

How Budget 2026 recasts tourism as a strategic asset

Finance Minister Nirmala Sitharaman's ninth consecutive Union Budget, presented during a rare Sunday sitting, marks a decisive turning point for India's tourism and hospitality sector. Long viewed as a discretionary leisure segment, travel has now been repositioned as a strategic economic asset. Measures such as the rationalisation of Tax Collected at Source (TCS) on outbound travel to a flat 2 per cent and the announcement of a ₹5,000-crore "Growth Connector" framework for city economic regions send an unmistakable signal: tourism is no longer a luxury, but a critical lever in India's pursuit of a \$5-trillion economy.

The macroeconomic indicators reinforce this shift. In FY 2023–24, tourism and hospitality contributed between 5.22 per cent and 7 per cent to India's GDP, translating into an estimated overall economic impact of ₹15.73 lakh crore, with a direct contribution of 2.6 per cent. The sector today supports close to 7.6 crore jobs and has recovered to pre-pandemic levels of activity. Against this backdrop, industry stakeholders have described the Budget as a watershed moment. Proposals to transform the country's National Institutes of Hotel Management into a flagship National Institute of Hospitality, together with the approval of seven high-speed rail corridors, position the FY 2026–27 roadmap as a blueprint for building a globally competitive, data-led tourism ecosystem.

At the core of the government's approach is a renewed emphasis on "Growth Connectors." By prioritising high-speed rail networks, multimodal transport and robust last-mile connectivity, the Budget aims to close long-standing gaps between metros and emerging destinations, converting latent geographic potential into tangible economic opportunity. The strategy also confronts the sector's chronic talent shortage through the planned upgradation of hospitality education under the NCHMCT framework, with the objective of professionalising the workforce and standardising service quality nationwide. Complementary initiatives—including the National Destination Digital Knowledge Grid and AI-enabled destination management systems—signal a clear push towards digitising the traveller journey, while calibrated TCS reforms help ease sentiment on the demand side.

Together, these measures indicate a structural reimagining of tourism—from a consumption-led activity to an integrated driver of jobs, infrastructure development and regional growth.