

Impact of Covid-19 on Indian Tourism Sector: Policies & Implications

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ABSTRACT

The sudden explosion of Coronavirus COVID-19 presents the tourism sector with a crucial and expanding challenges. The COVID-19 eruption has brought our world to a standstill with unparalleled and unforeseen impact in our lives, our economies, our societies and our livelihoods and there are growing risks of a global recession and a massive loss of jobs. We are facing an unprecedented global health emergency. Tourism, Hospitality and Aviation are among the worst affected sectors that are facing the maximum impact of the present crisis. Tourism is currently one of the most affected sectors. This paper seeks to analyses the impact of Covid 19 on Indian tourism sector based on the current prevailing lockdown situation as announced by the Prime Minister Narendra Modi on 24 march, 2020 for 21 days and still continues further till 3 May. There is a need to understand the dynamics behind this emergent situation and resultant thereof. The economy is also in state of financial crisis due to health emergency and lockdown condition and how to overcome from this global health problem and its impact on economy by providing some strategic steps to control this situation.

Keywords: Covid 19, Tourism, UNWTO, Public Health Risk, Social Distancing

INTRODUCTION

The tourism sector has impacted before the announcement of 21-day nationwide lockdown, began with cancellations of international travel and was made burdensome by the grounding of international flights by many countries and the later on the restrictions on international and domestic travel by air, rail or bus, the sector is at a virtual standstill. The tourism sector had already feeling the hit of global coronavirus pandemic. The entire value chain of tourism from hotels to tour operators, to travel agents are facing the restrictions imposed by the Centre and state governments in view of the virus eruption. The coronavirus epidemic has presented fresh challenges for the Indian economy now causing severe disruptive impact on both demand and supply side elements. Tourism, Hospitality and Aviation are among the worst affected sectors that are facing the maximum impact of the present crisis.

The tourism sector is presently one of the sector which is worst hit by the breakout of COVID-19, with impacts on both travel supply and demand. Considering the evolving nature of the situation, it is too early to measure the full impact of the COVID-19 on international tourism. The geographic spread of COVID-19 and its potential economic impact as per UNWTO estimates that in 2020 global international tourist arrivals could decline between 20-30%, down from an estimated growth of 3% to 4% forecast in early January 2020. This could translate into a loss of US\$ 30 to 50 billion in spending by international visitors - international tourism receipts. Public health is a major concern before UNWTO and it is observing by the introduction of restrictions on travel.

Travel restrictions have severely impacted the transport sector. Hotels are seeing large scale cancellations not only from leisure travellers but even business travellers as conferences, seminars and workshops are getting cancelled on a large scale. The containment of the pandemic is the utmost priority and the tourism sector is committed to support all measures taken to curb the outbreak. Considering the unparalleled and fast-evolving nature of crisis, it is extremely challenging to estimate the impact of COVID-19 on tourism. Based on the latest developments: quarantine measures, travel bans & border closures in most of the states and countries which represents 50% of international tourism. UNWTO estimates international tourist arrivals could decline by 20% to 30% in 2020. This would translate into a loss of 300 to 450 US\$ billion in international tourism receipts (exports) almost one third of the US\$ 1.5 trillion generated globally in the worst-case scenario

Impact of Covid 19 on Tourism Sector

This Health crisis is a greater threat than the financial meltdown of 2008-09. Travel and tourism alone account for 9.2% of India's GDP. The tourism sector generated 26.7 million jobs in 2018. The cascading effect of the coronavirus has been found to cripple the Indian tourism and hospitality industry at an astonishing pace. According to Ministry of Civil Aviation, India is witnessing a 25% to 30% drop in inbound international visitors to the country in the backdrop of novel coronavirus threat.



Source: A medical official pumps sanitizer on the hands of tourists at Junagarh Fort in Bikaner on 12 March 2020, PTI.

The Covid-19 outbreak has also started showing its impact on the domestic tourism sector and summer bookings to leisure destinations like Rajasthan and the hills. Summer travel is the peak travel period in India. Considering that most domestic travellers book their flight tickets 2-3 weeks before the travel date, the travel companies saw a more than 30% drop in domestic travel this summer compared with last year. Maximum impacted summer destinations are Leh, Guwahati, Coimbatore, Srinagar and Amritsar where more than 40% drop has been recorded. This is after airline fare drop by 20% for domestic routes.

