



FINANCIAL EFFICIENCY OF INDIA TOURISM DEVELOPMENT CORPORATION (ITDC) LIMITED: AN EMPIRICAL STUDY

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ABSTRACT

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Tourism is one of the significant service sectors in India as it contributes about 9.6 per cent in Gross Domestic Production and the third largest foreign exchange earner for the country. The Government of India recognized this sector as an industry in 1986 and it became eligible for several incentives and facilities like tax incentives, subsidies etc. Further, the tourism industry was also declared as a priority sector for foreign investment in 1991. It is an important tool for employment generation, economic development and rural transformation. India is a country of vast geographical diversity which attracts tourists from all over the world throughout the year. A number of different groups, companies and organizations are operating in tourism sector like ITDC, Tata Group, Oberoi Group, ITC Ltd. etc. India Tourism Development Corporation (ITDC) is the leading public sector corporation and the prime mover in the progressive development, promotion and expansion of tourism in the country. Since, ITDC has been playing a vital role in the growth of tourism activities in the country, financial soundness and efficiency is prerequisite for such type of corporation engaged in development activities. Thus, it is important to investigate the operational activities and financial soundness of this corporation. The present study is an attempt to analyse the financial efficiency of ITDC in the context of its financial performance and operational activities from 2012-13 to 2016-17. The results indicated profitability and operational efficiency of this corporation found satisfactory during the study period. The study also concludes that ITDC is performing well in maintaining and developing tourism infrastructure and provide necessary facilities to the national and international tourist.

1. INTRODUCTION

Tourism is an integral part of human life. It is a phenomenon involves the movement of people within their own country or across the national borders for a short run period. Man's thirst for travelling has increased from time immemorial. It opens up horizons encourages contacts between various cultures and countries. Tourism involves basically three elements, namely, man, space and time.

Tourism is a major engine of economic growth and an effective instrument for generating employment, earning revenue and foreign exchange, enhancing environment, preserving culture and tradition, boosting up the national GDP and improving country's balance of payments (Bhatia, 2002). It can ensure an overall development in a sustainable manner in achieving growth with equity. Economic diversification and technological advancement have created a conducive environment for tourism industry in the present age of globalization (Dhar, 1997; Sharma,

2000). Tourism is recognized as a major economic contributor in many destinations worldwide, adding value for foreign exchange but also support for export industries and environmental, social, cultural, and historic resources support and protection (Ardahaey, 2011). International tourism movements hold its righteous place in that they fix balance of payments, provide the necessary financial tools for the technological equipment used in the manufacturing process, increasing the employment and leading to economic growth (Arslanturk and Atan, 2012). Tourism sector creates job opportunities for the young generation of the country (Blanke and Chiesa, 2013).

The travel and tourism industry is one of the world's largest industries with the global economic contribution of over 7.6 trillion US\$ in 2016. In 2015, global tourism revenue reached 1.26 trillion (Turner, 2017). In India, tourism industry contributed a total of 208.9 billion US\$ to GDP in 2016 accounted for approximately 9.6 per cent of India's total GDP and predicted to grow at an annual rate of 6.8 per cent to 10 per cent. The travel and tourism competitiveness report for the year 2017, ranked India 40th out of 136 countries (DIPP, 2018).

It holds tremendous potential for India's economy which eventually provides impetus to other industries. This is the main reason that today tourism is amongst the core sectors of the Indian economy. India is a country of diversified geographically and atmospherically where a number of tourist spots spread from large mountain ranges, hill stations in north to sea shore and Ghats in southern part along with beautiful western desserts and heritage sites all over the country. It makes the country tourist attraction throughout the year. The Government of India is also concern to maintain and develop tourist destination in the country because this sector is one of the major contributor to national income. There is numerous travel and tourist companies are operating in India to maintain and develop the tourist industry in the country. ITDC is one of the key players which always concern about the growth and development of tourism infrastructure and provide necessary facilities to the tourist in country. ITDC Ltd is a public sector tourist company which involves in various areas to maintain and develop tourist destination and provide facilities to the tourist in the country. ITDC is basically involved in construction and management of hotels, motels, restaurants, tourist bungalows, guest houses, beach, resorts and provides transportation facilities to tourists. The company is operating in all its business areas effectively and efficiently since its inception. Financial efficiency depicts the overall service quality, operating performance, customer satisfaction, earning capacity of a business concern. The analysis of financial efficiency embraces the methods used in assessing and interpreting the results of past performance and current financial position as they relate to the particular factors of interest in investment and other important decisions taken by the concerned stakeholders and the government (Taqi, 2013).

