

Impact of COVID -19 Pandemics on Indian Tourism Industry

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Abstract :

The novel corona virus (COVID-19), which is one of its kinds of humanitarian disasters, has affected people and businesses worldwide, triggering a global economic crisis. In this aspect, the tourism sector is not being left behind. The pandemic has not only affected the foreign exchange earnings (FEE) but also affected various regional developments, job opportunities, thereby disrupting the local communities as a whole. As there has been a substantial decline in the arrivals of overseas tourists in India in 2020, the paper aims to predict foreign tourists' arrival in India and FEE using artificial neural networks (ANN). Furthermore, we analyze the impact of COVID-19 based on four scenarios considering with and without lockdown in terms of loss and gain in FEE. Lastly, the results obtained will help policymakers make necessary strategic and operational decisions, along with maximizing the FEE.

Keywords : Foreign exchange earnings, Foreign Tourist Arrival, Medium small and micro enterprises, priority sector lending ,own account enterprise ,world travel and tourism council.

Background :

A novel coronavirus virus originated from the Wuhan province in China during December 2019, which posed an international public health emergency and had acquired the position of an awfully high-risk infectious virus. The outbreak of Covid-19, the disease caused by the novel coronavirus, has expanded its roots to 195 countries with more than 10 million cases across the world recorded as coronavirus positive as of this writing. Of note, worldwide researchers and various health agencies are all at once doing their best to fade the spread of this virus and avoid any possible contagion situation to be faced, which otherwise would threaten the lives of many people at large.

As reports of Covid-19 came pouring from across the world, the Indian government took preemptive steps to screen the passengers at the airport. Indian citizens returning

from different countries were being evaluated for clinical symptoms, tested for Covid-19, and quarantined for two weeks. During mid-March, the government started imposing the flight bans and visa restrictions, by which time it was obvious that the aviation and tourism industries were going to be heavily impacted. To be clear, India is not the only country imposing flight bans and visa restrictions; the United States has issued similar orders around the same time. On March 24th, the Government of India had announced a complete lockdown in the country to control the situation to prevent the further spread of the virus. The lockdown, which continued till the end of May in some form or the other, has helped prevent the spread of Covid-19 to a considerable extent even though it came at the cost of economic output. While the migrants and daily wage workers may be the most affected among all classes due to the Covid-19 pandemic, the travel, recreation, and tourism might be the most impacted sector in the Indian economy. While some industries have been 'unlocked' early June, the restrictions on travel and tourism might continue for quite some time to mitigate the risk of infections in cities, towns and villages.

Indian Tourism Industry

India is a vast market for travel and tourism. It offers a heterogeneous portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, eco-tourism, film, rural and religious tourism. India has been identified as a destination for sacred tourism for domestic and international tourists. In recent years, India had experienced exponential growth in travel and tourism aided by different kinds of travel.

Tourism sector in India generates significant revenue for the Indian economy besides contributing to the global output. Before the onset of the pandemic, the sector was growing rapidly as it supports a large employment base and rakes in huge profits. Today, the country has many preferred destinations for both domestic and international travelers.

The World Travel and Tourism Council (WTTC) reported that the tourism in India generated Rs.16.91 lakh crore or 9.2% of India's GDP in 2018 and supported 42.673million jobs, which is 8.1% of its total employment. According to the WTTC, India has ranked 3rd among 185 countries in terms of travel and tourism's total contribution to GDP in 2018.

Impact of Covid-19 on Tourism

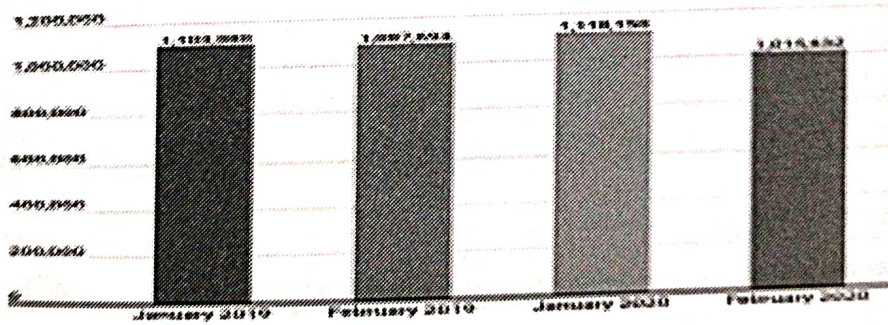
The rapid spread of coronavirus has halted domestic and trade activities, and disrupted routine activities of many nations bringing their economies to a halt. Several countries across the world continue to announce travel restrictions as a part of their efforts to contain the spread of the coronavirus. Thus, tourism across the world is getting impacted

although it might be more severe in India due to its large number of religious and historic places. Indian Association of Tour Operators (IATO) estimates the hotel, aviation and travel sector together may incur a loss of about ₹85 billion due to travel restrictions imposed on foreign tourists, which has resulted in large scale cancellations. Though domestic transport facilities are being made somewhat operations as of this writing, the social distancing norms will continue to impact tourism for the rest of the year.

India's total foreign tourist arrivals (FTAs) stood at 10.9 million and the foreign exchange earnings stood at Rs 210,971 crore during 2019 with Maharashtra, Tamil Nadu, Uttar Pradesh, and Delhi accounting for about 60% of FTAs. However, now with travel restrictions in India for over 80 countries and the international flights being suspended (and domestic flights being operational with restrictions), the Indian domestic travelers and FTAs will witness a significant decline during 2020. The sector is staring at a potential job loss of around 38 million, which is around 70 percent of the total workforce.