The tourism industry expects the situation to further decline in the forthcoming summer season i.e. April-June. Usually, the number of Indian travellers to both domestic and international destinations is at peak during the months of March and April. However, this time around nearly 90% bookings of hotel and flights for the peak time have been cancelled. Cruise bookings for destinations such as Thailand, Singapore and Malaysia have also been cancelled by travellers in huge numbers.

The recently published statistics by Ministry of Tourism, Government of India has also declared the same concern as the Foreign Tourist Arrivals (FTA) has been found to be down by about 67% annually in the January-March quarter, while domestic tourists marked a much lower figure by about 40%. According to the Indian Association of Tour Operators (IATO), the hotel, aviation and travel sector together may incur loss of about Rs. 8,500 crore due to travel restrictions imposed on foreign tourists by India for a month. This is also expected to have a negative impact on jobs in the industry. With large scale cancellation of travel plans by both foreign and domestic tourists, there has been a drop in both inbound and outbound tourism of about 67% and 52%. The Meetings, Incentives, Conferences and Exhibitions and some of the major international business events have also been cancelled which has led to huge economic losses.

COVID 19 has resulted in one of the severest downturns for the travel and tourism sector in India. The Indian tourism and hospitality sector comprising of hotels, restaurants, tour and travel operators, wedding and conference planners, etc. contribute more than US\$250 billion or nearly one-tenth of the GDP.

- ❖ There has been a massive decline in the restaurant and food service business. The impact is growing

exponentially as the country comes under a lockdown for 21 days – food delivery has become the major means of revenues in the food service business

- ❖ Similarly, the hotels and linked businesses (guest house, townhouses, banquet halls, etc.) have been directly impacted amid the lockdown. — Business stays, leisure stays, family holidays, get-togethers, social occasions, etc. are being completely curtailed and in such a scenario the hospitality sector is taking a hard hit
- ❖ Layoffs seem inevitable in the restaurant sector as cash flows have dried up almost completely. Small and mid-size restaurants would be the worst affected as they struggle to cover fixed costs.

Tourism arrivals and receipts in many developing Asian economies are expected to decline sharply, as a result of numerous travel bans as well as precautionary behavior. There have been substantial production disruptions as a result of forced business closures and the inability of workers to get to work, as well as disruptions to trade and business as a result of border closures, travel bans, and other restrictions on the movement of goods, people, and capital.

Covid-19 Impact on Jobs in Tourism Industry

According to the World Travel and Tourism Council India Initiative (WTTTCII) and the Federation of Associations in Indian Tourism and Hospitality (FAITH), the coronavirus pandemic could leave over 38 million people jobless. Not just mass unemployment, the extended national lockdown could lead to insolvencies and closure of several travel firms. As per the World Economic Forum (WEF), the coronavirus pandemic is putting up to 50 million jobs in the global travel and tourism sector at risk. Of the 50 million jobs that could be lost, around 30 million would be in Asia. The coronavirus pandemic would have a negative impact on India's tourism sector with the industry estimating an overall loss of 5 lakh crore and job cuts for 4-5 crore people.

Of the total losses, the organized sector in the industry - branded hotels, tour operators, travel agencies which are the mainstay of the sector may be hit the hardest with an estimated loss of around 1.58 lakh crore, according to Confederation of Indian Industry estimates.

Following are some of the facts and figures of covid-19 impact on jobs and opportunity.

- ◆ According to Federation of Associations in Indian Tourism and Hospitality (FAITH), a large percentage of total tourism business activity of India, which is estimated at \$28 billion-plus in forex and upwards of Rs 2 lakh crore in domestic tourism activity will be at economic risk through the year.
- ◆ The branded hotel groups are set to lose as much as Rs 1.10 lakh crore, online travel agencies Rs 4,312 crore, tour operators (inbound and domestic) Rs 25,000 crore, adventure tour operators Rs nearly 19,000 crore and cruise tourism Rs 419 crore, According to Confederation of Indian Industry

- ❖ The Centre for Asia Pacific Aviation India (CAPA India) has said that India's aviation industry, excluding Air India, will incur losses of up to \$600 million in Q4FY20. If the government does not intervene, several Indian carriers would have to shut operations by May or June due to lack of liquidity, the report informed.
- ❖ InterGlobe Aviation and Spice Jet slipped 38 percent and 72 percent, respectively.
- ❖ Hotel stocks like Indian Hotels have lost 50 percent of its share value, while Chalet Hotels, EIH and Lemon Tree Hotels have shed 47 percent, 61 percent and 67 percent, respectively.

