

Exploring the Impact of Covid-19 on Travel and Tourism Sector

Manas Ranjan Pati

Gandhi Engineering College, Bhubaneswar, Odisha

Dr. Jnanaranjan Mohanty

Parala Maharaja Engineering College, Berhampur, Odisha

Dr. Mahendra P. Agasty

Silicon Institute of Technology, Bhubaneswar, Odisha

Abstract

Tourism is a global phenomenon and an important source of a country's revenue and employment and hence it significantly affects the GDP of the country. As per the United Nations Conference on Trade and Development (UNCTAD) bulletin, tourism sector accounted for 29 % of the world's services exports and 300 million jobs globally. But, at the same time, the travel & tourism sector is open to a variety of external-variables including the natural calamities, political factors & the socio-economic environment of the regions. Thus the outbreak of the Novel Cononavirus-2019 has resulted in a global challenge of economic and health care crisis which in turn had an unparalleled impact on travel & tourism industry. However, the main objective of this work is to make a survey on the impact of covid-19 on tourism and travel industry by focusing at regional, national and international level. And this study is analytical in nature and mostly the secondary source of data are collected and used for the said purpose.

Keywords: Tourism, COVID-19, economic, hospitality, GDP, India.

JEL Classification: Z30, Z32

Date of Submission: 02-11-2022

Date of Acceptance: 14-11-2022

I. Introduction

Tourism and hospitality is an important parameter of socio-economic identity and heritage of a country. In the era of globalization, tourism and hospitality enhances the economic growth by contributing through job creation, increasing foreign exchange reserve and reducing regional disparity. Again it had generated about 10.3 % of global GDP and provided 330 million jobs in 2019 directly and indirectly (World Travel & Tourism Council, 2019). The World Tourism Organization (WTO) estimates that 20 out of every 100 workers today are employed in tourism related activities. Hospitality and tourism sector is also identified as a significant contributing factor to the green economy through a more sustainable development policy (Wilkes & Reddy, 2015).

Tourism as a social force and institution is impacting the life of many people associated directly or indirectly in the industry (Mathur, 2011). Tourism in its present form is a very powerful socio-economic force and it requires the ability to cope up with the customer's changing tastes and preferences (Mohapatra, Behera & Daspattnayak, 2019). Tourism has been identified as one of the major industries, having the potential to assist local communities through diversifying the economy, enhancing community pride and awareness and supporting the livelihoods of local communities (Sarangi & Acharya, 2018). Recognizing the ever growing importance of tourism sector, the Seventh five year plan (1985-90) of the Government of India has announced the tourism sector as an Industry. The first tourism policy was announced in 1982 in India and the government of India has appointed Committee on National Tourism in 1988. As per the statistics of the World Travel & Tourism Council (WTTC), in the year 2019, travel and tourism sector contributes 6.8% of GDP i.e. Rs, 13, 68, 100 crores (US\$ 194.30 billion) in India and it was ranked as 10th among 185 countries of the world. It is expected to increase to Rs.32.05 trillion by 2028 (India Brand Equity Foundation – IBEF). The travel and tourism industry has been emerging as one of the fastest and largest growing sector and hence a good contributor to the country's GDP.

Odisha has experienced a considerable change in the status of tourism because of its wildlife, coastal scenarios, culture, heritage, historical monuments & religious spots. The share of tourism in Odisha's GSDVA was about 2.43 percentages in 2015-16 (NCAER, 2019). Tourism industry contributes significantly to the output and employment in the state through its backward and forward linkages. Services like hotels/restaurants,

transport, travel agencies etc. depend heavily on tourist arrival in the state for their income and earnings. Further, the tourist spending on a sector generates revenue for other downstream and upstream sectors. The value of the tourism GSVA and Employment multiplier for Odisha is estimated at 2.05 and 2.29 respectively.

