

# Economic Impacts of Covid'19 on the Tourism Industry: A Review

Sara M Skaria, Dr.Joshyja Jose,

*MBA Student, Santhigiri Institute of Management,  
Asst.Professor, Santhigiri Institute of Management*

Submitted: 20-03-2022

Revised: 27-03-2022

Accepted: 30-03-2022

## ABSTRACT

Travel is requisite for tourism activity therefore, any factor that hinders traveling may profoundly impact the tourism industry. It includes pandemics such as Covid -19. The introduction of long-term international quarantine measures harms the tourism industry. The current article reviews the impact of covid -19 on the tourism and allied sectors.

## KEYWORDS

Tourism, Indian economy, International tourism, COVID-19.

## I. INTRODUCTION

Travel is requisite for tourism activity, any factor that hinders traveling may profoundly impact tourism. On March 11, 2020, the World Health Organization (WHO) announced that the world was confronted with a new global pandemic- the COVID-19 virus. This is one major challenge for the international and national economy, and also for the tourism industry. (Strielkowski,2020), (Feyisa,2020)

## II. COVID-19

A newly discovered coronavirus causes coronavirus disease (Covid-19). Most people who fall sick with Covid-19 will experience mild to moderate symptoms and recover without special treatment; the virus that causes Covid-19 is mainly transmitted through droplets generated when an infected person coughs, sneezes, or exhales. These droplets are too heavy to hang in the air and quickly fall on floors or surfaces and this results in the spread of disease. We can be infected by breathing in the virus if we are close to someone who has Covid-19 or by touching a contaminated surface and then by touching the eyes, nose, or mouth. (Rudynski,2020). The Covid-19 pandemic has had far-reaching economic consequences beyond the spread of the disease itself and efforts to quarantine it. As the SARS-CoV-2 virus has spread

around the globe, concerns have shifted from supply-side manufacturing issues to decreased business in the services sector. (Sharma,2020) The pandemic caused the most significant global recession in history, with more than a third of the worldwide population at the time being placed on lockdown.

## III. TOURISM

Tourism is travel for pleasure or business, the theory and practice of touring, the business of attracting, accommodating, and entertaining tourists, and operating tours. Tourism may be defined as the movement of the people from their regular place of residence to another place for a minimum period of twenty-four hours to a maximum of six months for the purpose of leisure and pleasure. The World Tourism Organization defines tourism move generally, in terms which go "beyond the common perception of tourism as being limited to holiday activity only," as people "traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure and not less than 24 hours, business and other purposes." (Jaipuria, 2021). Tourism can be domestic, international, and international tourism has both incoming and outgoing implications on a country's balance of payments. Tourism has two types and many forms based on the purpose of visit. When people visit a foreign country, it is referred to as International Tourism. (Hoque,2020)

## IV. OBJECTIVES

1. To study the covid-19 impact on the tourism sector in India.
2. To study the recovery techniques and plans for developing the tourism sector.

## V. REVIEW OF LITERATURE

The Indian economy is considered one of the significant components, and to add these, we have three different sectors: agriculture, industry,

and service sectors. The tourism and hospitality sector has been universally recognized as the growth of expansion worldwide. The new virus which was called Coronavirus or Covid-19 started on January 30, and the first case was confirmed in Kerala. (Siby, 2019). This pandemic is the biggest challenge that any country has ever faced as international travel could be adversely impacted by up to 25% in a year, which is equivalent to a loss of three months of travel. Since travel has become an essential part of everyone's life and is no longer considered a luxury but a necessity to break away from a routine, we are optimistic that travel will revive soon. (Chang, 2020), (Farzanegan, 2020). Luxury travel will take its time to play an essential role in an individual's life and domestic market, and self-driven accommodations at boutique hotels and homestays are affected due to social distancing. There will be a reduction in the travel budget regarding the current situation, and companies will keep promoting work from home and conference calls to reduce the risk and expenses.

According to (Khadka, 2020), The official UNWTO (United Nations World Tourism Organization) release emphasizes: "Tourism is currently one of the most affected sectors. With travel restrictions, UNWTO emphasizes the importance of international dialogue and cooperation and stresses that the Covid -19 challenge is also an opportunity to show how solidarity can go beyond borders" (Pham, 2021)

According to estimates by the Global Business Travel Association (GBTA), losses of entrepreneurs globally because of canceled or suspended trips due to Covid-19 could reach USD 820 billion at the end of the year. According to estimates by the International Air Transport Association (IATA), losses in passenger air transportation through Covid-19 could range from USD 63 billion to USD 119 billion by the end of 2020. This is not the first crisis in international tourism, and the world economy has developed a system of practical tools to counteract the force majeure of the macro scale. (Sandeep, 2020)

Along with large transport corporations, hotel and restaurant chains, a large group of urban mass tourism centers are at risk of the most significant financial losses due to international quarantine measures. (Casado, 2021). Among the many cities on the planet, centers of beach, entertainment, and cultural and educational tourism expect tremendous losses from Covid-19. In 2020, there are hundreds of cities on the verge of financial collapse, with budgets of more than 75-90% being filled by tourists arriving with day trips and shopping from cruise ships, or foreign beach

vacationers, or by visitors to top popular attractions such as Machu Picchu, Iguazu Falls and more. (Deb, 2020)

### 5.1 International Tourism

When people visit a foreign country, it is known as International Tourism. To travel to a foreign country, one needs a valid passport, visa, health documents, foreign exchange, etc. International tourism is further divided into two types;

1. Inbound tourism refers to tourists of outside origin entering a particular country. When people travel outside their host/native country to another country, it is called inbound tourism for that country where they are traveling.

