeshian, N.A.; Nymoen, R. Understanding a Monetary Conditions Index. In Proceedings of the November 1997 Meeting of the Canadian Macroeconomic Study Group, Toronto, ON, Canada, November 1997.
- [7] Freedman, C. The Use of Indicators and of the Monetary Conditions Index in Canada; International Monetary Fund: Washington, DC, USA, 1994.
- [8] Freedman, C. The role of monetary conditions and the Monetary Conditions Index in the conduct of policy. In *The Transmission of Monetary Policy in Canada*; Bank of Canada: Ottawa, ON, Canada, 1996; pp. 81–86.
- [9] Freedman, C. The use of indicators and of the Monetary Conditions Index in Canada. In *The Transmission of Monetary Policy in Canada*; Bank of Canada: Ottawa, ON, Canada, 1996; pp. 67–80.
- [10] Hatzius, J.; Hooper, P.; Mishkin, F.S.; Schoenholtz, K.L.; Watson, M.W. Financial Conditions Indexes: A Fresh Look after the Financial Crisis; Working Paper No. 16150; National Bureau of Economic Research: Cambridge, MA, USA, 2010.
- [11] Lin, J.-L. The Monetary Conditions Index in Taiwan. *Acad. Econ. Pap.* 1999, 27, 459–479.
- [12] Matheson, T.D. Financial Conditions Indexes for the United States and Euro area. *Econ. Lett.* 2012, 115, 441–446. [CrossRef]
- [13] Thompson, K.; Eyden, R.V.; Gupta, R. Identifying an index of financial conditions for South Africa. *Stud. Econ. Financ.* 2015, 32, 256–274. [CrossRef]
- [14] Chang, C.-L. Modelling a latent daily Tourism Financial Conditions Index. *Int. Rev. Econ. Financ.* 2015, 40, 113–126. [CrossRef]
- [15] Lack, C.P. A Financial Conditions Index for Switzerland. In *Monetary Policy in a Changing Environment*; Bank for International Settlements: Basel, Switzerland, 2003; Volume 19, pp. 398–413.
- [16] Goodhart, C.; Hofmann, B. Asset prices, financial conditions, and the transmission of monetary policy. In Proceedings of the Conference on Asset Prices, Exchange Rates and Monetary Policy, 2–3 March 2001; Federal Reserve Bank of San Francisco and Stanford Institute for Economic Policy Research: San Francisco, CA, USA, 2001.