But the Covid-19 pandemic has badly affected the entire tourism industry across the globe including the hospitality, tour operators, travel agents, air, land and sea transportation etc which are regarded as the major contributor to the service industry worldwide. By November 2020, COVID-19 have infected over 60 million people and caused death of over 1million- worldwide (WHO, 2020). In most countries, the international borders were closed for tourists. As a result the international tourism had been totally suspended and domestic tourism also curtailed with the restrictions imposed due to lockdown, shutdown, social distancing etc. India is one of the worst affected countries of the world by the said Covid-19 pandemic. The pandemic has adversely affected both the demand side and supply side of the Indian Economy. India's tourism sector saw a much greater fall of 42.8 per cent in Q1, and 15.5 per cent in Q2, and continued to experience negative growth even in Q3, recording a fall of 1.1 per cent of the FY-2020-21 (NCAER 2021). Thus the decreasing tourism activities resulted in a huge reduction in tourism expenditure incurred by all types of tourists— inbound, domestic, and outbound. An estimate of 14.5 million jobs, have been lost as a consequence of the pandemic and the resultant lockdown in the first quarter of 2020-21. However, as the economy is returning to the track, many jobs are expected to be restored and it will take some time to recover from the economic slowdown.

Objectives

- To study the impact of Covid-19 on international travel & tourism industry.
- To assess the impact of Covid-19 on travel & tourism industry of India
- To analyses the impact of Covid-19 on travel & tourism industry of Odisha

II. Methodology

Present study is based on the secondary data which are collected from various published and unpublished sources. Besides government sources reports of national and international organization working on travels and tourism industries are also referred. Different types of descriptive statistics are used for analyzing the impact of COVID 19 on different indicators of tourism and travel industries.

III. Result and discussion

This section of the study analyses the impact of COVID 19 on tourism sector and is divided in to three sub-section. Sub-section 1 analysis the impact of COVID 19 in tourism sector of different leading countries. Sub-section 2 discusses about its impact on tourism sector of India and Subsection 3 attempts to study the impact of pandemic on Odisha economy.

3.1 Impact of COVID19 on international travel and tourism industry

Restrictions imposed by WHO and national governments of different countries to curb the infection COVID 19 affected the travel and tourism sector of all most all countries. Details regarding the contribution of travel and tourism sector to GDP, percentage share of travels and tourism sector to GDP, changes in their share and spending on travel and tourism sector by different leading counties of the world during 2019 and 2010 in presented in table 1. It is observed that contribution of travel and tourism sector to GDP of all most all countries has reduced sharply from 2019 to 2010. Regarding the share of travel and tourism sector to GDP it is found that China, USA, UK, Turkey Italy, Australia, Spain suffered a lot. Data on percentage change in travel and truism GDP shows that all most all counties having negative growth rate where UK(-63.3%) tops the list followed by Spain(-62.7%), China(-59.9%) , Canada (53.0%). Besides it is also observed from the table that spending on domestic and international travels and tourism has experience a massive negative growth in all countries in 2020. Thus it is found that not only COVID 19 affected the growth rate of travel and tourism sector of different countries but it also affected heavily to the spending on travel and tourism sector.

Table 1 Impact of COVID19 on international travel and tourism industry

Sl No	Name of Member Countries	T&T Contribution to GDP (US \$ BN)		T&T % of GDP		T&T GDP change (%)	Share of total T&T spending in 2020		T&T spending change in 2020 (%)	
		2020	2019	2020	2019		2020	Domestic	International	Domestic
1	USA	1103.7	1869.7	5.3	8.6	-41.0	93.9	6.1	-37.1	-76.7
2	China	667.2	1665.6	4.5	11.6	-59.9	88.0	12.0	-60.8	-66.3
3	Japan	234.9	373.0	4.7	7.1	-37.0	94.6	5.4	-30.3	-82.9
4	Germany	208.8	393.1	5.5	9.8	-46.9	88.4	1.6	-47.3	-57.9
5	Italy	132.2	269.8	7.01	13.1	-51.0	80.6	19.4	-49.6	-62.0
6	France	123.2	240.5	4.7	8.5	-48.8	67.1	32.9	-49.8	-52.9

