Impact of COVID-19 over Indian Tourism Sector

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Abstract

With majority of the countries including the most developed nations affected by COVID-19, the respective economies have been reeling under the shock. Tourism sector accompanied along with travel and hospitality has been the worst hit especially in India where this sector has a huge role to play in country’s GDP. The paper tends to give in current view of the COVID-19 affected tourism sector in India and suggests some measures that the government must undertake to bring this de-railed sector back on tracks.

Introduction:

Running the race against time and a vaccination still a year away, the world is reeling under the attack of COVID-19 since its outbreak few months back. With global tally nearing 2MN, cases in India are increasing at an alarming rate and have breeched 10,000 mark. More number of cases being reported every day and in spite of all the controls put in by the government there has been no decline in the rate of escalation. Government of India has announced a lockdown since 23rd March,2020 and has been extended till May with several states following the full curfew. Indian economy that has been under a crisis for the past few quarters and even after government has announced several measures to bring back the derailing economy on its track, the investment and the consumption demand have been languishing for a while. The previous quarter generated a positive hope of recovery but the new epidemic coronavirus (COVID-19) outbreak has made this road to recovery extremely arduous. Barclays has put the overall cost of shutdown in India to a whooping total of around US $120 billion [1] which may escalate further considering the recent extension in lockdown. Not only this outbreak has affected the already shrinking demand but it has also distressed the supply side elements, the combined effects of which have the potential to halt India’s growth story. Several ranking agencies have down casted their projections for India’s growth with Indian Rating & Research dropping the FY21 estimate to 3.6% [2].

COVID-19 and Tourism sector: The maximum brunt of the present crisis is being faced by tourism, aviation and hospitality sectors. Indian travel and tourism have always been one of the largest GDP contributing sectors in India and attracts domestic and foreign nationals all around the year. It has also been into limelight
that a large number of earlier confirmed COVID-19 cases in India have been a direct result of tourism. With suspension of visas and indefinite closing down of tourist attractions, there has been a disruption in the complete value chain of tourism that includes restaurants, operators, transport, agents and hotels. The widespread fear among people due to COVID-19 and travel restrictions imposed by country and specific states, there have been mass cancelations in hotel bookings and flights both domestic and international. KPMG, one of the leading accounting and audit firm puts up around 38 million potential job loss, that accounts for about 70% of the total workforce [3].

Foreign Tourist Arrivals (FTA’s): January 2020 saw an increase of about 1.3% from the previous year. But as the spread of COVID-19 started increasing there came about 9.1% dip in tourism in February, 2020 as compared to January, 2020. Also, as compared to February, 2019 there was a significant decrease of 6.6% [4]. This decrease is definitely going to take an upward trend in March, 2020 owing to the lockdown imposed by the Government. Table 1 below shows the number of FTA’s in India for the months of January and February. It shows that February, 2020 registered the sharpest decline in FTA’s since 2015.

<table>
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<th>Month/Year</th>
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Table 1: FTA’s in India (2015-2019) [4]

US and UK combined account for about 24% of the total FTA in India [4]. As, both these countries are themselves under COVID-19 attack and government has no plans to allow tourist visas from these countries in near future, it can take up to a year for Indian tourism sector to recover from loss of tourists from these countries.

Domestic Tourism: Domestic travelers are also postponing or temporarily halting their travel plans amid the COVI-19 scare. There has been a drop of about 30% in domestic travel this year as compared to previous year [5]. With most of the domestic airlines reducing their airfares, the cash reserves of these companies have
reached an all-time low. As, a result these companies have already asked their employees to go on leave without pay. This along with the affect of COVID-19 on MICE sector has brought a big catastrophe for the hospitality industry. MICE include – Meetings, Incentives, Conferences and Exhibitions.

The tourism industry further braces itself for a deterioration in forthcoming tourist season which usually sees a rise in travelers owing to school vacations. However, this time more than 90% of the advance booking for flights and hotels for this duration has been cancelled [5]. This will not only affect the major brand hotels like ITC, Taj, JW Marriot and many more but also to localized hotels, Homestays, Bed and Breakfasts and non-registered local operators

Observations and suggestions: With the now extended lockdown, downturn in global economic growth and massive disruption in demand and supply chains, the Indian economy is unlikely to overcome this slowdown in near future. The tourism sector is facing one of the worst periods under the COVID-19 attack and the magnitude of this impact will rests on the severity and duration of this crisis [6]. With government extending the lockdown further into May, it seems that the respite in no longer visible in the coming months. In order to not let down the tourism sector to collapse under this pressure, the government can take various measures in this regard:

- Reduction in passenger’s security taxation, overflight fees, airport charges etc. as a financial aid.
- A year-long moratorium on loan repayments [9]
- Financial aid to cover additional expenses incurred for screening of passengers, sanitization of planes and airports.
- Suspension in invoking bankruptcy and instead provide long term relief under the coverage of GST. Suspend invoking of bankruptcy under IBC for companies in aviation sector.
- Rationalization of VAT.
- A postponement of all statutory dues like water & electricity bills, EMI’s, advance taxes, custom duties, employee PF’s across aviation, hospitality and tourism industry.
References:


8. https://www.thehindubusinessline.com/economy/tourism-industry-stares-at-300-mloss/article3102532.ece#