The aviation and tourism sectors are directly impacted leading to a near collapse of the sector, majorly owing to the cancellation of inbound Visas and stringent restrictions on domestic or international travel. With revenue streams drying up, companies will be forced to restructure their workforce. Reduced working hours, work without pay, salary cuts and downsizing the workforce are expected to be the norm over the next three months.

The current scenario is terrible, especially in the aviation industry as airlines have had to shut operations.

Covid-19: Implications on the Human Resources

Undoubtedly, with this crisis impacting the economy around the country, the workforce of the tourism industry is experiencing some challenging situations. The economic meltdown, unemployment and liquidity crunch have had a negative impact on almost every sector, but the travel and tourism industry seems to be the most-affected. Hotels and companies are not meeting the revenue targets hence, forcing employers to cut down their workforce. The World Travel & Tourism Council has predicted 38 million tourism jobs getting eliminated because of the pandemic. Other than the organized sector, the tourism industry also gives employment to small homestays, bread and breakfasts and small hotel operators and their services have taken a major hit. The impact of the deadly outbreak is already being witnessed as job losses and layoffs have started in the sector.

The National Restaurants Association of India (NRAI) has notified that even 10% - 20% job losses among its 7.3 million employees in restaurants across the country would mean up to 15 lakh unemployed. It is anticipated that this pandemic will entail huge job cut, especially for the unskilled workers. There should be some planning to absorb these newly unemployed workers in the tourism sector itself. Otherwise, this unemployment will create huge social unrest in other sectors of the economy.

Requisite for Policy Intervention

There is an urgent need to take instant steps to not only curtail the spread of the virus, but also to address the key pain areas of the jobs affected in the tourism industry by covid-19. With the rise in the number of coronavirus positive cases, the economy seems to be moving towards a "long term lockdown". As the country is already facing a liquidity crisis.

There should be a twelve-month moratorium on EMIs of principle and interest payments on loans and working capital from financial Institutions both banking & non-banking, double working capital limits and on interest free and collateral free terms, which will prevent all the tourism businesses from going bankrupt. The deferment of twelve months for all statutory dues, whether GST, advance tax payments, PF, ESIC, customs duties at the central government level or at any state government level, excise fees, levies, taxes, power and water charges, bank guarantees and security deposits and deferment of all renewals, across the tourism, travel, hospitality and aviation industry. The government to set up a support fund for twelve months on the lines of MNREGA to support basic salaries with direct transfer to affected tourism employees. This will be a big shot in the arm and will help to strengthen the industry.

Strategic steps

1. First it is very important to rescue the sector from financial emergency by the reserve bank of India and should provide interim relief from to pay EMIs, instalments, taxes, and salaries to employees.
2. The government should provide them relief package to those who are hardest hit by the lockdown situation due Covid 19 health emergency.
3. The long term measure is to again get back the confidence of tourists visit India after this situation is curable and in control by providing them awareness and to achieve this, we all have to fight this battle against coronavirus and come out with victory by initial vaccine that is Social Distancing.
4. By taking all preventive and safety measures as directed by Ministry of Health and Family Welfare, Government of India.
5. Governments around the globe should develop an action plan for regeneration of the tourism industry. setting up of taskforce committee to develop and implement strategies to provide assistance to the tourism industry
6. India Greeting you again - Develop appropriate messaging and advertising campaigns for tourism during the crisis. Once the crisis mitigates, promote India aggressively.
7. The public and private sector both should work together in order to achieve this objective.

This can be achieved through a combination of public health measures, such as rapid identification, diagnosis and management of the cases, identification and follow up of the contacts, infection prevention and control in health care settings, implementation of health measures for travelers, awareness-raising in the population and risk communication.

Concluding Remarks

With the rise in the number of coronavirus positive cases, the economy seems to be heading towards a "long term

lockdown", for this we need patience and sincere efforts and India has tremendous capacity to deal with the coronavirus outbreak and have enormous impact on the world's ability to deal with this health crisis. Suitable measures have been taken to continue production and operational work by work from home technique and finding alternative to business travel and meetings to be

held via teleconferencing or video-conferencing by this way, we can able to continue our work to some extent otherwise we all have to pay for this in the long run. In order to curb liquidity crisis arises due to lockdown situation, we have to first work on this Covid 19 condition. A proper strategy action plan is much needed to get respite to the entire economy.

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