7	India	121.9	191.3	4.7	6.9	-36.3	89.0	11.0	-30.7	-61.0
8	U.K.	115.0	305.0	4.2	10.1	-63.3	85.4	14.6	-63.2	-71.6
9	Mexico	91.2	175.6	8.5	15.0	-48.1	85.0	15.0	-48.0	-49.3
10	Australia	81.4	149.1	6.0	10.7	-45.4	91.0	9.0	-41.0	-77.2
11	Brazil	78.0	115.7	5.5	7.7	-32.6	94.4	5.6	-35.6	-39.1
12	Spain	75.4	202.1	5.9	14.1	-62.7	63.2	36.8	-50.7	-78.2
13	Canada	52.4	111.6	3.2	6.4	-53.0	81.2	18.8	-51.0	-71.1
14	Saudi Arabia	48.5	72.9	7.1	9.8	-38.8	66.2	33.8	-30.9	-80.4
15	Russia	40.1	75.5	2.7	4.9	-47.0	82.5	17.5	-43.9	-69.6
16	South Korea	39.9	73.2	2.4	4.4	-45.5	67.9	32.1	-34.0	-68.0
17	Turkey	35.5	77.6	5.0	11.0	-54.2	47.2	52.8	-41.8	-65.2
18	Indonesia	34.5	64.7	3.2	5.9	-46.6	78.4	21.6	-35.2	-78.4
19	Argentina	24.3	39.9	6.5	9.4	-37.5	91.7	8.3	-35.1	-66.7
20	South Africa	11.1	22.1	3.7	6.9	-49.8	66.7	33.3	-42.8	-66.0

Source-World Travel & Tourism Council. Travel & Tourism Economic Impact 2021

3.2 Impact of Covid-19 on Travel & Tourism Industry of India

The spread of COVID-19 in India has started in January 2020. On March 24, the Government of India ordered a 21-days nation-wide lockdown to break the chain of the spread of COVID-19 (Kanga et al, 2021). As a consequence, not only the Indian economy but also the entire world faced an unparalleled global health, social, and economic crises (Chandel et al, 2021). Like other sectors, pandemic has left the hospitality and tourism sector with unprecedented challenges time after time, by limiting the demand side (freedom of movement, fear of infection, etc.) and the supply-side (closure of accommodation and leisure facilities, etc.(Gautam, 2021)). The Covid-19 pandemic has poorly affected the world's tourism industry including its allied sectors like hospitality, civil aviation & transportation etc (Mondaq, 2020). By November 2020, the pandemic has infected over 60 million people and caused death of over 1million- worldwide (WHO, 2020). Almost all countries of the world have closed their international and as a result the International tourism has been totally suspended and domestic tourism also curtailed with the restrictions imposed due to lockdown, shutdown & social distancing etc (Malara, 2021). The travel, tourism and hospitality industry have been adversely affected by the impact of the pandemic COVID-19 outbreak. It's assumed that 120 million jobs are at risk, with economic damage likely to exceed over \$1 trillion. It was predicated that there is a decline of 70% in international tourist arrivals (overnight visitors) in January to August 2020 over the same period of last year and in terms of financial matter, it represents a loss of US \$ 730 billion in export revenues (Malara, 2021).

The entire national tourism sector- both international & domestic tourism and its related activities has been badly affected by the epidemic. In India, the tourism sector is most revenue generating sector but due pandemic effect it goes in negative figures and as a consequent, government of Indian still requires fund to fight against COVID-19 Pandemic. The CARE ratings agency opined that the impact of the epidemic on tourism between January and February 2020 showed a downfall of 50 percent, and it got stronger by 70 percent downfall in March alone due to the termination of numerous global flights. And hence the demand for businesses directly or indirectly related to tourism sector have declined significantly (Bartik et al., 2020; Gursoy & Chi, 2020). Thus in a simple term, the fear of COVID- 19 has led to uncertainty and chaotic conditions in the hospitality and tourism sector and it is visible in the country's inbound, outbound, and domestic tourism (Dash, 2020).

The potential job loss in tourism and hospitality has been estimated to be about 70 % of the sector workforce (Radhakrishna, 2020). A study on the impact of corona virus on tourism conducted by the National Council of Applied Economic Research has reported that the pandemic caused "significant" jobs losses in the tourism sector after the lockdown was implemented. The report said that 14.5 million jobs were lost during the first quarter, followed by 5.2 million jobs in second quarter and another 1.8 million jobs in third quarter of 2020-21 after the imposition of lock down process. In other words, the Indian tourism and hospitality industry has faced a potential job loss of around 38 million, which is 70% of the total workforce. .

