

ECONOMIC IMPACT OF COVID 19 ON TOURISM AND HOSPITALITY INDUSTRY IN INDIA

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ABSTRACT

Tourism is the vital breath in the human activity while making a prolonged journey from place to place. It is a human desire to make a sound of the places of interest, i.e., religious, spiritual, natural phenomenon, beautiful places, monuments, ancient cities and sites, historical places of pilgrims and above all the places of curiosity. According to Dr. Radhakrishnan, 'Tourism widens our horizons, promotes understanding, stimulates travel and fosters friendship.' Tourism and Hospitality are positively associated as number of tourists increases, demand for hospitality increases. Tourism and hospitality industry is key drivers of growth among the service sector in India. Indian economy is the 8th largest tourism economy and 9th largest in cultural resources and business travel, in the world. This industry has been witnessing a healthy growth number and accounted 7.5 % of GDP. Keeping in view above facts, present paper is an attempt to analyze the Economic Impact of COVID-19 on Tourism and Hospitality in India. Tourism and hospitality industry is the important source of employment generation and creation of foreign exchange. Also, it protects the cultural heritage of the country. Growth and Trends of Hospitality industry is being analyzed. Impact of COVID-19 on various economic aspects like, impact on GDP, Employment, number of tourists and infrastructure, are being discussed. Future prospects, Opportunities and Challenges before the Industry and suggestions are given. The complete analysis is based on Secondary data. Reports of concerned committees gives immense help to understand the industry. Appropriate statistical tools will be used wherever necessary.

Keywords: COVID 19, Tourism, Hospitality Industry, Foreign Exchange, GDP.

Introduction

Tourism is the foundation of the "Make in India Programme". The tourism and Hospitality industry is one of the largest industry of service sector in India. It has arise as important indicator of growth among the service sector. Tourism in India has wide range of tourist places including its rich cultural and historical heritage, diverse ecological conditions, and god gifted natural beauty, seen everywhere. It offers variety of tourism products, like cruise, adventure sports, medico and wellness centres, sports, eco-tourism, film, festivals and fairs, rural and religious tourism. India is the best suitable place for spiritual tourism for domestic as well as international tourists and for pilgrimage also. Tourism contributes a lot to the foreign exchange reserves of the country and also creates vast employment opportunities.

Hospitality Industry: The hospitality industry comprises of four sectors

- **Lodging:** Luxurious traditional palaces, boutique hotels, bed and breakfasts, camping grounds, hostels are the examples of lodging. The lodging sector involves highly diversified properties.
- **Food & Beverage (F&B sector):** It is the largest sector in hospitality, it is made up of properties delivering food, snacks, drinks for immediate consumption, on- or off-the premises.
- **Recreation:** Recreational establishments rely on the entertainment and relaxation of tourists. Properties having theatres or amusement parks fall into this category.
- **Travel & Tourism:** comprises means of transportation to move travellers from one place to another. Airlines, cruise ships, buses, trains belongs to this category.

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While all sectors are correlated and interdependent on each other, all hospitality sectors are emerging vastly due to new inventions and changing customer ideology.

Industry comprises business entity of food, beverages, lodging or a combination of these businesses to travellers during their stay in a destination i.e. staycation. The hospitality industry makes the service sector viable through the provision of services and the organization of short-term accommodations in the hotels, motels, campsites and other accommodation facilities on payment basis. According to Lashley and Morrison, "to better understand hospitality activities we need to understand the provision of food, drink and accommodation in the nuclear family".

The hospitality industry comprises various forms of activities of a social animal such as tourism, recreation, entertainment, hotel and restaurant business, catering, sightseeing activities, exhibitions, fairs, festivals and scientific conferences on contemporary issues.

Staycation has also emerged as a new trend where people stay at luxurious hotels to heal themselves with joy and to revive themselves in peaceful manner. To cope up such requirements, major hotel chains like-Radisson Hotel Group, Marriot International, IHG Hotels and Resorts, Mahindra Holidays and Resorts India Limited, etc. are fulfilling their client's wants.

There are many hospitality companies in India that are contributing to the growth of this sector. The hospitality industry has a wide coverage of tourist products like, event management, cruise line, transportation, lodging and theme parts. It is a multi-billion dollar industry. The success of the hospitality industry depends on disposable income and leisure time. It consists of multiple groups such as facility maintenance and direct operations.

