
Indian Tourism: The Great Patient of COVID-19 Pandemic

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Abstract

In late December 2019, a previous unidentified coronavirus currently named as the 2019 novel coronavirus, emerged from Wuhan, China, and resulted in a formidable outbreak in many cities in China and expanded globally, affecting 215 countries and territories around the world. The COVID-19 outbreak has brought the 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 amassiveloss of jobs. The spread of coronavirus disease 2019 (COVID-19) is becoming unstoppable and as on June 24, 2020 ith as infected more than 9.3 million people in 215 countries across the globe. While COVID-19 presently looms large on the global stage, the future will undoubtedly bring with it more crisis and shocks, many of them unparalleled in terms of their nature, scope and reach. The global outbreak of COVID-19 has demolished the global economy and there are no qualms that the tourism & hospitality industry is exception. With airplanes grounded, millions of people in quarantine and hundreds of travel bans in place, COVID-19 has engulfed the globe and has brought the global tourism industry to a grinding halt. In order to maintain checks and balances for control of spread ofnCovid-19, the travel advisories and restrictions which are enforced by the nations across the world, have crippled the business and economy which has resulted in revenue and job losses. The impact of this virus is so severe that the aviation and travel sector is expected to incur a business loss of Rs. 8,500 crore or even much more. Social distancing has become a norm in today'sCOVID-19 world and hotels need to re-evaluate and update their strategies to adapt to this change. Considering the unparalleled and fast-evolving nature of crisis, it is extremely challenging to estimate the impact of COVID-19 on Indian Tourism Industry. The paper seeks to analyze the impact of COVID-19 on Tourism and Hospitality industry in India.

Keywords: Coronavirus, COVID-19, Outbreak, Tourism, Hospitality, India.

Introduction

In late December 2019, an outbreak of a mysterious pneumonia characterized by fever, dry cough, and fatigue, and occasional gastrointestinal symptoms happened in a seafood wholesale wet market, the Huanan Seafood Wholesale Market, in Wuhan, Hubei, China (Huang et al., 2020). The initial outbreak was reported in the market in December 2019 and involved about 66% of the staff there. The market was shut down on January 1, 2020, after the announcement of an epidemiologic alert by the local health authority on December 31, 2019. However, in the following month (January) thousands of people in China, including many provinces (such as Hubei, Zhejiang, Guangdong, Henan, Hunan, etc.) and cities (Beijing and Shanghai) were attacked by the rampant spreading of the disease (WHO Report). Furthermore, the disease traveled to other countries, such as Thailand, Japan, Republic of Korea, Viet Nam, Germany, United States, Singapore and India. The first case of the Covid-19 pandemic in India was reported in Kerala on 30 January 2020. As of June 24, 2020, more than 9.3 million confirmed cases with 4.8 lakhs deaths globally were documented by World Health Organization, involving at least 215 countries and territories (WHO Report). The pathogen of the outbreak was later identified as a novel beta-coronavirus, named 2019 novel coronavirus (2019-nCoV) and recalled to our mind the terrible memory of the severe acute respiratory syndrome (SARS-2003, caused by another beta-coronavirus) that occurred 17 years ago.

In 2003, a new coronavirus, the etiology of a mysterious pneumonia, also originated from southeast China, especially Guangdong province, and was named SARS coronavirus that fulfilled the Koch's postulate (Ron et al., 2003). The mortality rate caused by the virus was around 10%-15% (Perlman, 2020; Peiris, 2003). Through the years, the medical facilities have been improved; nevertheless, no proper treatment or vaccine is available for the SARS (Peiris, 2003). The emergence of another outbreak in 2012 of novel coronavirus in Middle East shared similar features with the outbreak in 2003 (Zaki et al, 2012). Both were caused by coronavirus but the intermediate host for MERS is thought to be the dromedary camel and the mortality can be up to 37% (Perlman, 2020). The initial clinical manifestations for both SARS and MERS are usually nonspecific except that the majority of patients presented with fever and respiratory symptoms. Unprotected hospital staff who were exposed to patients' droplets or through contact prone to be infected and nosocomial infections ensue (Huang et al, 2020; Peiris, 2003). Furthermore, cases associated with travel had been identified for SARS, MERS, and COVID-19 (Perlman, 2020; Chan Jasper et al, 2020; Holshue et al, 2020; Rothe et al., 2020; Pgab et al, 2020). Because of global transportation and the popularity of tourism, COVID-19 is a genuine threat to India.

