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Financing Smart Tourism: Investment Trends in Digital Infrastructure for Tourist Destinations in India

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Abstract

India's tourism sector is undergoing a transformation as digital infrastructure becomes central to destination development. Smart tourism—driven by technologies such as AI, IoT, mobile applications, and big data—presents opportunities to enhance visitor experience, improve governance, and boost sustainability. However, financing the digital backbone of smart destinations remains a significant challenge. This paper explores investment trends, public and private financing mechanisms, and digital infrastructure development for tourist destinations across India. Through analysis of government programs, PPP models, and case studies from cities like Varanasi, Hampi, and Jaipur, the research highlights the growing momentum toward digitized tourism and the need for strategic financial planning to scale such initiatives across urban and rural India..

Keywords: Smart Tourism, Digital Infrastructure, AI and IoT in Tourism, Visitor Experience Enhancement, Tourism Financing, Public-Private Partnerships.

1 INTRODUCTION

India, with its rich cultural heritage, diverse landscapes, and growing middle class, has immense tourism potential. As global travel becomes increasingly digital, integrating smart technologies into destination

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management has become essential. From smart signage and crowd management to real-time data platforms and mobile apps, smart tourism aims to make travel safer, more efficient, and more personalized.

India has begun laying the foundation through flagship programs like “Digital India”, “Smart Cities Mission”, and “Dekho Apna Desh”, but financing remains a key barrier—especially for states and regions outside of major metros. This paper investigates current investment trends, government schemes, and public-private strategies driving smart tourism infrastructure in India.

2 UNDERSTANDING SMART TOURISM IN THE INDIAN CONTEXT

Smart tourism involves deploying digital tools and infrastructure to:

- Enhance tourist experiences through digital guides, AR/VR, and language tools.
- Improve management using real-time data on footfall, traffic, and pollution.
- Support sustainability with smart energy, waste, and water systems.

Key infrastructure includes:

- High-speed internet (public Wi-Fi, fiber)
- IoT sensors in heritage sites
- AI-based crowd management
- Digital ticketing and cashless payment systems
- Multilingual mobile apps and e-tourism platforms

3 NATIONAL PROGRAMS SUPPORTING SMART TOURISM

Smart Cities Mission (SCM)

Out of the 100 Smart Cities in India, over 40 have tourism-linked digital infrastructure projects, including:

- Smart lighting and surveillance at tourist zones
- E-rickshaw-based mobility systems
- Integrated Command and Control Centres (ICCCs)

Swadesh Darshan and PRASHAD Schemes

Both schemes support infrastructure development with a growing emphasis on “digital enhancements”, including:

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- Interactive kiosks
- Online booking portals
- Geo-tagging of heritage and spiritual sites

4 DIGITAL INDIA

The Digital India initiative has accelerated internet penetration and public digital platforms (like “UMANG”, “BharatNet”), forming the backbone for smart tourism in tier-2 and tier-3 destinations.

Investment Trends in India’s Smart Tourism

- **Public Sector Investment**

- The Ministry of Tourism allocated “INR 2,400+ crore” under Swadesh Darshan for infrastructure, with 10–15% earmarked for digital components.
- “State governments”, especially in Kerala, Gujarat, and Rajasthan, have launched digital tourism platforms and smart heritage projects using state funds and central assistance.

- **Private Sector and PPPs**

- Growing collaboration with startups and tech companies for app development, content creation, and analytics.
- “PPPs” are common in building tourism digital infrastructure in cities like Varanasi and Amritsar (e.g., smart signage, mobility apps, AR experiences at heritage sites).
- Companies like “MakeMyTrip”, “Tata Elxsi”, and “Tech Mahindra” have partnered with state tourism boards on various digital platforms.

Some Related Missions for Developing Tourism in India

Varanasi – Smart Heritage City

Under the Smart Cities Mission, Varanasi implemented:

- Wi-Fi hotspots across ghats
- Smart lighting and supervision
- Smart crowd management using AI-enabled CCTVs
- AR-powered cultural guides
- Funded through a mix of central government and private sector investment.

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Jaipur – Smart Mobility and Ticketing

- Jaipur’s ICCC links real-time data from traffic, tourist zones, and heritage sites.
- E-ticketing systems at museums and forts reduce queues and cash handling.
- Funded via SCM with Tata Consultancy Services as a tech partner.

Challenges in Financing Smart Tourism in India

- **Fragmented Funding:** Different ministries and departments handle digital infrastructure, causing coordination issues.
- **High Capital Costs:** IoT systems, AR/VR content, and cybersecurity tools require significant upfront investment.
- **Rural–Urban Divide:** Rural tourism sites often lack basic connectivity and financial resources.
- **Low Private Investor Confidence:** Return on investment is uncertain in non-commercial heritage zones.
- **Skills Gap:** Local governments lack expertise in managing and operating smart systems.

5 SUGGESTIONS-

- **Create a National Smart Tourism Fund:** Pool resources from center, states, and private investors to finance scalable pilot projects.
- **Encourage Impact Investment:** Leverage ESG funds for sustainable, inclusive smart tourism in eco-sensitive zones.
- **Mandate Digital Infrastructure in Tourism Projects:** Make digital components a non-negotiable part of all Swadesh Darshan/PRASHAD projects.
- **Develop PPP Toolkits:** Help states craft transparent and investor-friendly PPP frameworks.
- **Upskill Tourism Staff and Local Authorities:** Provide training on smart systems, analytics, and cybersecurity.

6 CONCLUSION

India's journey toward smart tourism is accelerating, driven by policy support, rising digital adoption, and growing tourist expectations. However, financing the digital infrastructure needed at scale—especially beyond metros—requires coordinated action, innovative funding mechanisms, and strong public–private partnerships. By prioritizing inclusive and sustainable digital investments, India can position itself as a global leader in tech-enabled tourism while ensuring benefits reach all stakeholders, including local communities.

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