



Munich Personal RePEc Archive

# **Post Covid19 strategy to survive the Tourism industry: Indian Perspective**

Ghosh, Amlan

National Institute of Technology Durgapur, India

10 June 2020

Online at <https://mpra.ub.uni-muenchen.de/102808/>  
MPRA Paper No. 102808, posted 17 Sep 2020 13:37 UTC

## **Post Covid19 strategy to survive the Tourism industry: Indian Perspective**

Dr Amlan Ghosh  
National Institute of Technology Durgapur  
West Bengal, India.  
[amlanpost@gmail.com](mailto:amlanpost@gmail.com)

### **Introduction**

No other event has impacted travel in the history except this Covid-19 pandemic which has created an unprecedented crisis for the tourism economy. The global supply chain has stopped and the movement of people has been in a halt globally along with all economic activities. Tourism is a labour intensive sector and the tourism ecosystem<sup>1</sup> involves airline industry, tour operators, travel agents, hotels, restaurants, transport services, car services and all other ancillary services associated with travel and leisure. If you go down to the tourism value chain, we may find that local shop keepers who sales local products or handicrafts made by the local people or artisans, or farmers who supplies food to the hotel and restaurants are also dependent on the tourism industry indirectly. Tourism contributes in large part in the GDP of the countries and support an extensive job market directly and indirectly throughout the world. Therefore, the lockdown throughout at simultaneous time impacted the overall economic activities and tourism activity which resulted huge loss to this industry and comprehensive job loss.

The major European economies has suffered along with the US which is the biggest hot spot of coronavirus at present with 2.73 million total cases with more than 130,000 deaths. Worldwide more than 10 million people have affected with this virus which resulted little more than 0.5 million deaths<sup>2</sup>.

India has been quick to understand the severity of the covid-19 crisis and took immediate steps to impose world's biggest lockdown of 1.3 billion people including some early response of partial lockdown of some individual states like West Bengal. This was early and quite an important response from the policy planner's perspective as they would like to reduce the number of infected people in the system so that infected people cannot spread the viral infection among others. Therefore, lockdown was essential.

In India, this virus has affected more than 0.6 million people with 17400 deaths. The five most affected states are Maharashtra, Delhi, Tamil Nadu, Gujrat and Uttar Pradesh<sup>3</sup>.

After spending 68 days of locked down India has embarked on the Unlock Phase with gradual opening of all economic activities, with certain conditions and restriction (MHA; 30<sup>th</sup> May). India has stated it's unlock phase II from July 1 2020 with restriction on international air travel, metro rails, schools, Colleges and mass gathering of any political/religious/social/sports event<sup>4</sup>.

The present paper has been structured in the following way. The next section will highlight the impact of this pandemic on the tourism worldwide and in India and the last section will focus on the strategies to address the problems faced by the India tourism Industry.

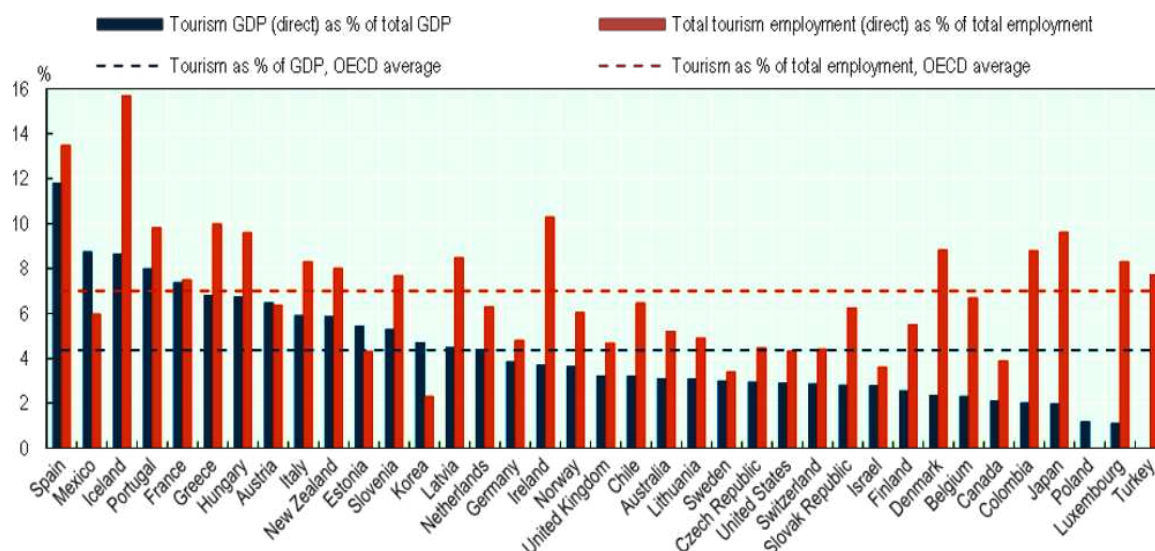
### **Assessing the Impact of Covid-19 pandemic in Tourism Sector:**

