

The Economic and Psychological Impact of SARS-Cov2 on Travel and Tourism

Industry: With Special Reference to India

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Abstract

By the end of December 2019, the eruption of SARS-CoV2 popularly known as COVID-19 started in the Hubei province of China. In just two months, COVID-19 spread across the globe. By the end of March 2020, more than 160 nations putting the public health first, implemented countrywide shutdown, hence the travel and tourism industry came to a complete halt. This paper highlights the significance of the tourism industry and its role in the Indian economy; investigates the impact of COVID-19 on the tourism sector, and proposes some possible recovery measures.

Keywords: COVID-19; Lockdown; Tourism; Economy; WTTC; UNWTO

Introduction

The term tourist was first time probably used in 1772 and tourism in 1881 (Westcott M. May 2015). Tourism is referred as an industry mainly because it not only amuses us but also employs a sizable amount of people. Tourism together with travel sector becomes the largest industry in the world. Over the years, many countries have deemed tourism as an important benefactor to economic growth. The economies of some countries totally rely on this sector. If a country attracts a good number of tourists, that country can't be designated as a poor country. The irony of tourism industry is that, any kind of economic setback to the states hits tourism industry first as people start cutting down their travel expenditure first. But, in the case of COVID-19 tourism somehow had played a direct role as it spread most in those countries where tourist was in high number.

The countries, never in history have faced a challenge like COVID-19, where the movement of people both domestic or international has come to stand still, affecting travel around 25% this year that is almost equal to dropping of 3 months of travel. Due to the Corona pandemic, as per estimate, there will be around 38% decline in travelers

across the world (Sharma N, 2020). Alike other sectors of the economy Tourism and travel industry will also bear the burn.

Economic Impact

By mid-March 2020, most of the countries across the world implemented travel restriction within and across borders. P Zurab Secretary General of UNWTO remarked "With tourism suspended, the benefits the sector brings are under threat: millions of jobs could be lost, and progress made in the fields of equality and sustainable economic growth could be rolled back"[1]. An estimates released by WTTC in March 25th, 2020 almost 7.5 crore jobs in tourism and hospitality industry are at stake worldwide.

In just two weeks their calculation jumped by 50% from the last estimates. Almost ten lakhs jobs are being lost every day. The situation can be worst with the further spread of COVID-19. The tourism industry according to WTTC was the second fastest growing industry in the world. In 2018 it grew at the rate of 3.9% followed by manufacturing that grew at the rate of 4%. The most recent study of the council suggests that the Asia-Pacific region will be hit the most and might lose 4.9 crore jobs because of COVID-19. That will cause a loss to the tune of \$800 billion to the GDP of tourism sector [2].

Psychological impact

Travellers never halt their feet in any condition. Globetrotters are waiting for the farewell of the COVID-19 virus. However, the change in the mindset of people will affect the hotel and travel business once the lockdown is over. Following radical changes could be noticed-

- Post lockdown people will start travelling but instead of international destination they will prefer domestic travel, as the corona fear in the mind of travellers will stop them from stepping out of the home country, at least for a year or two.
- People will be conservative while choosing the destination; they will prefer the places that are close to nature or places where the impact of COVID-19 has been less or controlled.
- Hygiene will be the topmost priority; hence people will prefer clean and virgin places to the popular and crowded ones.
- Booking of hotels may be checked twice as they might suffer from germaphobia.

- People will prefer to travel by own vehicles than traveling by Cruises or flight due to the fear of infection or compulsion of social distancing.
- Rather than going for a long vacation, people can prefer long drives during weekends.
- Going to worst corona affected countries like USA, Brazil, Russia, U K, Italy, Spain France Germany, etc. will be a taboo.
- China could be the most discarded tourist destination in the world due to the land of corona virus eruption.
- The east European countries and the Baltic States could emerge as a new tourist destination.
- For India, Middle East and S E Asia could be the new destination because of less COVID-19 cases and close proximity (Marwah M, 2020).

India Scenario

The tourism industry plays an important role in the Indian economy and has been a notable benefactor of country's GDP. In addition to this, this sector generates huge employment. So putting a halt on aviation and the closing down of popular tourist destination including the 7 wonders of the world "Taj Mahal" by the mid-march 2020, that attracts millions of tourist every years both domestic and international, was an evocative sign of how the tourism landscape of India got changed because of corona pandemic (Singh N, 2020). In relation to any other sector tourism industry rely the most on free and optimistic movement of people, but the countrywide lockdown and no movement possible, the tourism sector is being "badly hit" remarked by the government.