Due to border closure, cancellation of international flights, and a series of lockdowns, the tourist's arrival rate in India has been adversely affected. The foreign exchange earnings from tourism are one of the major revenue sources for the Government of India. The foreign exchange earnings is the revenue generated by inbound foreign tourists, and decrease in foreign tourists' number leads to reduce foreign exchange earnings. Due to Covid-19, there is a fall in foreign tourists' arrival rate by 68% from February to March 2020 and hence fall in foreign exchange earnings by 66.32%, which has a significant impact on the Indian economy.

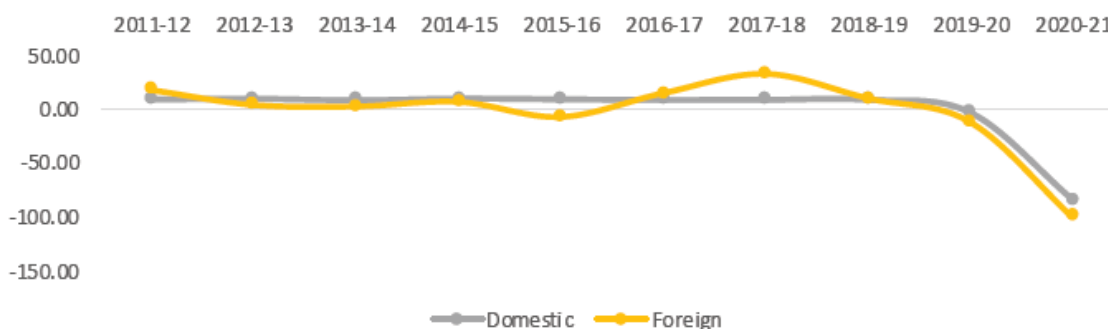
Table 2 Impact of covid19 on Indian Travel and Tourism Industry

Particulars	In million	Annual Growth Rate
Foreign Tourist Arrivals in India	2.74	-74.9%
Non-Residents Indians Arrivals	3.59	-48.6%
International Tourist Arrivals in India	6.33	-64.6%
Indian Nationals Departures from India	7.29	-72.9%
Domestic Tourist Visits	610.22	-73.7%
International Tourist Arrivals	399	-72.8

3.3 Impact of Covid-19 on Travel & Tourism Industry of Odisha

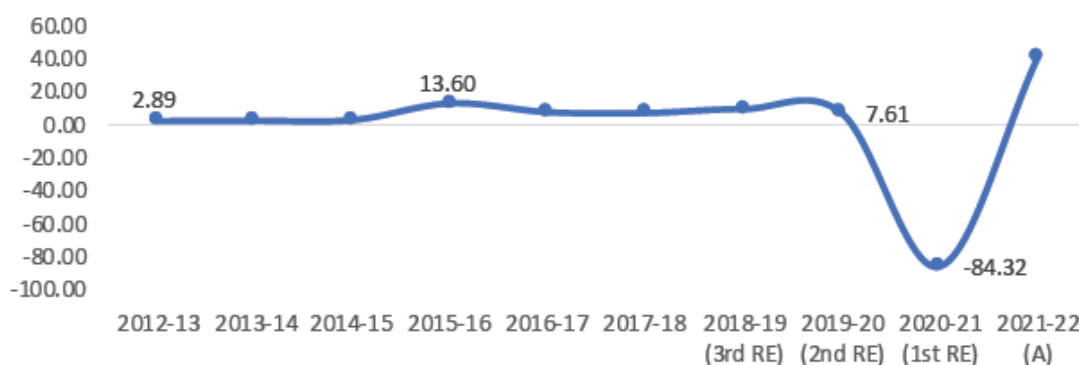
To study the effect of COVID 19 on travel and tourism sector of Odisha an attempt is made to analyses it on the basis of growth of tourist arrivals in the state, along with their origin and growth rate of hotel and restaurant sector in Odisha during pandemic. It is revealed from the figure 1 that growth percentage of tourist arrival in Odisha from domestic and foreign sources was more or less stable from 2011-12 to 2019-20 with a minor fluctuation in tourist 2015-16 and 2017-18. But during 2020-21 the tourist arrival from domestic and foreign sources to Odisha was found negative. It is clearly perceived the down trend in the percentage of tourist arrival in the state is because of COVID- 19 .

