

INDIA HOSPITALITY MARKET

Size & Share Analysis - Growth Trends and Forecast 2026-2031

Professional Market Report

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Executive Summary

India's hospitality market is projected to grow from USD 27.96 billion in 2026 to USD 55.67 billion by 2031, representing a CAGR of 14.76%. The source attributes this expansion to a large domestic travel base, rising middle-class leisure spending, improved air and road connectivity, recovering foreign tourist arrivals, new hotel supply, pilgrimage and wellness tourism, and continued government support for tourism infrastructure.

Indicator	Source Report Figure
Base year market size, 2025	USD 24.36 billion
Market size, 2026	USD 27.96 billion
Forecast market size, 2031	USD 55.67 billion
CAGR, 2026-2031	14.76%
Market concentration	Low
Mid & Upper-Mid-scale share, 2025	38.55%
OTA booking share, 2025	42.51%
West India share, 2025	30.13%

The report describes the market as fragmented, with branded operators expanding through conversions, management contracts and franchise models. Mid-scale properties, direct digital booking, pilgrimage circuits, tier-two and tier-three city expansion, and technology-enabled operations are among the most important themes shaping the outlook.

1. Market Overview

Growth in India's hospitality industry is being supported by domestic tourism, urbanisation, middle-income expansion and better transport connectivity. Domestic visitor spending remains a central source of demand across leisure, pilgrimage and business travel. Airport expansion and road improvements are opening new destinations and strengthening travel between established and emerging markets.

Foreign tourist arrivals are recovering, supported by destination marketing and digital tools that simplify planning and booking. Hospitality operators are adopting asset-light operating models, loyalty programmes and digital channels to improve capital efficiency, strengthen repeat demand and expand into new locations.

2. Key Market Takeaways

- Mid and Upper-Mid-scale properties held 38.55% of the India hospitality market in 2025, while Luxury is projected to grow at a 15.13% CAGR through 2031.
- Online Travel Agencies accounted for 42.51% of the hospitality market in 2025, while Direct Digital is forecast to grow at a 15.53% CAGR through 2031.
- West India held 30.13% of the market in 2025, while North-East India is projected to record the fastest regional growth at a 16.46% CAGR through 2031.
- The source estimates organized hotel inventory could exceed 300,000 branded rooms by 2029.

3. Market Growth Drivers

Driver	Impact on CAGR Forecast	Geographic Relevance	Timeline
Rising Domestic Middle-Class Leisure Spend	+3.8%	National, concentrated in metros and emerging Tier-1 cities	Medium term (2-4 years)
Government Initiatives Supporting Market Growth	+2.7%	National, with flagship infrastructure in North and North-East	Long term (>=4 years)
Budget & Mid-Scale Chain Expansion	+2.5%	National, spill-over to Tier-2/3 cities	Short term (<=2 years)
Upgraded Pilgrimage Circuits Driving Spiritual & Wellness Tourism	+2.9%	North India core, extending to South	Medium term (2-4 years)
Hybrid Work Long-Stay Demand in Hill & Beach Towns	+1.4%	Kerala, Goa, Himachal, with early gains elsewhere	Short term (<=2 years)
e-Visa Expansion to 166 Countries Shortening Booking Lead-Times	+1.5%	Global inbound, strongest impact in gateway cities	Short term (<=2 years)

Rising Domestic Middle-Class Leisure Spend

Rising incomes among India's middle class are increasing discretionary spending on domestic leisure travel. Younger travellers are taking more short trips, cultural and adventure holidays, and wellness-oriented journeys. Improved connectivity and campaigns promoting domestic travel are supporting higher trip frequency and stronger demand for organized accommodation.

The source notes that hotel operators benefit from greater spend per trip, more frequent weekend getaways and growing demand in Tier-1 and Tier-2 cities. This supports occupancy, revenue management and pricing power in urban and leisure clusters where branded supply is still developing.

Government Initiatives Supporting Market Growth

Tourism programmes focused on circuits, destinations and digital discovery continue to expand the investable tourism landscape. The source identifies Swadesh Darshan 2.0 and PRASHAD as important programmes for improving infrastructure at religious and cultural destinations and strengthening last-mile connectivity.

The report also notes policy support for tourism investment planning and organised hospitality expansion. Government initiatives are presented as an important contributor to occupancy growth, hotel development and more balanced tourism demand across regions.

Budget & Mid-Scale Chain Expansion

Mid-scale hotel brands are expanding through franchise and conversion models, allowing operators to add supply with lower capital intensity. Standardised hygiene, safety, booking systems and loyalty programmes can increase consumer confidence and repeat demand, particularly in Tier-2 and Tier-3 cities and pilgrimage corridors.

Upgraded Pilgrimage Circuits

Pilgrimage circuits are creating multi-night stay opportunities near temples and spiritual destinations. The source highlights Ayodhya's 2024 consecration as a major demand catalyst and notes similar trends around Varanasi and other religious centres. Wellness offerings, Ayurveda-based treatments and yoga experiences are broadening the appeal of spiritual tourism.