#### **World Tourism**

The World Tourism Organisation (UNWTO) has estimated that 120 million direct tourism jobs could be lost or at risk due to the COVID-19 pandemic, which has impacted travel like no other event in the history and this could implore US \$ 1.2 trillion loss of revenue in the global tourism industry because of 850 to 1.1 billion lesser tourist arrivals in 2020 (UNWTO, 2020)<sup>5</sup>.

The tourism sector directly contributes to the GDP by generating foreign exchange, creating numerous jobs and supporting different types of businesses and thereby development of a region. On an average tourism contributes almost 4.4% of GDP in developed nations and generates almost 7% direct jobs<sup>6</sup>. The shares of tourism are much higher for several OECD (Organisation for Economic Co-operation and Development countries). For example, tourism in Spain contributes 11.8% of GDP whereas Mexico, Iceland, Portugal and France generates 8.7%, 8.6%, 8.0% and 7.4% of GDP from tourism respectively (Figure 1)<sup>7</sup>.

**Figure 1: Direct contribution of tourism in OECD economies**



Source: OECD tourism statistics (database). Tourism policy responses to coronavirus (covid-19), OECD 2020

Since tourism is a labour intensive sector, it employs high skilled as well as low skilled workers jobs which may be permanent or temporary in nature. If we look at the direct jobs created by the sector in OECD economies, the share of tourism employment represents 15.7% of total employment in Iceland, 13.5% in Spain, 10.3% in Ireland, 10.0% in Greece, and 9.8% in Portugal.

We have to understand that the global economy is going to slow down in a major way and we are going towards a period of the great recession. The global supply chain has stopped, movement of people has been in a halt globally, job loss would prevalent and most of the country would take more steps to safeguard their economy. OECD therefore, indicate that the potential loss could range between a 60-80% in the international tourism revenue in 2020 depending on the duration of this pandemic.

## India Tourism

Before estimating the impact of the corona virus pandemic on Indian tourism industry, understanding of the composition of GDP is essential. Out of the total GDP, service sector contributes around 55 percent, Industry sector contributes 30% and agriculture and allied activities contributes 17 percent. The Service sector includes financial sector, real estate, hotels, transport which contributes almost 40% of the GDP<sup>8</sup>. Indian tourism industry contributes 9.5 percent of the GDP which is close to the contribution on developed countries. Hotels have been closed throughout India during the lockdown period along with all kind of transport movements in India. The transport sector (public) is expected to resume some activities after August 12, 2020 (Railways)<sup>9</sup>. The transport industry itself absorbs around 5 crores of jobs.

Given various travel restrictions imposed by the Indian government as well as governments across the globe, various advance bookings have been cancelled. According to the apex sectoral body, Federation of Associations in Indian Tourism & Hospitality (FAITH) most of the summer holiday bookings have also been cancelled (about 60 per cent), thereby impacting domestic tourism. The industry is projected to witness a loss of US \$ 13.266 billion on account of impact of COVID-19 pandemic<sup>10</sup>.

Another study by the CARE Ratings projected that the Indian tourism industry is going to book a revenue loss of Rs 1.25 trillion which is 40 per cent decline in revenue over 2019 in calendar 2020 due to the shutdown of hotels and deferral in flight operations since the lockdown imposed after coronavirus (Covid-19) pandemic has hit the country. The same study has highlighted that during April-June, the Indian tourism industry is expected to book a revenue loss of 30 per cent year-on-year (y-o-y)<sup>11</sup>.

Domestically, we may witness job losses due to lockdown as we have around 43 crore working population (out of total 46.5 crore working population) in the unorganised sector (NSSO) which includes construction workers, people associated with the tourism sector, agriculture, etc.

The tourism industry also going to see a job cuts for 40-50 million people in India. The Ministry of Tourism in its press release on April 10, 2020, also accepts that the tourism industry is being badly hit in India and is regularly talking to its stakeholders on tourism related issues<sup>12</sup>.