Fig. 1 Growth of Tourists arrivals in percent.



Source:Department of Tourism, Government of Odisha.

Hotel and restaurant sector is considered as an important sector liked to travel and tourism sector. With an objective to analyses the impact of COVID -19, an attempt is made here to found out the status of hotel and restaurant sector during pandemic. It is observed from the figure 4 that the growth rate of hotel and restaurants sector as percentage of Gross State Value Added of Odisha has gone down from 7.62% (2019-20)to - 84.32%(2020-21) and again started ascending in the year 2021-22 . This fluctuation in growth rate of hotel and restaurant sector is perceived as the outcome of COVID19 pandemic.

Fig. 2 Growth rate of hotels and restaurants Sector Gross State Value Added in %.

Source: Directorate of Economics & Statistics, Odisha.

IV. Conclusion & Policy implications

The tourism industry has always been a major contributor to job growth and a major source of foreign income and hence to the GDP of a country. It supports both urban and rural people directly or indirectly involved with the tourism sector. However, Covid-19 has adversely affected the tourism industry at the regional, country and global level. The Covid-19 has caused havoc in the global economy, causing social and financial disruption. It has been found that the national and international tourist's arrival trends are badly affected across-the-board. The closure of hotels & restaurant and the termination of flights due to the start and spread of the COVID-19 pandemic resulted in a projected huge revenue loss of around Rs 1.25 trillion for the Indian tourism industry by 2020. The entire global tourism industry has been severely hit hard by COVID. However, when the Covid-19 pandemic is over and the tourism sector is recovering with the releasing of lockdown & shutdown barriers, the tourism sector needs to be elevated.

It should be taken into granted that the future of tourism sector depends upon the trust between the tourists and all the stakeholders directly or indirectly involved with the sector. This needs a proper planning and a good amount of investment in the sector. From the global point of view, the WTTC like organization should launched the safe travels, which may designed to allow potential travelers to recognize establishments around the world which have adopted standardized health and hygiene protocols. During the recovery phase of Covid-19, governments should go forward to rebuild tourist confidence and encourage innovation and investment for a resilient and sustainable tourism sector. However, it is suggested that in the current scenario of large scale job loss coupled with negative GDP, the indecisive dissemination of COVID-19 has compelled to understand the immediate need for science and technical assistance to monitor and prevent the spread of the such disease across the border in future and must develop a robust ecosystem to suck up the jerks created by these type of pandemic situation .

References

- [1]. Bartik, A., Cullen, Z., Bertrand, M., Glaeser, E. L., Luca, M., & Stanton, C. (2020). How Are Small Businesses Adjusting to COVID-19? Early Evidence from a Survey. SSRN Electronic Journal. <https://doi.org/10.2139/ssrn.3570896>.
- [2]. Business Standard. (2020a). Asia-Pacific airlines to lose about \$29 billion this year due to Covid-19: IATA. Retrieved from Business Standard website: https://www.business-standard.com/article/international/asia-pacific-airlines-to-lose-about-29-bn-this-year-due-to-covid-19-iata-120071300673_1.html
- [3]. Chandell et al (2021), Impact of COVID-19 on tourism sector: a case study of Rajasthan, India, AIMS Geosciences, 7(2): 224–243. <http://www.aimspress.com/journal/geosciences>.
- [4]. Dash J (2020) Covid-19 impact: Tourism industry to incur Rs 1.25 trillion revenue loss in 2020. Available from: 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.
- [5]. Gautam Prakash (2021), The Effects and Challenges of COVID-19 in the Hospitality and Tourism Sector in India, Journal of Tourism & Hospitality Education, 11, 43-63.
- [6]. Ghosh, A. (2020). Munich Personal RePEc Archive Post Covid19 strategy to survive the Tourism industry: Indian Perspective. Retrieved from https://mpra.ub.unimuenchen.de/102808/1/MPRA_paper_102808.pdf
- [7]. Gursoy, D., & Chi, C. G. (2020). Effects of COVID-19 pandemic on hospitality industry: review of the current situations and a research agenda. Journal of Hospitality Marketing and Management, 29(5), 527–529. <https://doi.org/10.1080/19368623.2020.1788231>.
- [8]. Kanga S, Meraj G, Farooq M, et al. (2021), Risk assessment to curb COVID-19 contagion: A preliminary study using remote sensing and GIS. Available from: <https://doi.org/10.21203/rs.3.rs-37862/v1>.
- [9]. International Labor Organization (2020b). COVID-19 and employment in the tourism sector: Impact and response in Asia and the Pacific. Retrieved from International Labor Organization (ILO) website: https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefing-note/wcms_742664.pdf.