Best performing top 10 hospitality companies in India are identified as follows:

Hyatt Hotels Corporation, HLV Ltd (Hotel Leela Venture), InterContinental Hotels Group, Marriott International India Pvt Ltd., Radisson Blu Hotels, Shangri La Hotels & Resorts, Taj Hotels, Resorts & Palaces, The Lalit Hotels, The Oberoi Group, The Park Hotels.

Objectives of Study

The study highlights the economic impact of covid-19 on tourism and hospitality industry. Along with this, another objective is to analyze the Future prospects, Opportunities and Challenges before the Industry.

Methodology

The study is explanatory in nature as it is conducted to understand the effect of covid-19 pandemic on income and employment. Secondary data has been used for the research. Several pieces of literature, journals, research articles, thesis paper, government documents, etc., are thoroughly studied to get some useful information.

Review of Literature

As the uninvited guest coronavirus pandemic checked in, India's hospitality and tourism sector suffered three quarters of economic wipeout. The impact of COVID-19 has been such that all other segments of tourism, like-inbound, outbound. Corporate, MICE (Meetings, Incentives, conferences and Exhibitions), Adventure, and Leisure, will continue to underperform till the next two quarters. It became an important subject for research. Various researches have been conducted and Articles have been published regarding COVID-19 and its impact.

Davahli Reza Mohammad, Karwowski Waldemar, Sonmez Sevil and Apostolopoulos Yorghos(2020) in his review article mentioned that all 50 articles studied by them have reported about the impacts of the pandemic on different aspects of the hospitality industry, like, job loss or unemployment, revenue losses, access to loans or indebtedness, reduced market demand, emerging new markets, hostile behaviours towards guests specially foreigners, and working conditions of hospitality workers and hotel cleaners. One of the reviewed study reported the effect of COVID-19 on specific critical areas of the hospitality industry, such as unorganized workers and hotel cleaners. Another reviewed article identified nine important themes including "COVID-19's impact on tourism, using automated content analysis after investigating newspaper articles.

International Labour Organisation (ILO)(2020) in its Thematic brief on the topic "COVID-19 and Employment in the Tourism Sector: Impact and Response in Asia and The Pacific" found that there is positive correlation between employment and impact on workers and economy in tourism. This is supported by the ILO estimates for 14 countries that in the tourism sector 15.3 million workers out of which 6.4 million women and 8.9 million men, were at risk as a result of the COVID-19 pandemic.

Thashneem T. Bhanu and Prasanna Kumar J.P. (2020) in his Research on the topic “The Effect of COVID-19 Lockdown on Indian Tourism and Hospitality Industry” found that 77% of the people were in the urge of dining out and 13.3% of them still wanted home delivery of food, this seems the effect of lockdown on the people as they have to stay at home for couple of days. As situation becomes under control people started showing more interest in dining out. Hence, tourism and hospitality business is affected by the fear of virus and lack of liquidity.

Kaur Dr. Navjeet (2017) in his Article “Analysis of The Contribution of Hospitality Sector In The Development of The Indian Economy” prove that the key challenges faced by the hospitality industry like lack of proper infrastructure, taxation issues, lack of skilled manpower as per requirement, issues regarding security and harassment and licensing issues need proper attention. While the possibilities for growth are enormous, it still demand cooperation both from the industry's key stakeholders in the private sector and from the relevant government bodies to truly transform the Indian hospitality's landscape in the years ahead.

Tourism and Hospitality Industry in India: An Overview

India's tourism industry is the 3rd largest foreign exchange earner after Gems, Jewellery and Readymade garments. The Foreign Exchange Earnings from the Tourism industry in India, stood at US\$28,585 billion in 2018.

India ranks 14th in terms of absolute Foreign Exchange Earnings(FEE) and 122nd in terms of share of visitor exports in total exports. Foreign Exchange Earnings (FEEs) during 2019 were US\$ 29.96 billion with a growth of 4.8 percent from previous year(table-4).

Foreign Tourist Arrivals (FTAs) during 2019 were 10.89 million with a growth of 3.2 percent from previous year(table-4).The cumulative Foreign Direct Investment (FDI) equity inflow in the Hotel and Tourism industry in India is US\$ 15.28 billion during the period April 2000 to March 2020.

