



COVID- 19: Indian tourism & hospitality industry on the brink of collapse

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ABSTRACT

It is definite that COVID 2019 will have a cascading thwack on the world economies. The authors initiate to divulge the economic impact of lockdown due to COVID 19 on the Tourism and Hospitality Industry in India. The article not only embraces on economic impact but also enlarge on how the lockdown will have an unpropitious impact on employees of these sectors and how the organizations are contriving their practices to face the challenges that are imposed. The article also poses some propositions that may be followed so that the addressed sectors may reduce the perplexities of COVID19. The core of the article is the economic impact of the COVID19 epidemic on the Tourism and Hospitality Industry in India and measures adopted to facilitate the Tourism and Hospitality industry. The article is important as it gives an understanding of the impact of the pandemic on the two important sectors. The article also put forward certain propositions that may be adopted by the government to help the Tourism and Hospitality Industry for managing the financial loss and reduce mass unemployment for better sustainability during the critical situation of COVID-19.

Keywords: Covid-19, Employees, Hospitality Industry, Lockdown, Tourism Industry

1. INTRODUCTION

One of the economic sectors which have a substantial contribution to the Indian GDP is tourism. India was successful in building up its reputation in the world with the tag line 'Incredible India' to attract tourists from all over the world and even from within the country. The prospects looked good for the tourism industry. Since the news of the COVID19 epidemic floated, it created havoc. After human life, it created a serious danger to the Indian economy. COVID19 was followed by strategic lockdown that means country stood in economic isolation without business and trade. The worst affected sector was the Tourism & Hospitality industry. The Indian tourism industry is facing a loss of Rs 1.40 lakh crore, hotel, and resort chain has already faced the losses over 150 crores, accommodation facility has suffered losses over 420-470 crore. To cover up the losses, many companies have already sacked their employees or keeping them employed at reduced salaries. The future of the tourism & hospitality industry looks jarring with restricted and apprehensive demand due to Corona virus. In order to get the better of the sector needs to adapt new policies and strategies. Federation of Hotel and Restaurant Associations of India requested the government to intervene for the revival of the hospitality industry. The stakeholders need to take major steps in the short run to manage the impact before it beset the industry.

2. TOURISM & HOSPITALITYINDUSTRY

The Indian hospitality industry is enlisted as the largest tourist sector in the world under the Federation of hotel restaurant association of India and largely contributes to the country's GDP. In the year 2019, the tourism industry has added 9 percent to India's GDP. On April 6, 2020, it was reported that 96% of the entire destination around the world had forced travel restrictions due to COVID19 pandemic. The countries which earlier were inviting the tourists have entirely sealed their borders for travelers [1]. Countries have secured their flights that have been grounded; adding to this the lockdown which followed COVID19 has completely proscribed any kind of travel. 10.56 million foreign tourists arrived in 2018, the compound annual growth rate between the years 2001 to 2018 was 8.75%. India earned 28586 million US\$ from tourism. [Indian tourism statistics, 2019]. In 2020 tourism in India may be a complete debacle. According to the Confederation of Indian Industry (CII), the COVID19 pandemic will embark a loss of 5 million to the tourism industry. The downsizing will impact around fifty million people. The tourism industry in India encompasses Hotels and allied sectors like tour operators, travel agencies, home stays, tour guides, and other service

providers. Travel and hospitality in India generate huge employment directly as well as indirectly. Due to tourism, aggregate demand in the economy rises, the flow of foreign exchange increases and invigorates the economy of the home country. It also boosts the allied sectors like transportation, restaurants, fast-moving consumer goods, culture, recreation, etc. The lockdown following the pandemic has halted the momentum of the tourism industry [2]. The situation became vexatious for the industry when the whole country was put to a standstill and the cascading effect of the coronavirus incapacitated the tourism and hospitality sector. During the year 2019, 4.2 crore jobs were created in the tourism sector which now is on the edge of facing mass unemployment due to the COVID-19 pandemic [3]. The Federation of Associations in Indian Tourism & Hospitality (FAITH) predicated that due to lockdown, the tourism and hospitality sector may witness a loss of 38 million jobs [4]. It was estimated that due to lockdown Trade, hotel, transport, communication, and services will suffer a loss of 2.42 lakh core, making it the second sector to suffer a mammoth loss (Table I).