The present study is divided in four parts. The first part is concerned with introductory background of the topic. An overview of India Tourism Development Corporation has been given in the second part of the study. Third section is related with research design including objectives, hypotheses and methodology of the study. Fourth section deals with analysis and interpretation of the available data and it also concentrates on the conclusion of the study and gives some recommendations based on the results and analysis.

1.1. India Tourism Development Corporation (ITDC): An Overview

India Tourism Development Corporation Limited (ITDC) was established in 1966 in New Delhi as a Public Sector Company under Ministry of Tourism, Government of India. It plays significant role in development of tourism infrastructure in the country. The Corporation is a multifunctional and deals primarily in various divisions of the Hospitality Sector in India and also represents Indian Hospitality sector abroad. In 2015, it was awarded as 'fastest growing Miniratna public sector unit' by the Government of India. ITDC has created and owns the Ashok brand and runs 15 properties under the Ashok Brand, Pan India (ITDC, n.d).

The main purpose of ITDC is to be the leader and catalyst in the advancement of the Hospitality sector in India and enable the tourism sector to accomplish ultimate distinction in the chosen field by creating centres that are professional, efficient, give value for money and offer customer centric services. ITDC is the prime mover in the progressive development, promotion and expansion of tourism in the country. It provides diversified services like

tourism related facilities, transportation, duty free shops, entertainment, production of tourist publicity literature, consultancy. The Corporation is running hotels, restaurants at various places for tourists, besides providing transport facilities. In addition, it is also engaged in production, distribution and sale of tourist publicity literature and providing entertainment and duty free shopping facilities. The Ashok Institute of Hospitality and Tourism Management of the Corporation impart training and education in the field of tourism and hospitality (ITDC Ltd, n.d.).

Presently, ITDC has a network of eight Ashok Group of Hotels, five Joint Venture Hotels, 1 Restaurant, 11 Transport Units, 9 Duty Free Shops at airport and seaports and two Sound & Light Shows. Besides, ITDC is also managing a hotel and a restaurant and managing catering services at various locations in the country.

1.2. Functions of ITDC

- Creation and advancement of tourist infrastructure in India.
- Planning, implementing and promotion of tourism related projects and training of personnel.
- Customers who are the backbone of any business venture should be provided with more than their money's worth so that they are satisfied and return for more.
- Construction of new hotels and other hospitality related units, management of the existing ones and takeover of those hotels, motels, resorts, lodges and restaurants that are not doing well.
- Transportation, entertainment, shopping, facilities for conventions and meetings etc.
- Consultancy and management of tourism related projects in the country and overseas.
- Official money changing facility for tourists (ITDC, n.d).

1.3. Objectives of the Study

The main purpose of this study is to evaluate the operational activities and financial efficiency of Indian Tourism Development Corporation (ITDC).

- To measure operational efficiency of ITDC Ltd.
- To examine the profitability of ITDC Ltd.
- To evaluate the financial soundness of ITDC Ltd.

1.4. Hypotheses of the Study

- H_{01} : there is no significant impact of revenue on profit after tax.
- H_{02} : there is no significant impact of revenue on EPS.
- H_{03} : there is no significant relationship between net worth and EPS.

2. RESEARCH METHODOLOGY

Nature of the Study: The present study is empirical in nature which is concerned with the evaluation of operating activities and financial soundness of ITDC.

Nature and Sources of Data: The secondary data considered for the analysis which has been taken from the published annual reports of Indian Tourism Development Corporation (ITDC). The other relevant information has also extracted from Journals, magazines, newspapers and internet sources.