Globally, when we analyze in terms of investment in travel and tourism, India becomes the 3rd largest country with an investment of US\$ 45.7 billion in 2018.India's tourism and hospitality industry is a massive employment generating industry and investment of every US\$ 1million creates 78 jobs in tourism.

According to World Travel and Tourism Council (WTTC), India stood at 10th position among 185 countries in terms of total contribution of travel and tourism to GDP in 2019. During 2019, this ratio was 6.8 percent of the total economy i.e. Rs. 13,68,100 crore (US\$ 194.30 billion).

Internationally viable Hotel chains are continuously increasing their branches in the country and it will capture for around 47 percent market share in the tourism and hospitality sector of India by 2020 and 50 percent by 2022.

According to ‘Times of India report (8 May, 2020)’ the Apex body of Indian hospitality i.e. Federation of Hotel and Restaurant Association of India (FHRAI), reports show that in organised sector India has about 53000 Hotels and 70 lakh restaurants and 2.3 crore restaurants in unorganised sector.

There are four categories in Indian hotel industry-Independent hotels, Alternate accommodations, New-age hotel chains, and Branded hotel chains. More than 70 percent of the total available hotel rooms belong to the independent segment i.e. unorganized sector, whereas about 5percent of the total hotel rooms go through the branded hotel segment, which dominates the organized sector.

Liberalisation and Globalisation, along with emergence of multinational companies, has pushed Information Technology sector for higher growth. This is the reason of gradual increase in business travellers. Domestic leisure travellers are found highest in India, around the world. In India, the hotel industry is highly dependent on the tourism sector for business and hence, government has to play a vital role to support the expansion of the industry. The government has taken some steps to boost investments in the hospitality industry. In the hotel and tourism sector, 100percent FDI is allowed, Hospitality Development and Promotion Board (HDPB) has been set up to monitor and facilitate hotel project.

COVID-19 and Impact on Hospitality industry

Hospitality is one of the worst effected industries as a consequence of the COVID-19 pandemic. This industry was the first to be locked and the last one to be reopened. The impact of COVID-19 in hospitality and tourism sector is tremendous due to deliberation of economic activities, demographics and reverses migration.

- **Impact on Global Economy**

“The loss incurred by the tourism industry from this pandemic for the year 2020 is estimated to be as severe as US\$ 3.8 trillion in GDP and 142.6 million in jobs, or more than one-third of the total amount of employment generated by this industry” - UNWTO, November 2020).

It was expected by the the United Nations World Tourism Organization (UNWTO)that due to the unexpected travel restrictions, international tourists will be down by 20 percent to 30percent in 2020, when compared to the last year. It is also estimated that 10% of the global GDP comes from hospitality industry.

The World Travel & Tourism Council (WTTC) has recently warned that COVID-19 pandemic could lead to a cut 50 million jobs worldwide in the travel and tourism industry. A study at Oxford economics, expects Asia to be the worst affected and data indicates the slow recovery of the tourism and hospitality industry. the industry could take many months to recover.

Global Economic Impact from COVID-19 on hospitality industry is being shown in table-1

Table 1

	Already Impacted		If no Improvement	
Travel and Tourism Job Loss in 2020	142.6 Million	43%	174.4 Million	53%
Travel and Tourism GDP Loss in 2020	US \$ 3815 Billion	43%	US \$ 4711 Billion	53%
Global Arrivals Assumptions	65%	33%	73%	45%

Source: hospitalityinsights.ehl.edu

- **Impact on Indian Economy**

With corona crippling the travel sector, the hospitality sector is among the first to feel its impact. According to Federation of Indian Hotels and Restaurants Associations of India (FHRAI), “the industry is facing a severe problem of massive job loss, bankrupt enterprises and definite closure of at least 70 percent of hospitality establishments across the country” (The Times of India, May 18, 2020).

- **Impact on Income:** As pandemic arises, financial position of company and its workers severely affected and there has been a drastic reduction in business activity of the hospitality and tourism industry. However, after a long duration of lockdown, hiring in the tourism sector slowed down by 51 percent in business in December 2020 compared to the last year, as per data shared by job site indeed. the report says that, the hiring in the sector witnessed a decline of 41percent between 2019 and 2020.

Quarterly results of Indian Hotel shows that Gross Profit of Indian Hotels continuously decreased and remain negative for consecutive two quarters i.e. June and Sep. 2020. Table-2 and Table-3 shows that as number of corona cases increased in India and Profit Margin of Indian Hotels had also declined because of cancellation of bookings and negligible forward bookings.