Even without regard to tourism, the cancellation of events (personal or business) will adversely impact the revenues of airlines, railways and buses. In addition, demand for petrol, oil and turbine fuel will substantially decline, thus affecting the petroleum and oil industries. The impact will be felt on both white and blue-collar jobs. Since airports would function at less than their normal capacity, it would impact the contract and temporary workers in the airports. All this shows the cascading effects of impact to the travel and tourism industry.

Foreign Tourist Arrivals in India

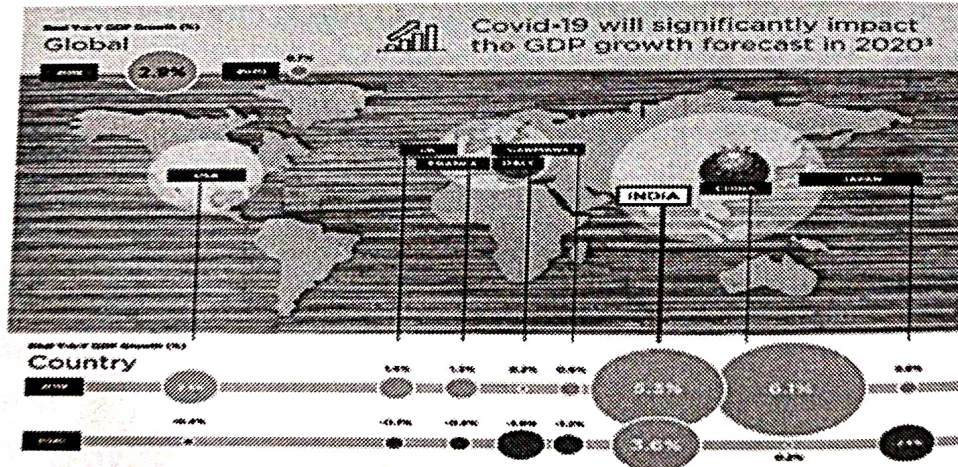
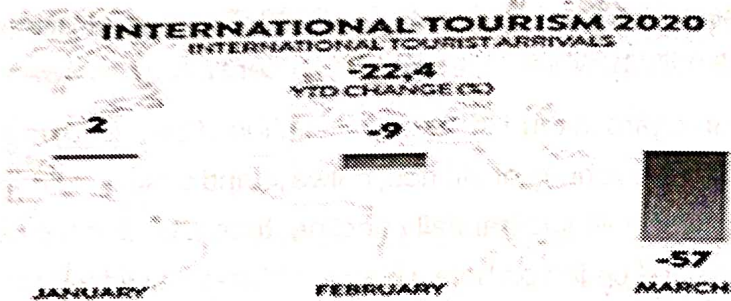


SOURCE: Economic Survey

Global Scenario of Tourism Industry-

Interestingly, the global scenario is completely different. The EU has provided benefits in the form of liquidity support, fiscal relief, and easing of state aid rules for those in the tourism business and is currently considering a tourism recovery plan. Italy, one of

the worst country to be affected by COVID-19, has recently announced a four billion euros bailout package for tourism and will incentivise domestic tourists to holiday on home soil. The French government too has announced an eighteen billion euros "Marshall Plan for Tourism" bailout for tourism. Similarly, South Africa has initiated a relief package of approximately \$11 million exclusively for MSMEs in the hospitality and tourism sector. Indonesia has announced a \$725 million stimulus package in order to revive its tourism and civil aviation industry, with additional tax waivers to hotels and restaurants in select regions. Countries such as US, UK and Singapore too have initiated focussed efforts to revive tourism. India's lack of focus on tourism and its conspicuous absence from the recovery package is both surprising and disappointing. Even more so when the government has been paying particular attention to the sector these last six years.



Source -UNWTO [world tourism organization]

Steps can be done To Revive the Tourism Industry in India-

First, like all MSMEs, those in the tourism sector will also require access to credit, of which, most vulnerable are the own account enterprises (OAEs). In order to improve the flow of credit to this sector, tourism must be included under priority sector lending (PSL). Furthermore, under the category of MSME for PSL, a separate sublimit for

OAEs must be created to ensure that credit flows to the smallest of small businesses. Second, the central government should consider tweaking norms under tourism infrastructure development schemes so that states may utilise funds under such schemes to develop health and safety infrastructure to ensure nil or minimum chances of transmission of communicable diseases in future. For e.g. funds under PRASAD may be used for developing health and safety measures at religious destinations. Third, the Government should consider supporting the hotel and restaurant industry by subsidising their fixed costs. Additionally, applications and renewal of licencing fees should be absolved for atleast a year and kept at minimum for the next two years for all such businesses. Similarly, transfer of licence should be made seamless so as to bring ease of doing business in the industry. Fourth, state governments should consider waiving certain critical charges such as property tax and interstate transport taxes for a fixed period of time. Electricity and water charges for homestay owners should be billed at residential rates instead of commercial rates. Fifth, all state governments should look to create a state run e-commerce platforms, replicating the GEM model, which will allow for showcasing and sale of state specific cottage industry products and provide the necessary market connect to consumers. State governments must also think of ways to incentivise domestic tourists to boost local tourism. For the tourism industry, this is an excellent time to develop a common safety and sanitation standard for hosting and serving its customers. The industry must also utilise this opportunity to adopt ecological waste disposal practices and adopt environment friendly day to day practices.

It is quite evident that the tourism sector in India needs a redoubled and renewed push for its revival in the post COVID-19 world.

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