Tenure of the Study: The study is conducted only for five years ranging from 2012-13 to 2016-17.

Tools used for the Study: Correlation and ordinary least square regression method has used for analysis purpose (Ajmal, 2015; Taqi and Mustafa, 2018). Tabular and graphical presentation of data has also given for the better understanding about the performance of ITDC.

Variables used for analysis: Total revenue, net worth, profit before tax, profit after tax, earnings per share and dividend per share of ITDC has considered for the research purpose (Taqi, 2014).

3. DATA ANALYSIS AND INTERPRETATION

3.1. Financial Highlights of ITDC

ITDC is a public sector listed company with total market capitalization of Rs. 1940 crore as on 31st March, 2016. The authorized and paid up capital of the corporation as on 31st March, 2015 stood at Rs. 150.00 crore and Rs. 85.77 crore and net worth was 332.12 crore respectively on 31st March, 2016 (ITDC Ltd, n.d.).

Table-1. Financial Performance of India Tourism Development Corporation (ITDC)

Year	Total Revenue	Net Worth	Profit Before Tax	Profit after Tax	Dividend Per Share	Earnings Per Share
2012-13	440.63	312.67	5.48	3.01	0.50	0.35
2013-14	469.58	325.49	11.93	9.42	2.00	1.10
2014-15	504.19	324.82	38.95	34.36	2.00	4.01
2015-16	465.69	331.89	32.42	22.55	1.50	1.40
2016-17	495.14	343.94	17.52	12.05	1.33	2.63

Source: Annual Reports of India Tourism Development Corporation from 2012-13 to 2016-17

Table 1 presents the financial highlights of India Tourism Development Corporation (ITDC) Limited from 2012-13 to 2016-17. It is clearly evident that the company has registered stagnant growth in total revenue during the study period as it was Rs. 440.63 crore in 2012-13 which slightly fluctuate and reached to Rs. 495.14 crore in 2016-17. The net worth was also not much improved during the study period as it was Rs. 312 crore in 2012-13 which increased slightly over the years and stood at Rs. 343.94 crore in 2016-17. The profitability of the company was increased during the initial years of the study as it reached from Rs. 32.42 crore in 2015-16 to Rs. 17.52 crore in 2016-17. The earnings per share of ITDC was not much good as the company earns a maximum of Rs. 2 per share during the study period. The company paid only Rs. 0.50 dividend in 2012-13 which increase over the years and later on it declined and stood at Rs. 1.33 in 2016-17. The company is not at all in satisfactory position and may show downturn in the near future.

3.2. Total Revenue

It is the total amount received by the company from its all operational activities during a specific period of time.

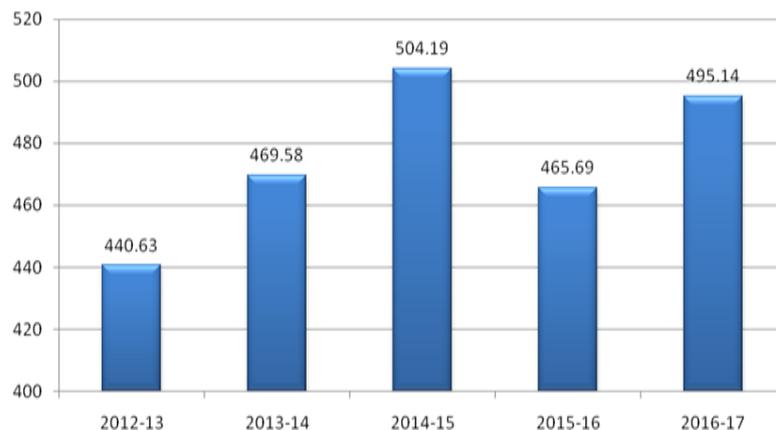


Figure-1. Total Revenue of ITDC Ltd. (Rs. in Crore)

Source: Annual Reports of India Tourism Development Corporation from 2012-13 to 2016-17

The above figure presents the total revenue of ITDC from 2012-13 to 2016-17. It is shown that the total revenue was Rs. 440.63 crore in 2012-13 which enhanced drastically in the following years and reached to its maximum of Rs. 504.19 crore in 2014-15. In the later part of the study it was declined and stood at Rs. 495.14 crore in 2016-17 which points towards the impact of several macroeconomic factors on Indian tourism sector during this period.

