

COVID-19 AND INDIAN TOURISM INDUSTRY: AN ANALYTICAL VIEW ON PRESENT SCENARIO

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Abstract

India with its vast natural and historical resources is a hotspot of touring place from travelers of different location in the world. India was ranked 34th in the Travel and Tourism Competitiveness Report 2019 published by World Economic Forum, up six position from 40th in 2017. The travel and tourism industry provided 87.5 million jobs and accounted for 12.75% of the total jobs created in the country in 2019. At the same time this industry also contribute a big proportion to country's GDP. The government has been consistently providing support to the travel and tourism industry. The Ministry of Tourism formulates all national policies and programmes to aid and promote tourism in the country. But from the present scenario it is understand that this industry deeply hit by the ongoing Covid-19 pandemic. Therefore, all organizers, stakeholders and government need an hour to take some early steps to overcome the present slowdown in tourism industry, because the fastest growth in this industry is highly associated with country's GDP and employment creation process. This paper mainly emphasis on the extent to which this pandemic can affect the tourism industry in India and also analyse some measures and strategies which were offered by government and different organizations.

Keywords: Tourism, Hospitality, Employment, GDP growth, stakeholders, Covid-19 pandemic, Programmes.

INTRODUCTION

Tourism Industry has been playing a vital rule for the development of Indian Economy. This industry also played an immense rule in the global level by contributing an annual average growth rate of 4-5 %. According to the World Travel and Tourism Council (WTTC), the sector grew at a rate of 3.5% contributing USD 8.9 trillion to world GDP and one in every 10 jobs was created by the sector totaling up to approximately 330 million jobs worldwide. In 2019 the travel and tourism sector of India's generated 87.5 million jobs and at the same time this sector improved Indian Economy by adding USD 194 billion to the country's GDP. Now, the Indian travel and tourism industry is expected to be valued at USD 460 billion accounting for 99% of India's GDP. India, with its cultural, natural and locational indifferent features attracts travelers from different part of the world. India is also home to 38 UNESCO world heritage sites. For boosting the development of Indian Economy and creating employment through tourism sector government of India has introduced several schemes such as Swadesh Darshan Schemes, Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD) and Adopt a Heritage. But the Covid-19 pandemic has disrupted international travel and supply chain in an unprecedented way. Several countries have suspended tourist and business visas and banned both domestic and international air travel, bringing economics to a screeching halt. The Covid-19 is estimated to have a debilitating impact on the Indian travel and tourism sector, which includes hotels, travel agencies, tour operators, destinations, family entertainment venues, restaurants and air, land and sea transportation amongst others .It is estimated that the overall losses for Covid-19 pandemic in this sector to total up to USD 16.7 billion. Being a large employment generating sector for the country, 40-50 million jobs will be at risk in 2020, which include both directly and indirectly employed in the industry.

OBJECTIVES

The study broadly examines an impact of Covid-19 on Indian tourism industry from economic perspective. The main objectives are:

- 2.1. To examine the present employment and growth rate issues in tourism industry due to Covid-19 pandemic.
- 2.2. To study the strategies and measures recommended by different organizations and government to combat the negative impact of Covid-19 pandemic.

METHODOLOGY

The study is completely based on secondary data. And the data includes various news reports websites and documents like Federation of Indian Chambers of Commerce and Industry (FICCI), World Travel and Tourism Council (WTTC) and Federation of Hotel Restaurant Association of India (FHRAI) etc. And also different studies are carried out by researchers in India and abroad.

REVIEW OF LITERATURE

To get a better insight in the challenges faced by Indian tourism and hospitality industry, a brief review of the available studies on tourism industry in the face of Covid-19 outbreak are conducted to analyzed. Researchers and news reports gave different view to describe about the extent of challenges faced by these industries due to this pandemic. Some of these are:

.According to Ohlan(2017) ,tourism and economic growth has great relationship in short and in long run. So tourism play great rule in the development of a country. It is necessary for government to promote tourism and provide favorable environment to tourism because it play great rule in employment generation in the country. Tourism father improve socio-economic condition of the country.

.Manzour et. Al (2019) told that in the global economy, tourism is one of the most noticeable and growing sectors. This sectors plays an important role in boosting a nation economy. An increase in tourism flow can bring positive economic outcomes to the nations, especially in gross domestic product (GDP) and employment opportunities.

.Dwyer (2015) study reveal that globalization in tourism is an important area of promise and of concern. This paper first highlight the main drivers of globalization, distinguishing between economic, technological, social, demographic, environmental and political drivers. It then addresses several of the important effects of globalization in the context of tourism. This effects include economic development , employment opportunities, the spread of technical knowledge, the development of new markets and products, new consumer values, environmental and socio-cultural changes. The paper concludes that tourism managers need to respond pro-actively to the challenges of globalization, playing an advocacy role if they are to achieve and maintain sustainability in their operations.