Objectives of the Study

The study is proposed with the following objectives:

- To assess the repercussions of COVID-19 on the global Travel and Tourism Industry.
- To analyze the impact of COVID-19 on Tourism and Hospitality Industry in India.
- To suggest measures for lifting travel restrictions, restoring traveller confidence and rethinking the tourism sector for the future.

Research Methodology

The study is exploratory and analytical in nature. It is based on the secondary data which has been collected from the website of Ministry of Tourism, Government of India, Hotel Association of India, FHRAI, Hospitality Valuation Services (HVS), World Travel and Tourism Council (WTTC), and World Tourism Organization (UNWTO). Various annual reports, journals, newspapers, magazines, books, web pages and other published data are also referred to. The collected data is analyzed to reach at conclusions regarding the impact of COVID-19 on Indian tourism industry.

Overview of Tourism Industry in India

The Indian tourism and hospitality industry have emerged as one of the key drivers of growth among the services sector in India. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Culturally the country might very well be the most diverse and it holds a special place in the international world of tourism. Tourism is a potentially large employment generator besides being a significant source of foreign exchange for the country. India ranked 34 in the Travel & Tourism Competitiveness Report 2019 published by the World Economic Forum.

In 2019, FEEs were US\$ 29.96 billion registering a growth of 4.8 per cent year-on-year and reached US\$ 5.40 billion during January-February 2020. During the period, foreign tourist arrivals (FTAs) in India stood at 10.89 million, achieving a growth rate of 3.2 per cent year-on-year. As of 2019, 4.2 crore jobs were created in the tourism sector in India which was 8.1 per cent of total employment in the country.

India is also the third largest globally in terms of investment in travel & tourism with an investment of US\$ 45.7 billion in 2018, accounting for 5.9 per cent of national investment. During the period April 2000-December 2019, the hotel and tourism sector attracted around US\$ 14.42 billion of FDI, according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT).

Under the Swadesh Darshan scheme, 77 projects have been sanctioned of worth Rs 6,035.70 crore (US\$ 863.60 million). In Union Budget 2020-21, the government has allotted Rs 1,200 crore (US\$ 171.70 million) for the development of tourist circuits under Swadesh Darshan for Northeast.

The launch of several branding and marketing initiatives by the government of India such as ‘Incredible India!’ and ‘Athiti Devo Bhava’ has provided a focused impetus to growth. The Indian government has also released a fresh category of visa-the medical visa or M-visa, to encourage medical tourism in the country.

Impact of Covid-19 on Global Travel & Tourism Sector

The world is still coming to terms with the COVID-19 outbreak and there is no doubt that the pandemic will change the world as we know it. With the globalized world going into partial or complete shutdown, the overall impact on human life, economic growth and businesses are immeasurable, both in the short term and long term due to the uncertainty as things evolve. Economists world-over expect the global economy to shrink in the first quarter of 2020, a first since the 2008 financial crisis. With the number of cases rising sharply on a daily basis, even if the pandemic is contained soon, the ripple-effects will be felt across the world well into the year, pushing all major economies into a possible recession.

The Travel & Tourism Sector across the globe is undoubtedly the biggest casualty of the COVID-19 pandemic. Several countries have issued travel advisories and are in lockdown mode, with all major global business, social and sporting events getting cancelled since February.

Alarming Estimates

- IATA estimates that global airlines need an emergency fund of up to US\$ 200 billion as they fight for survival.
- According to the World Travel and Tourism Council, the COVID-19 pandemic could slash 50 million jobs worldwide in the travel and tourism industry, reflecting a 12-14% reduction in jobs.
- International travel could be adversely impacted by up to 25% this year, equivalent to a loss of three months of travel.
- The industry could take up to 10 months to recover after the outbreak is over.