3.3. Net Worth

Net worth is an important determinant of the net value of a company and it is used to determine creditworthiness of the company. It is the excess of total assets over total liabilities.

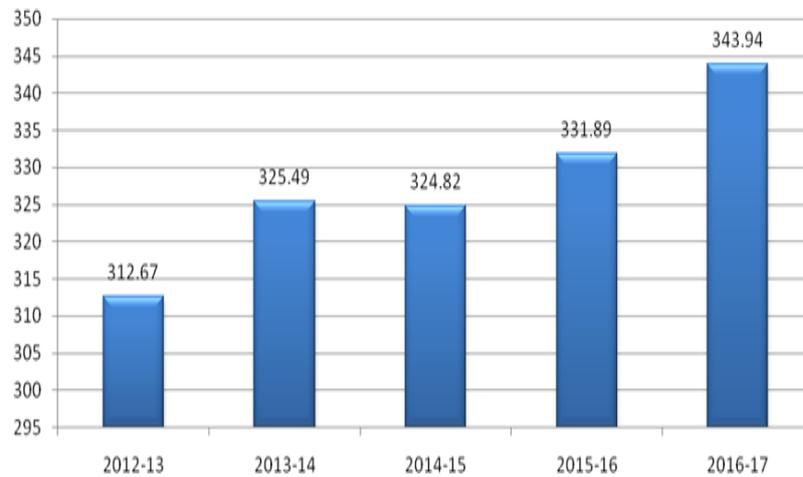


Figure-2. Net Worth of ITDC Ltd. (Rs. in Crore)

Source: Annual Reports of India Tourism Development Corporation from 2012-13 to 2016-17

Figure 2 exhibits the net worth of ITDC which points towards to the satisfactory performance as it was Rs. 312.67 crore in 2012-13 which inclined over the years besides the year 2014-15 where it was 324.82 and finally it reached to 343.94 crore in 2016-17. It indicates the wealth creation of the corporation for its shareholders during the study period.

Profit before Tax looks at company's profit before it has to pay corporate income tax by deducting all expenses from revenue.

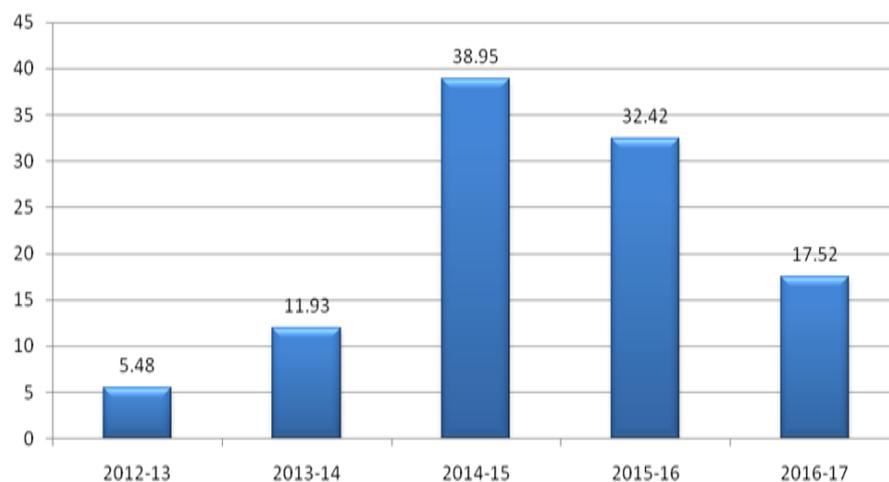


Figure-3. Profit before Tax of ITDC Ltd. (Rs. in Crore)

Source: Annual Reports of India Tourism Development Corporation from 2012-13 to 2016-17

Figure 3 presents the profit before tax of ITDC Ltd. It was only 5.48 crore in 2012-13 which enhance drastically in next two consecutive years and reached to its maximum level of Rs. 38.95 crore in 2014-15. Further, it was slow down in further years which stood at Rs. 17.52 crore in 2016-17.

