

Impact of COVID19 on travel and tourism industry in India

Venkatesan A¹, Maria Queen Annes D², V Sorna Ganesh³

¹⁻³ Assistant Professor of Commerce, V.O Chidambaram College, Thoothukudi – 8, Tamil Nadu, India

Abstract

Travel & Tourism industry in India has been a significant contributor to the country's GDP. The sector even generates a large employment base. So when by mid-March, the popular tourist attractions in India started to close down, and the news on putting a halt on flying began to make rounds, we all started to predict the grim future of the travel industry in the country already. Whenever there has been any major impact on the economy of any country, tourism has always been the first one to get affected as people start to cut down on their travel budgets first. This pandemic is the biggest challenge that any country has ever faced as international travel could be adversely impacted by up to 25 per cent this year which is equivalent to a loss of three months of travel. In this paper, the impact of covid-19 on travel and tourism industry in India was analyzed.

Keywords: COVID-19, Indian Economy, travel, tourism

Introduction

Over the past years, most of the countries have considered tourism as a contributor to economic growth and is widely accepted that year after year throughout the world a massive investment continues to pour in its development. The tourism sector was already facing some trouble before the rise of the Covid-19 pandemic due to the impact of the global economic slowdown. Economic growth in the world decelerated in 2019-20, resulting in weaker growth in foreign tourist arrivals and foreign exchange earnings from tourism in India. Covid-19 has cast a pall on all segments of the travel and hospitality industry. Countries around the world have sealed international borders, international and domestic flights have been suspended, which has been compounded further by countrywide lockdown with intercity and interstate travel completely forbidden – it's a situation that has no parallel at this scale. The year 2020 could be a complete washout for the travel and tourism industry in India too if we don't take immediate steps – not just to contain the impact of virus on lives but also its devastating impact on businesses that support millions of livelihoods.

Statement of the Problem

Since travel has become an important part of everyone's life and is no longer considered as a luxury but a necessity to break away from a mundane routine and rejuvenate. However, destination marketing services will see a drastic shift. The usually not so conventional destinations, they have seen a controlled exposure to the pandemic might see an upward trend in terms of tourists or as an alternate destination for some of the conventional ones for the time being. Luxury travel will take its time to again play an important role in an individual's life and domestic market and self-driven accommodations at boutique hotels and home-stays will be the focus till next summer as social distancing and staying at smaller properties reduce the risk of the virus. 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.

Objectives of the Study

1. To know about the position of Aviation Industry during the lockdown.
2. To know about the position of Railways during the lockdown.
3. To know about the position of Online Travel Agency during the pandemic situation.
4. To know about the function of Hotel Industry during the pandemic situation.
5. To study the role of Hospitality Industry during the pandemic situation.

Limitations

- It is based on the secondary data only.
- Due to time constraint the area will be covered to some extent.
- Only travel and tourism industry has been selected.
- The study has been carried only within India.

Analysis

1. To know about the position of Aviation Industry during the lockdown

The Indian tourism industry is projected to book a revenue loss of Rs 1.25 trillion in 2020 as a fall out of the shutdown of hotels and suspension in flight operations after the onset and spread of the Covid-19. During April to June, the Indian tourism industry is expected to book a revenue loss of Rs 69,400 crore, denoting a year on year loss of 30 per cent. Worried about the meltdown of the aviation sector, several countries have already moved to prevent millions of job losses in the industry. About India, IATA said the pandemic is expected to potentially impact 29,32,900 jobs in the country's aviation.

Besides, the grouping noted that the revenue impact for airlines operating to and from the Indian market would be USD 11.221 billion (over Rs 85,000 crore). Airlines in the Asia-Pacific region would record the largest revenue drop of USD 113 billion in 2020 compared to last year.

“Providing support for airlines has a broader economic implication. Jobs across many sectors will be impacted if airlines do not survive the Covid-19 crisis. Every airline job supports another 24 in the travel and tourism value chain. In the Asia Pacific, 11.2 million jobs are at risk, including those that are dependent on the aviation industry, such as travel and tourism.”

The Directorate General of Civil Aviation (DGCA) warned airlines not to take booking for domestic or international flights until they receive orders from the government. Meanwhile, Air India has stopped taking bookings for all flights, said its officials, a day after Union Civil Aviation Minister Hardeep Singh Puri advised airlines to open bookings only after the government takes a decision on resuming passenger flights.