Significance of Tourism industry in India

- It's contribution to India's GDP was 9.5% and generated more than 4 crore jobs as of 2019 that makes 8% of country's total employment [3].
- According to WTTC, out of 185 nations India ranks third in terms of its total contribution to GDP (Aggarwal P, 2020).
- This industry accounts for over 12% of jobs (5% direct and 7% is indirect) in India [4]. The tourism sector not only engages workers in urban areas but also provides a platform for countryside people.

- According to the latest report (2019-20) of MOT, over 8.6 crore people were employed in the travel & tourism sector in India.
- As per an estimate, the total revenue of recognized hotels in India is around Rs 380000 million.
- The restaurant industry an important sub-sector gives direct employment to over 70 lakhs people and has a turnover of around Rs 4 lakh crore.
- The air transport another important ally of the tourism industry employs more than 4 lakh people directly and 9.4 lakhs indirectly(Singh N, 2020).
- According to WTTC, by the year 2028, foreign tourists' arrival in India is expected to reach over 30 billion[5].

Impact of COVID-19 on India's Tourism Sector

Before the rise of corona pandemic, the tourism industry in India was already facing the burn of a global economic slowdown. The deceleration of world economy last year, resulting in low footfalls of foreign tourists consequently low earnings of foreign exchange from tourism sector in India. This situation got further worsens due to the pandemic and resultant nationwide lockdown that has halted the growth of travel & tourism sectors in India. FAITH in its report said, "The industry is facing its biggest economic challenge with the larger and combined effect of 9/11 and the slowdown of 2009 and estimated bigger effect than the Economic Depression and World War II" [6].

- Due to pandemic, the tourism and hospitality sector in India is assuming a potential loss of nearly 3.8 crore jobs. The impact could be on both "White and Blue collar" job.
- As per industry record by the end of March 2020 the hotel occupancy went down to over 60 percent as compared to last year in the same period.
- IATO has estimated the combined loss of travel, hotel, aviation sector to the tune of around Rs 8.5 crore due to the restrictions imposed on the arrival of foreign tourists.
- India will witness an all time low in inbound and outbound travels due to COVID-19.
- The hospitality industry is assuming almost zero earning in the current lockdown period, and low revenue in the succeeding months (Singh N,2020).

- In March 2020, FAITH the apex body of the industry predicted the loss to the tune of 5 lakh crore. Due to COVID-19 the supply chain in tourism and hospitality industry is breaking down severely, hence the estimation got double to 10 lakh crore in April 2020 [7].
- According to a research firm “STR”, the room occupancies in hotels across pan India dipped by 67% just before the announcement of countrywide lockdown. The earnings were hit hard and went down to 72% by 21st March 2020, as against 20% registered on 7th March 2020. The room occupancies dipped further up to 15% in April 2020, according to EIH [6].
- By industry experts if the current situation does not improve by June 2020 then it can affect 30 percent revenue loss to hospitality industry.
- Nearly 15 percent jobs in hospitality industry are at stake as there will be hardly an immediate surge in demand even after the lockdown is over.
- The increase in air passengers is likely to have negative growth of 20-25 percent for the year 2020-21 (Singh N, 2020).

Revival Measures

The situation mentioned above indicates a slow or gradual revival of tourism sector in India, although the important point to note is that there is hope left. After all tourism is no longer a luxury, instead it has become part of everyone's life to get rejuvenation by breaking away from a boring routine life. Hence the revival of this sector is just a matter of time. To revive the tourism industry the following few measures could be adopted -

- More emphasis should be on domestic tourism to realize its full potential and earn profit.
- ICC recommends constituting a “Travel & Tourism Stabilisation Fund” to avoid monetary and job loss.
- The industry should also consider about operational “cost optimization” at every level.
- FAITH has suggested that, the government is required to boost domestic tourism “by giving 200 percent weighted reduction of expenses to Indian corporates for undertaking their meeting, conferences, and exhibitions in India”.

- Further tax exemption should be given to LTA up to Rs 150000 to all Indians “for undertaking domestic holidays, these exemptions to be availed against invoices issued by GST registered Indian Tourism service providers” [6].

Road ahead

The comeback could be slow, but tourism being an integral part of people's life it will revive first for sure, once the pandemic is over. After a long stay at home due to lockdown and no travel, people will certainly start exploring the world once again. Further, China is a big inbound tourist destination, but COVID-19 will certainly damage the market. This is a blessing in disguise, and India should try to tap this opportunity once the business is revived.

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