Impact of Coronavirus on Indian Tourism Industry

The cascading effect of the coronavirus is crippling the Indian tourism and hospitality industry. The industry is undoubtedly one of the biggest casualties of the COVID-19 outbreak as demand has declined to an all-time low. Global travel advisories, suspension of Visas, the imposition of Section-144 (prohibition against mass gatherings), India like most other countries is on lockdown, the ramifications of which are unprecedented.

The Indian hotels’ sector sailed smoothly into January 2020, after a record year in 2019, with 2020 set to be “even bigger”. The country first started feeling the ripple effects of the global COVID-19 turmoil towards the end of February 2020, which worsened at the beginning of

March. Occupancy across hotels in key cities declined rapidly and such a decline has never been witnessed by the sector in the past.

The coronavirus pandemic would have a debilitating impact on India's tourism sector with the industry estimating an overall loss of Rs 5 lakh crore and job cuts for 4-5 crore people. As estimated by Confederation of Indian Industry (CII), 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 Rs 1.58 lakh crore. The overall occupancy in the branded hotels segment in 2020 is estimated to decline by 16.7-20.5 percentage points over 2019, while ADRs are estimated to decline by 7% to 8% for the year. As a result, RevPAR will witness a significant decline of 31% to 36.2%. Therefore, the overall revenue of the Indian hotel sector is set to decline by anywhere between US\$ 8.85 billion to US\$ 10 billion, reflecting an erosion of 39% to 45% compared over last year. Besides the actual business loss, the hotel owners will also incur losses due to fixed operating expenses, debt repayments, interest payments and several other compliances required to be undertaken as part of the sector.

The CII expects that the industry will see cash flows only beginning to improve in November, 2020 and perhaps get to normal levels by early 2021. Foreseeing bankruptcies, closure of businesses and mass unemployment, the Federation of Associations in Indian Tourism & Hospitality (FAITH), the umbrella body of the industry, has urged the Prime Minister to highlight the devastating economic impact of the coronavirus pandemic on the tourism industry, seeking his intervention in terms of financial relief for the industry to tide over the crisis.

The Way Forward

Recommendations for the Government of India

Monetary Support:

- Stimulus package to stabilize and support the sector in the near term, including a workforce support fund to ensure that there are no job losses.
- Provide a moratorium of ~ 6-12 months on all loans (principal & interest), including working capital payments and overdrafts.
- Ensure that Credit Rating agencies do not down-grade ratings of businesses, due to the expected volatility of the business in the short to medium term.
- With the fall in oil prices, subsidies on Heat-Light-Power (HLP) costs should be extended, as HLP is among the largest fixed cost for the sector.

Fiscal Support:

- Provide a 12-month corporate tax holiday to travel, tourism and hospitality sectors.

- Defer all statutory dues such as advance tax, custom duties, excise duties, PF, bank charges etc. at central and state level for 12 months.

Direct Support to Revive Demand:

- Appoint a think tank to evaluate and decide the measures necessary for the revival of the sector.
- Waive / Reduce GST on products offered by the sector for a one-year period
- Incentivise travel by introducing a one-time opportunity for Leave Travel Allowance to be part of the new income tax slabs.

Policy Support:

- Annual renewal of licenses paid for in 2020 should be extended till the end of 2021 without an incremental fee or charges.

Recommendations for the Operators

- The relief should be in the form of a one-time waiver or reduction in Base and Incentive Fees as well as Distribution, Technology and reimbursable costs, measured by correlating the total impact of the crisis on the hotel to the return of normalcy in operation post-COVID-19.
- All brand standard provisions that do not have a direct impact on revenues of the hotel and/or cannot be planned as per the revised CAPEX budget for the current year, should be deferred until such time normalcy in operation returns.

Recommendations for Hotels

Stop-gap Plan

- Bare minimum operations sufficient enough for quick recommencement when the opportunity arrives
- Implement a subtle digital and social media marketing strategy to retain mindshare of customers
- Engage with suppliers/vendors to compute their capacity to re-engage with the hotel on the recommencement
- Develop and maintain communication lines with key customers and team members
- Continue to remain in discussion with relevant local government authorities
- Develop a Reopening Plan and Budget
- Utilize this period for implementing Ken-fix-it / upgradation, wherever possible

Prepare and Plan for the Reopening

Hotels should look to implement the reopening plan in the shortest possible time available, as when demand returns the customer will become a bigger and more demanding ‘King’.