Domestic Air travels resumed on May 25th 2020 after two months even as a number of states were unenthusiastic about opening up their airports in view of the rising covid-19 cases, causing around 630 flights to be cancelled. Several airports across the country restarted operations but some states including Maharashtra, West Bengal and Tamil Nadu which are home to some of the business airports in the country, cited rising covid-19 cases to disallow flights.

2. To know about the position of Railways during the lockdown

The year 2020-2021 will see the national and international economy bear the impact of the covid-19 pandemic, which will also reflect on the transportation sector, including Indian Railways (IR). After the lockdown was announced on March 24, the railways projections estimated that the lockdown may result in a fall in the estimated total earnings to Rs 1.48 lakh crore for FY2020-21, increasing the earnings gap by Rs 63,000 crore. If it is added with the earlier resource gap of over Rs 28,000 crore for FY2019-20, the national transporter is looking at a deficit of Rs 90,000 crore. Indian Railways has leveraged its resources and demonstrated the capability to manufacture PPE, ventilators, hospital beds and COVID-19 isolation coaches.

The Indian Railways started Shramik Special trains to ferry back migrants stranded in different parts of the country. It ferried over 44 lakh migrant workers on board 3,276 'Shramik Special' trains since May 1, 2020 according to official data. The 'Shramik Special' trains are being operated primarily on the request of states, which want to send migrant workers stranded due to the COVID-19-induced lockdown to their native places.

The Railways on May 20, 2020 issued a list of trains that it will operate from June 1, putting in operation popular trains such as Durantos, SamparkKrantis, Jan Shatabdis and Poorva Express. "These will be fully reserved trains having both AC and Non-AC classes, general coaches shall also have reserved seats for sitting," said the Railways after releasing a list of 200 trains to be in operation from June 1, 2020.

3. To know about the position of Online Travel Agency during the pandemic situation

Travel Agents, Tour Operators, Online Travel Agency's (OTA) and Specialists are staring at a loss of revenue about 60,000 crores. The underlying assumption for the above has been provided by World Travel and Tourism Council (WTTC) which states that this entire sector could take 10 months to recover placing at least 50 million Travel and

Tourism jobs at risk. Of the 50 million jobs that could be lost around 30 million would be in Asia.

The coronavirus pandemic would have a debilitating impact on India's tourism sector with the industry estimating an overall loss of ₹5 lakh crore and job cuts for 4-5 crore people.

Of the total losses, the organised sector in the industry branded hotels, tour operators, travel agencies which are the main stay of the sector may be hit the hardest with an estimated loss of around ₹1.58 lakh crore, according to Confederation of Indian Industry estimates.

"The impact of Covid-19 and the unpredictable nature of the recovery had left Uber India with no choice but to reduce the size of its workforce. On May 26, around 600 full time positions across driver and rider support as well as other functions are being impacted. These reductions are part of previously announced global job cuts this month" Pradeep Parameswaran, President, Uber India and South Asia said in a statement.

Earlier the company job cuts, which will impact a fourth of its 2,600 employees across teams and designations, are part of a global retrenchment that the ride hailing on May 18, which will see another 3,000 employees being let go, and a total of 6,700 employees layoffs by the company globally. All affected employees will receive payouts for a minimum 10 weeks, along with medical insurance coverage for the next six months.

Ola had sacked 1,400 employees from rides, financial services and food business as the company's revenues slipped by 95 percent in the last two months because of the coronavirus outbreak.

4. To know about the function of Hotel Industry during the pandemic situation

Covid-19 is starting to reverse the trajectory of modern retail in India. From streets to malls was the big shift that started in early 2000, now at least some marquee brands are looking at moving back to streets from malls. Leading the reverse movement are some of the most popular dining and Quick Service Restaurant (QSR) chains like McDonald's, Speciality Restaurants, DeGustibus and Lite Bite Foods.

One of the sectors worst affected by Covid-19 will be food services. In India alone, the restaurant industry is staring at losses to the tune of about Rs. 1 lakh crore during the lockdown. Further, it is estimated at Rs. 4,23,865 crore and employing more than 7,00,000 people, according to the National Restaurant Association of India (NRAI).

The food and beverage industry has come together to develop and identify alternative digital platforms that will level the playing field between restaurants and food delivery platforms.