Kreag (2001) explained that tourism growth increase the interest of the community which further increase tourism value in the country. Successful tourism industry create economic activities in the country which further push the income level of the country and give prosperity to the nation because it generate employment in the country. It is a goose which not only lays a golden egg, but also fouls in its own nest (Hawkins, 1982).

According to a report published by the World Economic Forum, due to the Covid-19, the hotel occupancy in the world has remained in single- digit and presently there lies no hope for improvement.

Founder of Make My Trip states that India's tourism industry need life support, liquidity to survive Covid crisis. According to him the year 2020 could be a complete washout for the travel and tourism industry in India if we don't take immediate steps-not just to contain virus but also its impact on livelihoods.

IMPACT OF COVID-19 ON EMPLOYMENT AND GROWTH RATE IN TOURISM INDUSTRY

With a population of more than 1.3 billion people and an unemployment rate of 7.8%, the Indian tourism industry holds the potential to provide livelihood to jobless people,who in turn can help

the industry growth scale in new heights. Growing at a rate higher than the global travel and tourism industry (3.5%), at 4.9%. India's travel and tourism industry contributed USD 194 billion to the Indian Economy in 2019, which helped it gain 10th spot globally, in terms of contribution of the to the global industry GDP. The Indian travel and tourism industry was expected to witness an annual growth rate of 6.9 % during 2019-2028 to reach USD 460 billion, approximately 9.9% of Indian GDP in 2028. The contribution of domestic travel to Indian travel and tourism sector has been unparalleled for the last two decades, growing almost nine folds. In 2018, Tamil Nadu secured the pole position with the largest share of domestic travelers(386 million people) visiting the state accounting for 20.8% of total domestic travel. This was a year on year increase of 11.84% from 2017.

CHALLENGES FACED BY HOSPITALITY AND TOURISM SECTOR

There is no doubt that Indian tourism industry has huge potential to foster GDP growth and contribute to creation of employment in Indian economy. However amongst all other sectors, tourism is the most affected sector in the world due to Covid-19 in the beginning of 2020. Indian tourism industry was all set to accelerate its pace towards development. India was unaware about the impact of biological disaster called corona virus disease(Covid-19) threat originated from central China's Hubei province in Wuhan city in the month of December 2019 and continuous to adversely affect more than 150 countries and claimed more than 10 lakhs lives globally so far. On 24th march 2020, prime minister of India announced 21 days lockdown and banned all domestic and international arrival and departure through all means of transportations to combat the spread of Covid-19, affected all segments of Indian tourism industry adversely. Tourism product is a perishable product which cannot be stored and sold later, this feature of tourism product push tourism industry into heavy loss in terms of poor revenue generation. As the news of the virus start picking up from November, the percentage of cancellation started going up in this segment exponentially and is reaching peak of almost 99% now in July in many Indian locations. As a result of which tourism industry is threat globally and will also affect employment adversely. Without government intervention it is difficult to overcome this deep situation. The hospitality industry of India is one of the vast industry of the world and on an average 2000 hotels and 1000 restaurants are counted under FHRAI(2020, Federation of Hotel Restaurant Association of India), which provide large opportunities of employment to many people. Due to lockdown in India and Covid-19 threat ,process of reservation cancellation is being carried out which will adversely affect the hotel business and as a result of which faced revenue loss in 2020 and at the same simultaneously negative impact can be seen on cutting employment opportunities to meet with the cost of this worst situation. Hospitality companies have seen a 50 % drop in bookings within India between March 2 and 9. People are postponing booking plans in large numbers. According to the Edelweiss Securities, both occupancies and tariff would be impacted in March 2020 and April-June 2020 quarter. While domestic tourism might see an improvement on limited outbound travel, the recent cases in India would limit that opportunity as well. Some population domestic routes had seen a 20-25% decrease in last minute airfares. As per HVS report hotels should maintain pricing charts through the crisis. This is quite understandable that during and after this crisis hotels industry will loss the revenue, because once the hotel industry reduced the prices of rooms, it becomes difficult to left up later. At the same time by keeping in mind the present scenario it cannot be assessed that how long this crisis will last for(UNWTO-2020).Due this pandemic the drop in international arrivals will lead to an estimated loss of \$ 300-450 billion in international tourism receipts, almost one third of the \$ 1.5 trillion generated in 2019.As a result of decreasing foreign tourist arrivals, the foreign exchange earning of the country also declined at a huge rate leading to a adversely affect to the revenue generation process of hospitality industry. Europe is known as the top most zone in terms of revenue generating from tourism and therefore European zone hardest hit due to Covid-19 crisis and lockdown system. As large number of travelers visit to India from Europe ,therefore the impact on European tourism industry can also been seen in Indian hospitality industry in near future.

So India government and stakeholders need to take early steps to handle this coming situation.