3.4. Profit After Tax

It is the better assessment of what a business is really earns. It is net amount earned by a business after all taxation related expenses have been deducted.

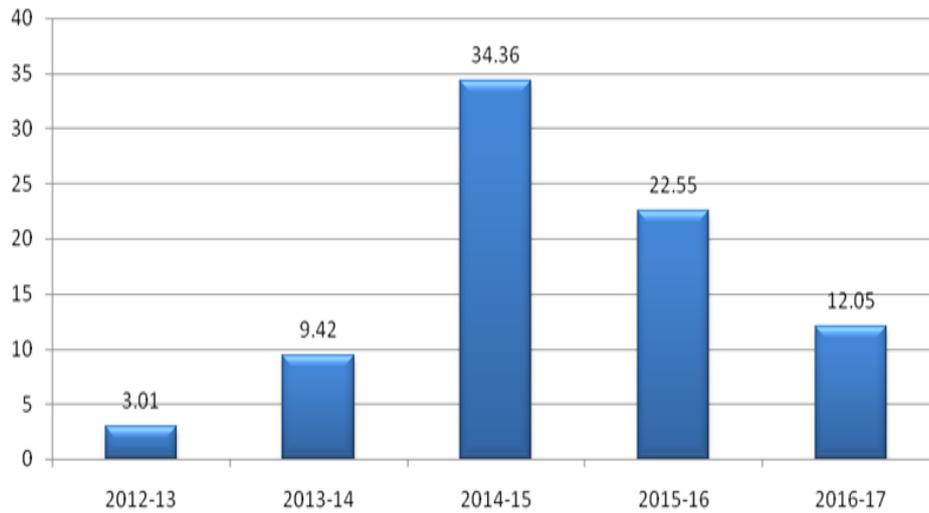


Figure-4. Profit after Tax of ITDC Ltd. (Rs. in Crore)

Source: Annual Reports of India Tourism Development Corporation from 2012-13 to 2016-17

The above figure exhibits profit after tax of ITDC. It was only Rs. 3.01 crore in 2012-13 which increased in next following years and reached its maximum of Rs. 34.36 crore in 2014-15. Further, it was fell down and reached to Rs. 12.05 crore in 2016-17. The profit of the company was declined during the later part of the study as it clearly points towards the impact of several macro economic factors on tourism industry of India.

3.5. Dividend Per Share

It is the sum of declared dividend issued by a company for every ordinary share outstanding.

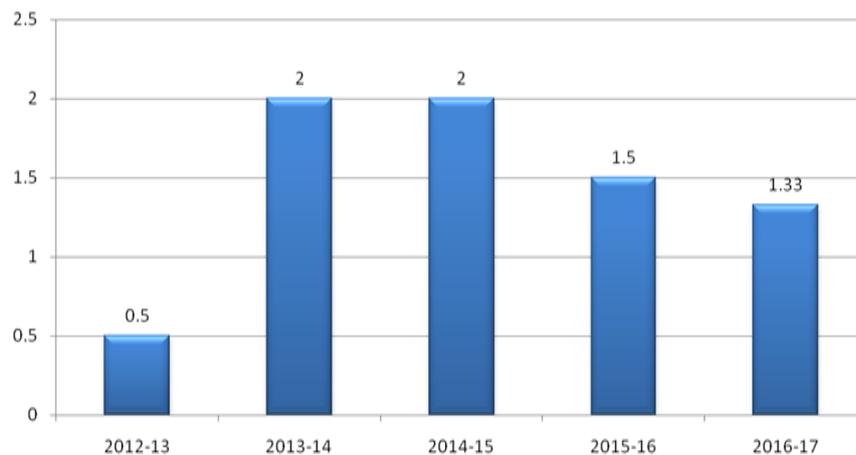


Figure -5. Dividend Per Share of ITDC Ltd. (Rs. in Crore)

Source: Annual Reports of India Tourism Development Corporation from 2012-13 to 2016-17

The above figure shows the dividend per share of ITDC from 2012-13 to 2016-17. Initially, it was very low and shows a fluctuating trend during the study period. It was only Rs. 0.50 in 2012-13 and reached its maximum level of Rs. 2 in 2013-14 and 2014-15 and later on it gradually declined and finally stood at Rs. 1.33 in 2016-17.