Table I - Estimated loss in Gross Value Added (GVA) and its components

Sector	GVA (Rs. in lakh Cr.)	% to total	Disruption severity	Loss estimated (Rs. in lakh Cr.)
Agriculture, forest and fishing	27.76	16		
Industry	37.08	22		
Mining and quarrying	4.1	3	Complete	0.31
Manufacturing	28.18	16	Near complete excluding medicines etc.	2.16
Electricity, gas, water supply and other utilities	4.8	3		
Services	107.15	62		
Construction	13.76	8	Complete	1.06
Trade, hotel, transport, communication and services relating to broadcasting	31.51	18	Near complete excluding broadcasting	2.42
Financial, real estate and professional services	36.66	21	Near complete expect banking, healthcare services	2.81
Public administration, defence and other services	25.22	15		
Total	171.99	100		8.76

Source: Business Today (2020).

Lockdown due to COVID19 crippled the tourism and travel Industry. As far as arrivals of foreign tourists are concerned, in 2018 India stood the seventh position in Asia and globally twenty-fifth. The lockdown restricted international and domestic tourists from traveling. Till June 2019, 5.2 million foreign tourists flew to India. The data also projects that the arrival of foreign tourists was on the rise since 2017. It was expected that there will be an increase in foreign tourists in India during 2020. But since March 2020 no tourists have traveled to India because of nationwide lockdown. It was not only the foreign tourists that affected the tourism sector but the domestic tourists are also not traveling. 1,657.55 & 1,854.93 million domestic tourists traveled in 2017 and 2018 respectively. Between January to June 2019 India earned 14.3 billion dollars. The amount has been escalated to around 30 billion till December 2019. With that amount of earning it can be estimated that one moth of lockdown would have resulted in a loss of around 2.5 billion US Dollar foreign exchange. (Table II).

Table II - Tourist Arrivals (FTA), Foreign Exchange Earnings (FEE) and domestic tourist

Month	Foreign Tourist Arrivals (FTA)		Foreign Exchange Earnings(FEE)		Year	Domestic tourist (MN)
	2018(p)	2019(p)	2018	2019(p)		
January	10,45,035	11,03,380	2.791	2.557	2012	1,045.05
February	10,49,255	10,87,694	2.76	2.515	2013	1,142.53
March	10,21,530	9,72,866	2.648	2.318	2014	1,282.8
April	7,45,051	7,71,353	2.379	2.456	2015	1,431.97
May	6,06,522	6,10,590	1.889	1.968	2016	1,615.39
June	6,83,928	7,21,015	2.124	2.299	2017(p)	1,657.55
Total (Jan– June)	51,51,321	52,66,898	14.591	14.113	2018(p)	1,854.93

Source: India Tourism Statistics.

3. HOTELSECTOR

As India is put under lockdown, no traveling is allowed, corporate meetings are held online and the effect is being faced by the hotels as the bookings are being canceled. With social distancing in place, all hotels are shut down or some of them are being converted into hospitals. The customer base of hotels in India includes domestic travelers 76-77%, and the people coming from foreign countries contribute around 23-24% [5]. The outbreak of

pandemic resulted in a fall of 40% occupancy at hotels during March 2020 [6]. The future looks grim; even if the lockout is removed there will be a lot of apprehensions among the travelers to travel as the threat of COVID19 will remain for a prolonged period. Moreover, India will also be reluctant to accept travelers from foreign countries. The domestic traveling will also take an adverse hit. Hotels in India are gearing to face the challenges that lie before them, they are converting the hotels into hospitals or quarantine centers, and in return the government pay the hotels. The hotel industry is planning to face the challenges by preparing itself against the virus and bringing back the faith among the customers. According to the JLL survey, hotel operators are expected up to 2 years for revenue recovery and performance levels. On 8 July 2020, Covid-19- Unlock 1 allowed some hotels to operate which are outside the containment zones with specific standard operating procedures with strict guidelines for safety measures with the new normal of social distancing, wearing of masks & gloves, PPE kit, sanitizing and minimum physical contact.