4. Market Restraints

Restraint	Impact on CAGR Forecast	Geographic Relevance	Timeline
High GST on Premium Room Tariffs	-1.8%	National, acute in luxury/premium urban hotels	Short term (<=2 years)
Transport Infrastructure Gaps in Tier-2/3 Airports & Rail	-1.3%	Tier-2/3 cities, North-East India, islands	Long term (>=4 years)
Skilled-Talent Drain to Gig Economy & GCCs	-1.1%	Metro hubs with competing employment platforms	Medium term (2-4 years)
Land-Acquisition & CRZ Compliance Delays for Resorts	-0.9%	Coastal zones with fragmented land records	Long term (>=4 years)

High GST on Premium Room Tariffs

The report identifies the GST structure on higher-priced rooms as a constraint on premium city hotels and upscale leisure resorts. Higher tax incidence can affect price competitiveness against alternative accommodation and international destinations, while operators may need to balance occupancy, room rates and profitability.

Transport Infrastructure Gaps

Connectivity remains a constraint in smaller cities and remote destinations with tourism potential. Limited flight options, inadequate last-mile roads, inconsistent local utilities and delayed transport projects can slow hotel development. The report highlights North-East India and island destinations as markets where infrastructure limitations can delay commercial expansion.

5. Segment Analysis

By Type

The source divides the market into Chain Hotels, Independent Hotels and Alternate Accommodations. Operators are converting unbranded inventory into standardised branded properties that benefit from loyalty programmes, distribution technology and quality audits. Global chains are also positioning mid-scale brands in Tier-2 and Tier-3 cities.

Independent hotels remain important in local markets where location advantages and entrepreneurial ownership are strong. The report notes that digital reviews and meta-search comparison are increasing pressure on independent properties to improve standardisation, brand visibility and online distribution.

- Independent hotels represented 56.5% of the market in 2025 in the source chart.
- Chain hotels and other organised formats represented the remaining 43.5% in the source chart.

By Accommodation Class

Mid and Upper-Mid-scale properties held 38.55% of the market in 2025. Their position reflects dense urban distribution, proximity to industrial and IT hubs, and a combination of steady corporate and leisure demand.

Luxury is projected to grow at a 15.13% CAGR through 2031 as affluent travellers seek heritage stays, wellness immersion and higher-touch service. Service apartments are also gaining relevance for long stays, relocations and hybrid-work users, while budget and economy hotels continue to serve price-sensitive travellers and pilgrimage demand.

By Booking Channel

Online Travel Agencies accounted for 42.51% of bookings in 2025, supported by discovery, price comparison and strong distribution reach. The source forecasts Direct Digital to grow at a 15.53% CAGR through 2031 as brands strengthen websites, apps, loyalty programmes and member-only rates.

Corporate and MICE contracts remain important for city hotels because they bundle room and food-and-beverage commitments that can stabilise weekday utilisation. Traditional agents continue to serve inbound leisure segments requiring language support and itinerary planning.

6. Geography Analysis

West India accounted for 30.13% of the market in 2025, combining Mumbai's corporate traffic, Goa's leisure demand and Gujarat's industrial corridor activity. Mumbai supports year-round business stays and premium average daily rates, while Goa continues to attract seasonal leisure demand and international visitors.

South India benefits from IT services, pharmaceuticals, manufacturing, wellness and pilgrimage demand. Bengaluru supports technology-driven business travel, while Chennai and Hyderabad add export-led and research-related traffic. Kerala's wellness positioning contributes to higher-spend inbound demand.

North India combines pilgrimage and government-related business travel, with Ayodhya and Varanasi supporting high pilgrim volumes and Delhi-NCR anchoring international gateways. East India combines temple tourism and heritage demand, while North-East India is projected to grow at a 16.46% CAGR through 2031 as connectivity and accommodation supply improve.

7. Competitive Landscape

The India hospitality market is described as fragmented, with the top five operators together accounting for 34.8% RevPAR or room share in 2024. Competition is shaped by brand presence, asset-light expansion, loyalty programmes, operating technology, sustainability measures and access to growth corridors.

International brands are intensifying mid-scale expansion, while domestic leaders balance premium positioning with heritage, palace and select-service formats. Energy-management initiatives, green certifications and automated pricing systems are increasingly important for cost control and service consistency.

- Indian Hotels Co. Ltd. (Taj)
- OYO Hotels & Homes
- Marriott International India
- ITC Hotels
- Lemon Tree Hotels

8. Recent Industry Developments

- October 2025: Radisson Hotel Group announced an accelerated expansion strategy focused on Tier-2 and Tier-3 cities through franchise and management contracts.
- August 2025: ITC Hotels deployed AI-enabled energy management systems across select properties, reporting double-digit reductions in utility consumption through smart HVAC controls, predictive maintenance and occupancy-linked lighting.
- June 2025: Hilton announced expansion of its Hampton by Hilton brand in India, with properties under development in Bengaluru, Hyderabad, Ahmedabad, Pune and Jaipur.

9. Market Opportunities & Future Outlook

The report identifies Ayurveda and holistic wellness retreats in Tier-2 hill and coastal destinations as a future opportunity. It also highlights branded hotels and hybrid co-living spaces along heritage circuits as potential areas for growth.

Over the forecast period, conversion-led consolidation in mid-tier independent hotels is expected to continue as operators seek asset-light expansion. The ability to recruit, train and retain skilled staff will remain important to maintaining service consistency at scale.

10. Report Scope

Category	Segments Covered
Type	Chain Hotels; Independent Hotels; Alternate Accommodations
Accommodation Class	Luxury; Mid & Upper-Mid-scale; Budget & Economy; Service Apartments
Booking Channel	Direct Digital; Online Travel Agencies; Corporate/MICE; Wholesale & Traditional Agents
Geography	North India; West India; South India; East India; North-East India

11. Source Note

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