3.6. Earnings per Share

It is the portion of a company's profit allocated to each outstanding share of common stock. It serves as an indication of company's profitability.

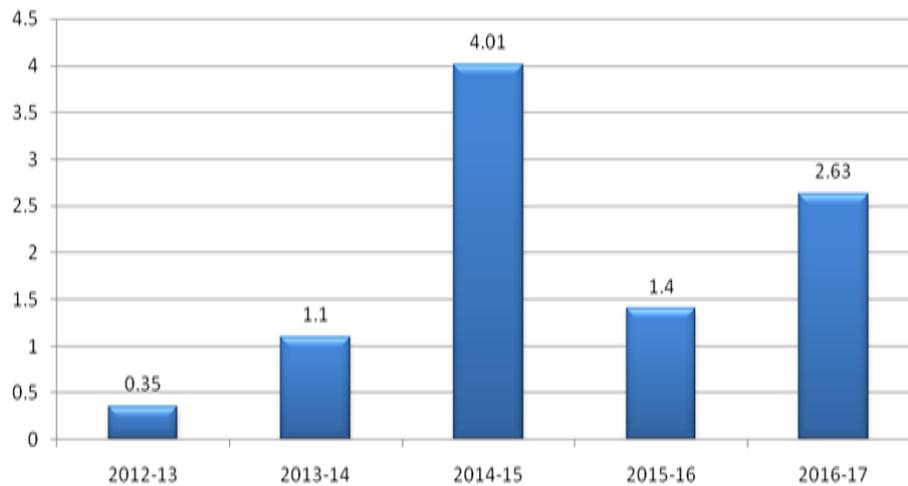


Figure-6. Earnings per Share of ITDC Ltd. (Rs. in Crore)

Source: Annual Reports of India Tourism Development Corporation from 2012-13 to 2016-17

The above figure shows the earnings per share of ITDC from 2012-13 to 2016-17 which points towards a fluctuating trend during the study period. The company earns only Rs. 0.35 on its share in 2012-13 which points towards poor performance of the company. Further it was improved and EPS reached its top level of Rs. 4.01 in 2014-15. It was declined and stood at Rs. 2.63 in 2016-17. The company is concerned about the earning of different sources so that EPS would be enhanced.

4. RESULTS AND DISCUSSION

H₀: there is no significant impact of revenue on profit after tax.

Table-2. Coefficients^a (Impact of Revenue on PAT)

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	-146.866	95.008		-1.546	0.220
	Total Revenue	0.343	0.200	0.704	1.719	0.184

Source: Annual Reports of India Tourism Development Corporation (ITDC) Ltd. from 2012-13 to 2016-17
Dependent Variable: pat

Table 2 shows the impact of total revenue on profitability of ITDC Ltd from 2006-07 to 2016-17. It is observed that the value of beta coefficient is .704 which signifies that for every unit change in revenue, there is a 0.704 unit's change in profit after tax. On the other hand, the intercept is 0.343 which shows that if the value of total revenue is zero then the value of profit after tax would be affected by 0.343 units. It points towards that there are other factors that affect profit after tax of ITDC. The significant value is 0.184 which is more than the critical value i.e. 0.05. It leads to the acceptance of the null hypothesis and concluded that there is no significant impact of total revenue on profit after tax of ITDC from 2006-07 to 2015-16.

H₀: there is no significant impact of revenue on EPS.