### **Next Set of Policy Responses: Go Glocal in New Normal**

We need to understand that to move forward, it is absolutely essential that full energy and focus of the nation must be on containing and stopping the spreading of virus as early as possible with minimum covid19 positive cases. The more we spend time on fighting the Covid19 virus more the loss of economic output. We have to understand that the global economy is going towards a period of great recession. The IMF has projected a global growth of negative 4.9% in 2020 and growth is projected to strengthen to 5.4 in 2021. The GDP Growth in the advanced economies is projected at negative 8.0 percent in 2020 at the same time the emerging economies will grow at negative 3 percent (WEO June 2020)<sup>13</sup>.

Amidst uncertainty in the market due to the unknown length of this pandemic and looming future lockdowns along with new social distancing norms created an adverse impact on aggregate demand and, therefore, economic activities along with investment is expected to be pessimistic as firms defer capital expenditures.

**Table 1: Foreign Tourist Arrivals in India**

Month	Numbers	Y-o-Y % change	M-o-M % change
Oct-19	9,44,233	6.07	25.81
Nov-19	10,91,946	7.84	15.64
Dec-19	12,25,672	2.87	12.25
Jan-20	11,18,150	1.34	-8.77
Feb-20	10,15,632	-6.63	-9.17
Mar-20	3,28,462	-66.42	-67.66

Source: CMIE outlook data base.

Most of the countries are taking more regressive approach to save their economy and lives in this globalised environment. Therefore, global supply chain has been severely impaired and so has movement of people. The reality is that global tourism will be hit hard throughout 2020 and we may expect the same beyond 2020 if the uncertainty of controlling the pandemic exists. If we look at the number of tourist arrivals in India for the last three months (Jan-March), it is negative 66% so as the revenue from the same source.

**Table 2: Foreign Exchange Earnings from Tourism in India**

Month	in US \$ Million	Y-o-Y % change
Oct-19	2,399	20.07
Nov-19	2,776	20.59
Dec-19	3,177	15.32
Jan-20	2,844	11.22
Feb-20	2,557	1.67
Mar-20	785	-66.32

Source: CMIE outlook data base.

The new social norms of social distancing would create panic in the mind of travellers and therefore they would be reluctant to travel without any cause and definitely not for leisure. Therefore, unless we have a solution to the Covid-19 virus, people will follow the social distancing and they will be reluctant to use public transport unless it is very essential. Even if the vaccine is available within a very short period of time (by the end of this year with mass production) it will take another 8-9 months to resume normal economic activity (which is quite optimistic though).

It is not yet clear when a more widespread re-opening of borders will occur, and under what conditions. This will lead to almost zero foreign tourist in Indian soil till next calendar year. When there is a global pandemic which resulted complete halt of global supply chain and transport you need to have a local response to the situation. Therefore,

the only approach to revive the tourism sector lies within the country, rather within the small regions or geographical areas. One good aspect in this situation is that majority of tourist in India are domestic tourists which accounts for 98% of the total tourists. But we may also expect that in the near future the interstate Indian tourists are also going to be less than earlier due to same reasons as discussed earlier, such as, social distancing norms and fear of spreading the Corona virus. Similarly, domestic tourism, which accounts for around 75% of the tourism economy in OECD countries also.

**Table 3: Percentage of Domestic and Foreign Tourist Visits to India**

Year	Domestic	Foreign
2010	97.66	2.37
2011	97.79	2.21
2012	98.28	1.72
2013	98.28	1.72
2014	98.29	1.71
2015	98.40	1.60
2016	98.50	1.50
2017	98.41	1.59
2018	98.47	1.53

Source: CMIE outlook data base.

We have to be go global than glocal. We need to focus on “region” basis for the coming few months to restore the tourism sector and the local economy. Every state has certain regions which are completely dependent on tourism economy. Every individuals, business houses, administrators, local tourist bodies who are the stakeholders of this region have certain responsibility towards the region as the economy of this region is dependent on the tourism activity. If the tourism activity reduces which will have a cascading impact on all the people who are dependent on the tourism activity directly or indirectly.



**Figure -2: Region Based Tourism Policy**

Region Based Tourism Policy (Survive-Revive)						
Stakeholders						
<b>Local Administration</b> (District magistrates, Police department etc.)	<b>Local Govt.</b> (Mayors, Councilors, Head of villages, etc)	<b>Tourism Bodies/ Associations</b> (Different association/bodies of people associated with tourism; e/g., taxi association, hotel associations)	<b>Business Houses</b> (Hotels, Local shops, Restaurants, etc.)	<b>Civil Society/ people</b> (Educationist,lawyers, Environmentalist, local people etc.)	<b>State Govt.</b> (Representative of the elected Government)	<b>Health Department</b> (representative of Doctors/virologists)
<b>The body will decide: (A comprehensive tourism recovery plan).</b> (1). How to take precautionary measures to address tourist needs. (2). Safety SOPs for Hotels, restaurants, lodges etc. (3). Dos and Don'ts for tourists. (4). Awareness programme for tourism among all stakeholders and region. (5). Confidence building among tourist and local people. (6). Lifting travel restrictions or ease of travel restriction with SOP. (7). Smooth conduct of tourism activity (sightseeing/rides/visits etc.) (8). Promotion of the region as a tourist place for sustainable development.						
<b>Outcome:</b>	Improved quality of service to the tourist which will boost the confidence, Investments environment in tourism industry, stopping of job loss and sustenance of jobs in the tourism industry, sustainable development of the region, Economic development.					