Table 2: Quarterly Profit of Indian Hotels

(in million rupees)

	Dec. 2019	March 2020	June 2020	Sep. 2020	Dec. 2020
Gross Profit	4245million	2480	-1799	-1299	113
Gross Profit Margin	30.9	23.3	-125.3	-50.6	2.0
Net Profit Margin	14.1	6.3	-185.9	-85.6	-21

Source: Company Annual Reports, Regulatory Filing, Equitymaster

Table 3:No. of Corona cases in India

	31.03.2020	30.06.2020	30.09.2020	31.12.2020
New cases	146	18641	86821	0
7 Days Average	123	18471	82867	17118

Source: JHU CSSE COVID-19 Data

In case of ‘Tata group hospitality arm Indian Hotels Company Ltd (IHCL)’, net loss of Rs 133.22 crore has been recognized for the quarter ended December 31, 2020, due to the continued adverse impact of the COVID-19 pandemic. Whereas the company had posted a net profit of Rs 213.17 crore for the corresponding period of the previous fiscal year, IHCL said in a filing to BSE. Aggregate income of the company stood at Rs 614.53 crore for the quarterunderconsideration.*

A lot of owners of hotels have taken huge loans for construction and run their establishments, and in such a pandemic state, adhering to the on-time payment of EMI's or the repayment of loans became a difficult task.

All tourism verticals have been severely impacted by the crisis; however, the gigantic jolt had been to the hospitality industry. Many hoteliers had reported cancellations reaching a critical stage of 90 percent. And forward bookings, which could help, had gone to almost negligible.

The Hospitality sector witnessed a huge loss of revenue because of pandemic season.. The meetings, Incentives, Conferences and Events (MICE), wedding tourism, all kinds of celebrations, medical, room reservations and wellness sectors have been severely affected.

In India the hospitality industry suffered a lot. Experts suggest that domestic hotel companies would face a weak Q4 FY20 and a weaker Q1 FY21. In March 2020 Indian economy, has to bear large-scale cancellations across the corporate, MICE and leisure segments. There is small erosion in business of Tier 2 and tier 3 hotel. Occupancies were started to decrease in at least the first half of March were only partially lower despite the spread of the virus in some states.

Table 4

	During 2019	During 2020
Foreign Exchange Earnings (FEEs)	US \$ 29.96 Billion (Growth rate of 4.8 percent)	US \$ 6.16 Billion (Jan. to June) month of march
Foreign Tourists Arrival (FTA)	10.89 Million (Growth rate of 3.20percent)	2.46 Million (Jan. to June)
	7.75 Million(April-Dec. 2019)	0.21 Million(April-Dec. 2020)
Contribution of Travel and tourism to GDP Growth rate	6.8 percent (US \$ 194 billion)	6.1 percent
Job Creation	8.1%(of total employment) (42 million)	8%(of total employment) (39 million)

Source:ibef.org/industry Jan. 05, 2021

*https://economictimes.indiatimes.com/markets/stocks/earnings/iicl-q3-results-reports-net-loss-of-rs-133-cr-on-covid-stress/articleshow/80671678.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

The Indian travel and tourism sector contributed nearly \$ 194 billion, around 6.8percent of GDP during calendar year 2019, For the year 2020, it changed to 6.1percent because since October 2020 travel and tourism industry started to recover and people started to utilise their staycations. Indian economy stood at 10th position, out of 185 economies, in terms of expenditure on travel and tourism in 2019.

- Impact on Employment:** The Tourism and Hospitality industry is highly labour intensive and has the massive opportunities for employment. It generates employment in both categories like. direct and indirect jobs. As the pandemic effect global economy, disease spread at an alarming rate and forced various governments towards implementation of lockdown and shut down operations in manufacturing and service sector. This was resulted into the migration of labour force to their home countries, cities and villages. and large number of employees becoming redundant for longer period of time. As per the report of IBEF, there was a decline of 31 percent in search for new jobs. Migrants constitute about 65percent of total employment of tourism and hospitality industry. Total job creation in industry was 42million during 2019 and it decreased to 39million for the year 2020(table-4). Impact of covid on employment was severe for the period March to September 2020, after that pandemic situation started to improve and migrant workers returned to their workplace. so, impact on employment seems not too much because impacts of severe pandemic situation were crossed out to some extent by the recovery in hospitality sector, after october2020. This is supported by the Report of 'Council for Monitoring Indian Economy'Jan.2021, that India's job market has started to recover, it was expected that worst has been over, and the people who lost their jobs during lockdown now would be occupied since most of the sectors restoring many jobs. According to Council for Monitoring Indian Economy, during December quarter, an upward movement has been seen in creating new jobs in the travel and tourism that was severely affected during lockdown. During December 2020 quarter, 20.7 million people were employed in travel and tourism sector, whereas June 2020 quarter had shown decline in employment by 5.5 million.