- [10]. Indian Brand Equity Foundation (2020). Tourism & hospitality. Retrieved from [https://www.ibef.org/download/ Tourism-and-Hospitality-October-2020.pdf](https://www.ibef.org/download/Tourism-and-Hospitality-October-2020.pdf)
- [11]. Malra Renu (2021), Impact of Covid-19 on Tourism Industry, Article in Journal of Interdisciplinary Cycle Research , XIII(I) , 699-709
- [12]. Mathur Ashish (2011), Social Change and the impact of Tourism on the modern Society, IJRMEC, 1 (2).
- [13]. Mohapatra Munmun, Behera Ramya Ranjan & Daspattanayak Pritirekha (2019), Trends & Patterns of Tourism in Odisha, International Journal of Research in Social Sciences, 9 (7) .
- [14]. Money Control. (2020). Corona virus Impact-Indian airlines to see revenue decline of \$11,610 million in 2020. Retrieved November 25, 2020, from Money control News website:<https://www.moneycontrol.com/news/business/coronavirus-impactindian-airlines-to-see-revenue-decline-of-11610-million-in-2020-5541001.html>
- [15]. Radhakrishna, A. (2020). COVID-19-Post-pandemic, India's tourism sector stares 70% job loss. Retrieved December 12, 2020, from The Hindu website: [https:// www.thehindu.com/news/national/kerala/coronavirus-tourism-sector-stares-at-70-job-loss/article31310234.ece](https://www.thehindu.com/news/national/kerala/coronavirus-tourism-sector-stares-at-70-job-loss/article31310234.ece)
- [16]. The Hindu (2020) Corona virus India lockdown Day 144 updates. Available from:<https://www.thehindu.com/news/national/coronavirus-india-lockdown-august-15-2020-live-updates/article32361213.ece>.
- [17]. Sarangi Sanjib & Acharya Sanjay (2018), Poacher's village to birds paradise of Mangaljodi: Biodiversity conservation by Ecotourism Initiatives at Odisha, Vista International Journal on Energy, Environment & Engineering, 3 (4), 69-77.
- [18]. Wen, J., Kozak, M., Yang, S., & Liu, F. (2020). Covid-19: potential effects on Chinese citizens' lifestyle and travel. *Tourism Review*, (ahead-of-print). <https://doi.org/10.1108/TR-03-2020-0110>
- [19]. Wilkes, K., & Reddy, M. V. (2015). *Tourism in the Green Economy*. Retrieved from <https://www.taylorfrancis.com/books/e/9781315885681>
- [20]. World Health Organization (2020), Corona virus, 2020. Available from: https://www.who.int/health-topics/coronavirus#tab=tab_1
- [21]. World Travel & Tourism Council. (2019). Crisis readiness: Are you prepared & resilient
- [22]. to safeguard your people & destinations. Retrieved from: <https://wtcc.org/Initiatives/Crisis-Preparedness-Management-Recovery>.

Manas Ranjan Pati, et. al. "Exploring the Impact of Covid-19 on Travel and Tourism Sector." *IOSR Journal of Economics and Finance (IOSR-JEF)*, 13(6), 2022, pp. 51-56.