Conceptualised and Compiled by the Author.

These regions are required to take proactive measures to promote the tourist places to local people or in the same region and make them aware about the importance of their visit to those places. Local tourist bodies need to take this opportunity to improve the cleanliness and hygiene of these areas with the help of local administrators and the State Government. The State govt. has a very important role along with local tourism bodies to promote local tourist attractions to the people of this region with a view to make local or regional people as stakeholder of the industry. State Govt. need to spend on public utilities and more amenities which would promote the new social distancing norms. The local tourist bodies along with the local administration (or State Tourism Department) is required to come out with guidelines (SOP) on how to sanitize rooms, camps and running restaurants, how to run taxis with maximum number of passengers, trekking lodges and such related issues which will also give confidence among the local residents

Therefore, a comprehensive tourism recovery plan [Figure-2] (localised approach) is required to prepare by the all stakeholders for smooth conducting the tourism activity in the vicinity of the region for sustaining the tourism industry at local level.

The coming 8-9 months are not for making high profits but an opportunity to survive-revive the industry so that thousands of people associated with the tourism ecosystem may overcome this unprecedented time and overcome the present situation by serving the local stakeholders until the normalcy restored in our social life and economy. For sustainable development of the tourism industry government need to come forward by helping the sector with soft loans, working capital and deferment on loan repayments which is inevitable in this situation. We may expect that economic activity would start again with new norms of social distancing; the local bodies of tourism sector and all service providers would introduce a localised approach to address the challenging issues of this region.

## **References:**

1. Duncan Tyler & J. Mark Dangerfield (1999) Ecosystem Tourism: A Resource-based Philosophy for Ecotourism, *Journal of Sustainable Tourism*, 7:2, 146-158, DOI: 10.1080/09669589908667332.
2. <https://www.worldometers.info/coronavirus/>.
3. <https://www.mohfw.gov.in/>. and/or <https://www.mygov.in/covid-19/>
4. MHA (2020), No. 40-3/2020-DM-I (A), Govt. of India. Available at: [https://www.mha.gov.in/sites/default/files/MHAUnlock2\\_29062020.pdf](https://www.mha.gov.in/sites/default/files/MHAUnlock2_29062020.pdf)
5. UNWTO (2020): World Tourism Barometer: Special focus on impact of Covid-19, May 2020.
6. OECD (2020), OECD Tourism Trends and Policies 2020, OECD Publishing, Paris. Available at: <https://doi.org/10.1787/6b47b985-en>.
7. OECD (2020): Tourism policy responses to coronavirus (COVID-19), June, 2020. Available at <http://dx.doi.org/10.1787/888934076134>.
8. Economic Survey (2019-20). [online] Available at: <https://www.indiabudget.gov.in/economicsurvey/>
9. Money control (June 24, 2020): [online], Available at: <https://www.moneycontrol.com/news/trends/travel-trends/coronavirus-impact-regular-passenger-train-services-may-not-resume-until-mid-august-5449561.html>.
10. PTI (May 5, 2020), Covid-19 impact: Loss forecast for India's tourism sector doubles to Rs 10 lakh crore, says FAITH. [online] Available at: <https://www.financialexpress.com/lifestyle/travel-tourism/covid-19-impact-loss-forecast-for-indias-tourism-sector-doubles-to-rs-10-lakh-crore-says-faith/1949030/>
11. Dash, Jayajit. (April 28, 2020), Bhubaneswar Covid-19 impact: Tourism industry to incur Rs 1.25 trn revenue loss in 2020, Business Standard. [online] Available at: [https://www.business-standard.com/article/economy-policy/covid-19-impact-tourism-industry-to-incur-rs-1-25-trn-revenue-loss-in-2020-120042801287\\_1.html](https://www.business-standard.com/article/economy-policy/covid-19-impact-tourism-industry-to-incur-rs-1-25-trn-revenue-loss-in-2020-120042801287_1.html).
12. PIB bulletin, Ministry of Tourism, April 10, 2020. [online]
13. World Economic Outlook Update, (June 2020), IMF. [online] Available at: <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>.