Table-3. Coefficients^a (Impact of Revenue on EPS)

Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	-23.86	4.75		-5.028	0.015
	Total revenue	0.054	0.010	.953	5.434	0.012

Source: Annual Reports of India Tourism Development Corporation (ITDC) Ltd. from 2012-13 to 2016-17
a. Dependent Variable: EPS

Table 3 shows the regression analysis of total revenue and EPS of ITDC from 2012-13 to 2016-17. It is observed that the value of beta coefficient is 0.953 which signifies that for every unit change in EPS, there is a 0.953

unit's change in total revenue. On the other hand, the intercept is 0.054 which shows that if the value of total revenue is zero then the value of EPS would be affected by 0.054 units. It point towards that there are other factors that affects earnings per share of ITDC. Further, the significant value is 0.012 which is less than the critical value i.e. 0.05. It leads to the rejection of the null hypothesis and result shows that there is a significant impact of total revenue on earnings per share of ITDC Ltd. Hence the null hypothesis that there is no significant impact of total revenue on profit after tax is rejected.

H₀: there is no significant relationship between net worth and EPS.

Table-4. Coefficients^a (Correlation between Net Worth and EPS)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-16.210	21.466		-0.755	0.505
	Net worth	0.055	0.065	0.438	0.844	0.461

Source: Annual Reports of India Tourism Development Corporation (ITDC) Ltd. from 2012-13 to 2016-17
a. Dependent Variable: EPS

Table 4 shows the relationship between net worth and EPS of ITDC from 2012-13 to 2016-17. The value of beta coefficient is 0.438 which signifies that for every unit change in EPS, there is a 0.438 unit's change in net worth. On the other hand, the intercept is 0.055 which shows that if the value of net worth is zero then the value of earnings per share would be affected by 0.055 units. It point towards that there is other factor that affects earnings per share of ITDC. Moreover, the significant value is 0.461 which is more than the critical value i.e. 0.05. It leads to the acceptance of the null hypothesis that there is a significant relationship between net worth and earnings per share of ITDC from 2012-13 to 2016-17. Hence the null hypothesis that there is no significant impact of total revenue on profit after tax is accepted.

4.1. Concluding Remarks

India is a developing nation and is facing various challenges like poverty, external debt burden, lack of infrastructure and unemployment which is blocking its road to development and no doubt tourism is one of the better solutions to all these problems. Tourism industry is one of the significant contributors towards the economic development in the country. So for this reason, ITDC Ltd has been incorporated under the Tourism Department to encourage the tourism industry in India. There is no doubt, that ITDC is at the four front of Indian tourism which elaborate infrastructure of hotels, beach resorts, travel agencies, car rental services, convention and conference facility across length and breadth of the country. The study concludes that ITDC is an emerging company of tourism sector and its performance boost up day by day.

It has done a significant work in the division of tourism industry in India. Since, its inception, it emerged as the fastest growing 'Mini Ratna'. Its diversified activities has shaped the tourism industry in India to a new dimension, which is at the track of accelerating its performance with the growing speed on the road of development in the coming years and will eventually became the highest contributor to the economic growth with the help of ITDC Ltd. But after analysis and interpretation of the data during the study period it is clear like other public sector units, its financial performance is poor. The government should take steps for improving its performance.

4.2. Suggestions of the Study

- Government of India can go for further disinvestment of ITDC for better efficiency.
- Private sector should be allowed for shareholding in ITDC Ltd.
- Talented workforce should be hired.
- More inflow of funds should arranged by the government in ITDC projects.
- Efficient service by ITDC should be provided to tourists to increase its profitability.

4.3. Limitations of the Study

The present study is limited to the evaluation of operational activities and financial efficiency of ITDC Ltd. The data used for the study is secondary derived from the annual reports and other relevant publications of ITDC Ltd. and it is confined to only five years ranging from 2012-13 to 2016-17.

4.4 Contribution of the Study

This study contributes in the existing literature of travel and tourism industry of India in order to improve operational activities and financial performance. This study was some kind of new estimation regarding the application of accounting, statistical tools and techniques on financial data of ITDC Ltd. This study is one of very few studies which have investigated the operational efficiency, service quality and financial efficiency of on the major public sector tourism company of India. The paper's primary contribution is findings of certain areas where the improvements required for the better performance of ITDC in upcoming years so that more tourist may avail the services of this company.

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Contributors/Acknowledgement: All authors contributed equally to the conception and design of the study.

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