Because of nationwide lockdown workers were not able to move towards their workplace, this resulted into reduced income or zero income in unorganised sector. The whole chain of investment, production, distribution and consumption broke up in uncertain environment of pandemic. This pandemic season has threw Indian tourism industry into bankruptcies, mass unemployment and shut down of business.

Future Prospects

According to India Brand Equity fund (IBEF) India's tourism sector is expected to grow 6.7 percent to reach Rs. 35 trillion (US \$ 488 billion) and accounting for 9.2 percent of the total economy, by 2029. International tourist arrival in India is expected to reach 30.5million by 2028. Tourism and Hospitality has a great future prospect while taking into consideration the rich and prosperous heritage of India.

- There is vast scope of developing hotels in rural areas. Paying guest facility is most attractive for tourists as well as local people. Local people will have economic benefits and tourists will have an opportunity to understand the local culture.
- There is a lack of accommodation for middle class i.e. rooms at cheaper rates. These are called 'budget hotels'.
- New advancements in health sector and vast bio-diversity in India will definitely create demand for the hotel sector promoting eco-tourism and medico-tourism.
- To increase the customer base, hospitality entrepreneurs can collaborate each other. It will enhance the efficiency and productivity of tourism and hospitality sector.
- There is inverse relationship between low-cost flights and tourism cost. It will be helpful to increase domestic spending on hotels. These low-cost flights may connect remote areas.
- Implemented by the Ministry for enhancing the facilities and infrastructure provided at pilgrimage centres across the country also bode well for the sector. Arrangements for infrastructure and basic facilities for pilgrimage will boost the hospitality sector. Although, the government is running various National Missions for pilgrimages.

Conclusions

Indian economy has faced a big threat due to corona virus. To break the chain of infection, Indian government has to put restrictions and imposed lockdown all over nation. The whole economy suffered a lot but the Tourism and Hospitality industry immensely effected in terms of less bookings, low demand and no foreign tourist arrival. Though the corona cases were continuously rising, the ease on lockdown was enabled to save the economy as well as to save the citizens. Ease of lockdown was done gradually, and food services, tourism and hospitality services were focused. The study recommends frequent sanitization, social distancing, preparation of food with proper hygiene, cashless transaction, online advance bookings, etc. Hospitality industry has to focus upon spiritual and adventure tourism.

However, it will take time for travel and hospitality industry to get back to the normal position. Government is also taking steps to uplift the sector. The pandemic has taught a lot about cleanliness, hygiene and keep clean environment.

Opportunities and Challenges

Corona virus has created the environment of fear everywhere. More than 90percent of world population have to manage their life under travelling barriers. The hospitality industry and the world continue to suffer huge losses and side effects due to the disease, even though the hospitality sector is surviving. However, hospitality entrepreneurs have strong willpower and they fight to win. Four opportunities and challenges are given below

- Changes in consumer's tastes, preferences and behaviour, demand for new tourism products and dimensions arises. Increase in domestic travelling will increase the trust and prediction. Outdoor activities are highly preferred by tourists.
- People have become more keen towards Health, Safety and Hygiene. In future the concept of 'Social distancing' will lead tourists towards own and independent premises.
- Emergence of new technologies like-digitalization and innovation, have make people smarter than before. New mode of transactions is widely accepted by general public. Home deliveries and Online shopping are on the rise with contactless technologies.

- Spiritual, Education, Bio-diversity, Environmental, Social, and institutional sustainability: Natural habitats, unemployment, wildlife protection, antiracism movements, public awareness are the key areas to be focused.

Hospitality industry is facing lots of challenges and the future is in determinant, however accept challenges, convert them into opportunities, only then hospitality unit be viable and versatile

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