Task Force Management Team

- ‘Stop Gap Plan’ task force team to handover the hotel to an operational ‘Reopening Plan’ task force team.

Re-engagement and Support for Returning Team Members

- Provide adequate support to the returning employees to restart their work life, including assistance on matters such as housing etc.
- Roll out training and re-engagement processes for their specific duties and departments.

Sales and Marketing

- Carrying forward from the ‘Stop Gap Plan’, aggressive efforts to re-establish connections with all customers through all available channels should be implemented.
- Effective digital and social media strategies must be rolled out as part of the communication plan
- Follow a mechanism whereby all the bookings that were previously cancelled or deferred are honoured in good spirit
- Instead of ‘Glocal’ go ‘Local’: demand from outstation travellers will be low in 2020, hence, it is time to focus and rely on local demand. Special experiential packages and promotions targeted at ‘locals’ should be the driving mantra.
- Promote packages for specific target groups such as ‘Staycations’

Maintain Pricing Charts

- Hotels should think ‘long-term’ and promote value-added services and flexible booking terms instead of reducing rates.
- Discounts can be creatively packaged, by bundling services into customized packages & promotions, without adding substantially to the hotel’s cost while leveraging the property’s exclusive characteristics to remain competitive.
- Offering a flexible cancellation and rebooking policy will reassure existing & potential guests.

Front of House Facilities

- ‘Demand outlook’ should be the funnel through which decisions for the opening of multiple fronts of the house facilities such as restaurants, Spas and Gyms be made.
- As demand improves, hotels should gradually re-open the areas which earlier were temporarily shut down.

Increase Ancillary Revenues

- Focus on ancillary revenues that may be generated through non-core revenue-generating areas such as Gyms, Spas, etc.

- Provide services that have traditionally not been part of the hotel's core offerings such as food delivery through online platforms or leasing of kitchens for cloud kitchen requirements

Prudent Spending

- Refrain from any form of spending that may not have a direct revenue benefit
- Continue cost-saving measures even when demand is back to normal to recover the losses during the crisis

Power and Equipment

- Prior to powering up all necessary equipment, a thorough service plan should be mobilized to ensure that all equipment is fully functional, adequately safe and capable of delivering the required results.

Vendor Management

- Post assessment of supplier capability and categorization of all operating supplies including perishables in order of importance, the procurement team must ensure proper stockpiling.

Initial Working Capital

- A 90 to 180 days initial working capital credit line should be established

Compliances

- Ensure that the hotel is compliant with any revised government and brand norms
- Ensure the hotel continues to follow the health and cleanliness guidelines
- Reassure Guests and Employees by intensifying routine maintenance and increasing deep clean measures

Conduct Dry Runs

- At the end of such dry runs, the hotels should be able to understand any gaps remaining prior to the full rollout of the hotel.

Conclusions

Foreign Tourist Arrivals (FTAs) into India (particularly leisure travelers) started softening in February, as the spread continued its unabated movement to other countries. Demand from FTAs is not expected to pick up any time soon. Furthermore, the majority of the future travel bookings for winter i.e. October-March-the strong season for our industry-are done in the summer months, have largely evaporated. With new confirmed cases being reported daily, the penetration of the COVID-19 virus in India has caused mass hysteria, the reverberations

of which are expected to continue well into the second quarter of the calendar year 2020. To handle present situation and for the revival of tourism industry government should come forward, without which it would be difficult to overcome the financial crunch. Government must give certain relaxation on taxes imposed on tourism industry, or to provide certain soft loans with minimum interest rates and must issue additional funds for the betterment of tourism industry in the near future.

One thing made very clear by this crisis is the fragile nature of tourism business, and therefore the need to have contingencies for even unpredictable events as this crisis has shaken the entire tourism industry globally. The silver lining is that Government of India has issued guidelines to restart tourism and hotel sector w.e.f. 08th June 2020.

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