4. AVIATIONSECTOR

Hotels and the aviation sector are interrelated, as both the industries support each other. In the year 2018, 5151321 foreign tourists arrived in India whereas in 2019 only 5266898 tourists arrived marking only a 2.2% increase from the previous year [bureau of immigration, govt. of India, 2017, 2018 & 2019]. According to the Centre for Aviation (CAPA), it is estimated that the Indian aviation sector may suffer a loss of \$3.3-3.6 billion in June Quarter 2020 [7]. The aviation sector employs a large number of people. As flights are suspended to curtail the pandemic, still the situation deepens and India may reach the third most affected country due to the virus in June 2020. The result will be discouraging, as it will increase unemployment. Adecco proclaimed that six hundred thousand ground jobs and supportive/administrative roles in the aviation industry are at danger [8]. 'It was announced by Vistara that they will follow a top-down 1 to 3 day mandatory leave without pay to 30% of its 4,000 employees to curtail the costs [9]. Airlines are planning to keep 35 percent of workers with leave without pay for some period. They also propose to reduce 20% of the salaries of the aviation staff to sustain till normalcy is restored [10]. Indian aviation sector according to Credit rating agency CRISIL will suffer a revenue loss of around 25,000 crores. The Indian aviation sector for the last ten years has seen a growth of 10%. Due to lockdown, the growth trend is reversed making it the most affected sectors [11]. Indigo's CEO Ronojoy Dutta announced pay cut for all employees where top management will take a 20 percent pay cut, cockpit crew members will be taking a 15% reduction in a pay and crew members will be taking a 15% reduction

and stated that he himself will take a pay cut of 25 percent due to the ongoing turmoil in the aviation industry triggered by the global novel coronavirus outbreak [12]. Ailing Air India also announced a pay cut of 5 % for its employees due to mounting financial losses as a result of restrictions and has imposed a 30-40% cut in cabin crew members. They will receive revised layover allowances of \$100 for 30 Hours and thereafter \$4 for every extra hour [13]. According to CAPA India (Aviation consultancy firm), Indian airlines need to raise a minimum of \$3.5 billion to survive the grounding [14]. Researchers have also studied COVID-19 outbreak in India from various perspectives so far like social impact and economic impact [15-16]. The sectors have to go a long way to deal with these long-lasting impacts. In the present scenario Indian tourism & Hospitality industry is almost on the brink of collapse and needs prudent maneuver.

5. WAYFORWARD

As India begins to unlock the economy strategically and systematically, the tourism and travel sector is still under doldrums. What can we expect? In the darkest of hour exists opportunities. Just like a pressed spring which waits to be released to touch new heights, the tourists are waiting to be released. The article consolidates the following prospects of the tourism sector.

1. Trough cycle: The boom phase of the tourism sector will come as soon as the vaccination for the virus is launched. There will be an increase in tourism multi folded as people are waiting to travel eagerly. Even if vaccination is not available, still the tourism will witness growth whenever the government restores flights. Innovation and digitalization will be imperious for the hospitality and tourism industry to sustain in this crisis.
2. Technology-driven tourism: The tourism Post COVID will be technology-driven. Each unit related to tourism, directly or indirectly have to be dependent on technology. No physical touch, automatic sanitization, use of robotics, an increase of personal space, etc. are some of the ways where technology will dominate in tourism. Hotels may use technology to make contactless service for customers by allowing self-check-in and check-out thorough mobile apps or ordering food through a digital menu based by scanning QR code. The work can be through robots and drones for providing services to maintain social distancing
3. Health Tourism: Pandemic has ushered the need for increasing immunity among human life. Traveling to seek immunity is required to be explored. The tourists should be attracted

by providing health benefits like Yoga Park, meditation centers, pollution-free environment, Health parks, etc. The same strategy may be adopted by hotels by providing a regular health checkup of the visitors, keeping the healthy menu and conducting sessions close to nature

6. Accepting the new normal: Post COVID the tourism industry is required to restructure their efforts by accepting the new normal. The new normal includes physical distancing, sanitization, high level of personal hygiene, wearing a mask at all times. Based on these approaches the industry has to restructure its industry. Like the changes in seating arrangements at airports, hotels parks, etc. Even in public transport seating arrangements may be changed.

6. CONCLUSION

The central and state government is doing their bit to support tourism industry during this crisis. The government converted hotel rooms into quarantine facilities, restaurants were given business by taking their food packets for distribution to the needy people to alleviate their pain and contributing to the hospitality industry. Beyond doubt, there will be a cascading effect on the tourism and hospitality industry of India. With escalating cost and drained revenue, the industry never had been so helpless. Even though the government withdraws the lockdown and restores flights; chances are quite high that there will be no travelers. No traveler means occupancy in hotels will adversely suffer. The hospitality industry needs to take customers into confidence by assuring safety and hygiene. The industry badly requires relief packages to support the salaries from the government. Some revival schemes will be welcomed which may include waiving of all types of taxes for two years. Withdrawing all type of fees to promote traveling, government may also think of withdrawing Visa fee, rebate on all type of bills charged from hotels, making all heritage sights free to attract foreigners, hotels and aviation may offer corporate discounts, aggressive marketing showcasing the measures being taken against any type of virus [17]. This will generate confidence among the customers and soon it will be able to justify the title of Incredible India.

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