2. Outbound Tourism refers to tourists traveling from their origin to another country. When tourists travel to a foreign region, it is outbound tourism for their own country because they are going outside their country.

3. Domestic Tourism: The tourism activity of the people within their own country is known as traveling within the same country is easier because it does not require formal travel documents and tedious formalities like compulsory health checks and language problems or currency exchange issues. (Shih, 2021)

### 5.2 Impacts of Covid-19 Indian economy

The economic impact of the 2020 coronavirus pandemic in India has mainly been disruptive. According to the Ministry of Statistics, India's growth in the fourth quarter of the fiscal year 2020 went down. (Jaipuria, 2021). Due to the coronavirus pandemic, several countries worldwide resorted to lockdowns to flatten the curve of the infection. (Lew, 2020) The sudden decline in economic activities due to the lockdown is unexpected in the history of India. These lockdowns resulted in millions of citizens' homes, shutting down businesses and ceasing almost all economic activities.

The findings reveal that the increasing number of lockdown days, monetary policy decisions, and international travel restrictions severely affected economic activities and the closing, opening, lowest, and highest stock price of major stock market indices. (Lu, 2021). Notable India had also been witnessing a pre-pandemic slowdown, and according to the World Bank, the current pandemic has made several risks to India's economic outlook. Before this pandemic, the International Monetary Fund, in its latest edition of the World Economy Report, has placed India as the fastest growing economy in 2020. However, the World Bank and rating agencies had initially

revised India's growth for Fiscal Year 2021 with the lowest figures India has seen in three decades.

The country will now face multiple financial crises, health crises, collapse in commodity prices, and much more difficulties. In India, up to 53% of businesses have specified a certain amount of impact of shutdowns caused due to Covid-19 on operations. The unemployment rate had increased nearly within a month. Around 14 crores Indians lost employment during the lockdown. More than 45% of households across the nation reported an income drop compared to the previous year. Various businesses such as hotels and airlines cut salaries and laid-off employees. Several young startups have been impacted as funding has fallen. Government revenue has been severely affected with tax collection going down, and as a result, the government has been trying to reduce its costs. The 2016 Indian banknote demonetization and goods and services tax enactment in 2017 led to severe back-to-back disruptions in the economy. On top of this, there had been numerous banking crises such as the Infrastructure Leasing & Financial Services crisis and government scheme failures such as that of "Make in India." There is a significant impact on the financial sector that includes the stock market crash, liquidity crises as it began to drain out from the global market in the banking system and implemented various changes in monetary policies.

### 5.3 Covid-19 and Impact on the Indian Hotels Sector

Covid-19 is a dark swan event that has influenced any industry worldwide, but it has been unknown or unheard of for a brief period on the Travel & Hospitality market. The virus has spawned around the world, and India is no outlier. We see a steady rise in the number of active cases every day. The common consensus supported by medical experts was that isolation and lockdown are the first steps to slow this virus's spread. While the lockdown took into account the public interests, it had a disastrous impact on economic development in the country, and recession could well be inevitable in the next few quarters. (Shetty, 2021). The effect on the hospitality sector in India was immense; with the cancellation of flights and trains across the country, hotel bookings were monumentally canceled, and this had a tremendous impact on travel agencies, taxi operators, crafts showrooms, etc. The country's hotels are now practically closed with zero income for the last one month or so as they have to deal with fixed costs.

## VI. FINDINGS

The Covid-19 outbreak is the most severe virus outbreak, profoundly influencing the world economy compared to the previous attack. This study revealed the negative impacts of the Covid19 outbreak on the tourism sector. The explosion of the pandemic has severely affected the lifestyle of the majority of people across the globe, and the critical economic shock to every person and every industry in most countries is the common feature of novel coronavirus. This pandemic has significantly impacted economic growth worldwide and created an economic recession due to quarantines, travel restrictions, and social distancing. The United Nations World Tourism Organization (UNWTO) reported that the 100% travel restrictions on global destinations in 2020 hit the tourism industry hardest. The study found the decline of tourist arrivals and tourist revenue in the world and regions in 2020, and it also found a decrease in revenue of travel agents, resorts, homestays, who all are parts of tourism in Kerala.