Thomas Fenn, NRAI Managing Committee Member said the industry is working together to create an alternate technology solution to reorient and sustain their businesses in the post Covid-19 world. "Aggregators have become digital landlords. While they came in to solve a genuine problem, their one-sided policies are destroying the business, especially small restaurants. The focus for the NRAI is on easy reconciliation, transparent pricing, cheaper delivery and protection of customer data. The solution will be driven by customer loyalty, omni channel online sales, integrated payment gateways and digitised delivery logistics. They are even exploring to leverage social media

platforms like WhatsApp, Facebook and Instagram to reach out to customers".

ITC Hotels had tapped into the food and beverage take away model across the country recently. The chain said the association with Swiggy is aimed at reaching a much larger customer base.

Anil Chadha, Chief Operating Officer (COO), ITC Hotels said, "We are re-engineering our guest experiences with zero/low associate engagement (including digital ordering and e-payment solutions). The partnership with Swiggy will assist us in responsibly delivering our unique culinary experiences using their advanced distribution network. Together we are committed to delivering a responsible guest experience."

Vivek Sunder, Chief Operating Officer (COO), Swiggy said through the partnership with ITC Hotels, customers can now indulge in curate gourmet dishes from popular restaurants of the ITC Hotels chain across India through the Swiggy app.

5. To study the role of Hospitality Industry during the pandemic situation

The hospitality sector depends on travel, trade and tourism for its business and sustenance. The rapidly falling occupancy rates will have a devastating impact on jobs. The country's travel and hospitality industry is staring at a Rs 5 trillion revenue loss over the next year while 35-40 million jobs, both direct and indirect on globally.

The Federation of Associations in Indian Tourism & Hospitality (FAITH) said as a result of this pandemic, the Indian tourism industry is looking at pan India bankruptcies, closure of businesses and mass unemployment. "It is believed that around 70% out of a total estimated workforce of 5.5 crore (direct and indirect) could get unemployed (3.8 crore). This effect of job losses and layoffs has already begun throughout the country".

FAITH has also sought a support fund for 12 months on the lines of MNREGA to support basic salaries with direct transfers to affected tourism employees. The federation has also asked for the setting up of a national tourism task force under PM's leadership to fast track all tourism investment proposals and to withhold the tax collected at source (TCS) on travel provision proposed in Finance Bill 2020 which is to be introduced from April 1. FAITH believes TCS on travel will displace business from India to overseas markets. The Federation of Associations in Indian Tourism & Hospitality (FAITH), the policy federation of all the national associations representing the complete tourism, travel and hospitality industry of India (ADTOI, ATOAI, FHRAI, HAI, IATO, ICPB, IHHA, ITTA, TAAI, TAFI) appeals to the Chief Ministers of each state for coming up with a state specific package.

FAITH said, "The Tourism industry of India first needs to SURVIVE, then needs to REVIVE and then only can it THRIVE."

Conclusion

On account of Coronavirus, the Indian tourism and hospitality industry is expecting a potential job loss of around 38 million. The recovery might be slow, but we are sure, once we manage to control this virus, the tourism industry will be the first one to see major growth. The important thing to focus on is there's hope of recovery after all. For the recovery of the sector few things have been proposed by leaders in the industry. ICC suggests setting up

of a 'Travel & Tourism Stabilisation Fund' with direct benefit transfer to each unit to prevent financial and job loss. The experts also recommend cost optimisation at all operational levels. Leisure will be hit most, business mandatory travel will resurge. This will be in phases – Phase I from May to September, Phase II September to December post vaccine and virus control. The key priority for all of us in this sector now is to support our governments' measures to keep citizens and residents as safe and protected as possible, and reducing the risks of infections through any kind of travel.

References

1. <http://bwhotelier.businessworld.in/article/Covid-19-and-its-Impact-on-Tourism/12-05-2020-191801/>
2. https://economictimes.indiatimes.com/news/international/business/covid-19-pandemic-could-cost-millions-of-jobs-in-global-tourism-industry-un-body/articleshow/75194635.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst
3. <https://theprint.in/opinion/india-tourism-sector-life-support-liquidity-covid-crisis-makemytrip/410590/>
4. https://en.wikipedia.org/wiki/Impact_of_the_COVID-19_pandemic_on_tourism
5. <https://www.tourmyindia.com/blog/impact-of-covid-19-on-travel-tourism-industry/>
6. 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