CHALLENGES FACED BY TRAVEL AND AVIATION SECTOR

Due to Covid-19 pandemic Travel agencies and tour operators can also face financial crisis in near future as tourist's frequency to visit India will be declined. All segment of tourism inbound, outbound, domestic, MICE will be different. MICE segment is one of the important segment as per revenue generation for a travel agencies but due to present crisis all kind of events, meeting, conferences have been canceled or postponed. According to Business today-2020, Make My Trip's founders to draw zero salary; top brass to take 50% cut. The Covid-19 pandemic has also affected the livelihood of workers in the Indian amusement park not only hires 80,000 people directly, but also employs 5,000 people seasonally and indirectly supports various other industries.

Aviation sector also hit hard by the outbreak of Covid-19 pandemic. According to the International Air Transport Association, airlines globally can lose in passenger revenue up to USD 113 billion due to this crisis. Air faces have also come under pressure due to nearly 30% drop in booking. Domestic traffic growth is also gradually being affected with domestic travelers postponing or cancelling their travel plans. According to the data available with the Ministry of Civil Aviation, nearly 585 international flights have been cancelled to and from India between February 1 and March because of the Covid-19 pandemic. Cash reserves of airline companies are running low and many are almost at the trap of bankruptcy. Moreover, as a result of this worst condition some airlines have asked many of their staff/employees to go on leave without pay leading worsening the unemployment problem already exist. The International Air Transport Association (IATA), the Global Airlines Association, estimated over 2.9 million jobs at risk in the Indian aviation space and its independent industries.

RECOMMENDATIONS OF MEASURES AND STRATEGIES

According to media reports, the Ministry of Tourism has requested the government to support the tourism industry by providing working capital, low interest loans and aid in loan repayment etc. On 19 March the formation of Covid-19 Economic Response Task Force was announced by Prime Minister Narendra Modi during his live address to the nation. The task force was led by the finance minister Nirmala Sitaraman. According to this task force the ministry of finance immediately started consultations with Reserve Bank of India (RBI) and ministries to take stock of most affected sector like aviation, travel and hospitality etc. RBI also announced that all banks and NBFCs had been permitted to allow a moratorium of 3 months on repayment of term loans outstanding on 1 March 2020. The government of India also announced an Rs, 17 lakh crore relief package aimed at providing a safety net for those hit the hardest by Covid-19 lockdown.

As an important industry body the Indian Chamber of Commerce (ICC) suggest some short term and long term recommendations , which are as follows-

SHORT-TERM MEASURES

The short-term measures lead out some immediate actions which are required for improved the economy from financial crisis. In short, these measures are meant for rescue the sector from the trap of bankruptcy-

A. Most of the tourism companies afflicted by Covid-19 pandemic are now anxiously looking for interim relief to pay EMIs, installments, taxes and salaries to employees. Given the severity of damage, ICC thinks that government should extend the time period to six months.

B. ICC also suggests six to nine months moratorium on all principal and interest payments on loans and overdrafts, besides deferment of advanced tax payments.

C. ICC would like to recommend a complete GST holiday for tourism, travel and hospitality industry for the next 12 months till the time the recovery happens.

D. ICC solicits RBI to take steps to ease the working capital crunch faced by the tourism industry in the wake of Covid -19 outbreak. In this context, ICC suggests the Apex bank to facilitate faster clearance of banking credit related to Travel and Hospitality sector.

- E. They also recommend for interest reduction or subvention on term loans and working capital loans for travel and tourism industry.
- F. ICC also strongly recommend for removal of fees for any upcoming licenses, permits renewal, excise exemption for the hospitality and travel industry across the country.
- G. They urge the Ministry to provide funds from the MGNREGA SCHEME to support the salaries of employees in this industry.

LONG-RUN MEASURES

Long-run measures made the economy strong from inside and built an ability within the sector to recover economy-

- A. After the impacts of Covid-19 pandemic, the main aim of all the stakeholders of the country would be to bring back the confidence of the tourists to visit India. In fact, in the long run, the country will have a competitive edge in this respect, since it has been least affected by the pandemic compared to others countries. The Government and stake holders should very subtly publicize this newly acquired credibility for promoting our tourism sector.
- B. Government of India should tie up with healthcare accreditation bodies of other countries to issue 'Fitness Certificate' for visa purpose.
- C. The government should focus highly on all types of safety and security measures for the tourists visiting from various places of the country.
- D. Since East and North Eastern states are comparatively in better position in terms of spread of Covid-19, both Central and states government of this region should emphasize on promoting tourism attractions of this regions.

CONCLUSION

Coronavirus (Covid-19) has hit the tourism industry most negatively. From the above discussion in the paper it has concerned that this pandemic can lead to reduction of hotels booking, cancellation of events, reduction of staff without paying as a cost cutting measure and pushed in a risk of different employees related to airlines, hotels, travel agencies job, as the revenue generated by tourism industry will be reduced in near future. Now this industry can be struck in that worst situation that, without co-operation between government, different airlines and hospitality agencies, the upliftment of tourism sector of Indian economy will not be possible. Government must need to give some relaxation or taxes imposed on tourism industry or to provide certain soft loan with low interest rates for rapid growth of this industry.

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