## VII. CONCLUSION

The return of tourism will likely hinge on what will be a deeply personal decision for many people as they weigh the risk of falling ill against the necessity of travel. The private sector backed by some tourism-dependent nations is developing global protocols for various travel industries, including a call for more rapid testing at airports to boost confidence in traveling. [2]"The fact is that people do not feel comfortable traveling. We have not put in the necessary protocols to give them that comfort," St. Lucia Prime Minister Allen Chastanet said at a September virtual event. "After 9/11, the TSA [Transportation Security Administration] and other security agencies worldwide did a fantastic job of developing protocols that regained the public's confidence to travel, and sadly with this pandemic, we haven't done that."

## REFERENCES

- [1]. Casado-Aranda, L. A., Sánchez-Fernández, J., & Bastidas-Manzano, A. B. (2021). Tourism research after the COVID-19 outbreak: Insights for more sustainable, local and smart cities. *Sustainable Cities and Society*, 73, 103126.
- [2]. Chang, C. L., McAleer, M., & Ramos, V. (2020). The future of tourism in the COVID-19 era. *Advances in Decision Sciences*, 24(3), 218-230.
- [3]. Deb, P. S. K., & Nafi, S. M. (2020). Impact of COVID-19 Pandemic on Tourism: Recovery Proposal for Future Tourism (preprint).

- [4]. Farzanegan, M. R., Gholipour, H. F., Feizi, M., Nunkoo, R., & Andargoli, A. E. (2021). International tourism and outbreak of coronavirus (COVID-19): A cross-country analysis. *Journal of Travel Research*, 60(3), 687-692.
- [5]. Feyisa, H. L. (2020). The World Economy at COVID-19 quarantine: contemporary review. *International Journal of Economics, Finance and Management Sciences*, 8(2), 63-74.
- [6]. Hoque, Ashikul & Shikha, Farzana & Hasanat, Mohammad & Arif, Ishtiaque & Abdul Hamid, Abu Bakar & Hamid, Abdul. (2020). The Effect of Coronavirus (COVID-19) in the Tourism Industry in China. 3. 1-7.
- [7]. Jaipuria, S., Parida, R., & Ray, P. (2021). The impact of COVID-19 on the tourism sector in India. *Tourism Recreation Research*, 46(2), 245-260.
- [8]. Jaipuria, S., Parida, R., & Ray, P. (2021). The impact of COVID-19 on the tourism sector in India. *Tourism Recreation Research*, 46(2), 245-260.
- [9]. KHADKA, D., POKHREL, G. P., THAKUR, M. S., MAGAR, P. R., BHATTA, S., DHAMALA, M. K., ... & BHUJU, D. R. (2020). Impact of COVID-19 on the Tourism Industry in Nepal. *Asian Journal of Arts, Humanities and Social Studies*, 40-48.
- [10]. Siby, K. M., Varghese, V. V., & Shiju, C. R. THE ECONOMIC IMPACT OF COVID-19 PANDEMIC ON THE TRAVEL AND TOURISM INDUSTRY: KERALA EVIDENCE.
- [11]. Lew, A. A., Cheer, J. M., Haywood, M., Brouder, P., & Salazar, N. B. (2020). Visions of travel and tourism after the global COVID-19 transformation of 2020. *Tourism Geographies*, 22(3), 455-466.
- [12]. Lu, J., Xiao, X., Xu, Z., Wang, C., Zhang, M., & Zhou, Y. (2021). The potential of virtual tourism in the recovery of the tourism industry during the COVID-19 pandemic. *Current Issues in Tourism*, 1-17.
- [13]. Shetty, P. (2021). The impact of covid-19 in the Indian tourism and hospitality industry: brief report. *Journal of Tourism & Hospitality*, 10(1), 1-7.
- [14]. Pham, T. D., Dwyer, L., Su, J. J., & Ngo, T. (2021). COVID-19 impacts of inbound tourism on the Australian economy. *Annals of Tourism Research*, 88, 103179.
- [15]. Rudynski, M., & Kushniruk, H. (2020). The impact of quarantine due to COVID-19 pandemic on the tourism industry in Lviv (Ukraine). *Problems and Perspectives in Management*, 18(2), 194.
- [16]. Sandeep, K. M., Maheshwari, V., Prabhu, J., Prasanna, M., & Jothikumar, R. (2020). Social economic impact of covid-19 outbreak in India. *International Journal of Pervasive Computing and Communications*, 23(5), 159-173.
- [17]. Sharma, A., & Nicolau, J. L. (2020). An open market valuation of the effects of COVID-19 on the travel and tourism industry. *Annals of Tourism Research*, 83, 102990.
- [18]. Shih-Shuo Yeh (2021) Tourism recovery strategy against COVID-19 pandemic, *Tourism Recreation Research*, 46:2, 188-194, DOI: 10.1080/02508281.2020.1805933
- [19]. Jaipuria, S., Parida, R., & Ray, P. (2021). The impact of COVID-19 on the tourism sector in India. *Tourism Recreation Research*, 46(2), 245-260.
- [20]. Strielkowski, W. (2020). *International Tourism and COVID-19: Recovery Strategies for Tourism Organizations*. Preprints, 2020030445.