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# A Study on the Impact of Covid-19 on the Hospitality Sector

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**Abstract:** *There is an urgent need to take immediate steps to not only contain the spread of the Corona virus but also to address the key pain areas of the industry to minimize the impact of the outbreak on the Indian economy and businesses. A combination of monetary, fiscal and financial market measures is needed to help the businesses and people cope with the crisis. Therefore, to be able to frame correct actions and policy measures, it is important to understand clearly the specific problems that people and businesses are currently facing. This alone can enable the government to take appropriate measures.*

**Keywords:** *Coronavirus, Tourism, Travel, Marketing Communication, Tourism potential.*

## I. INTRODUCTION

This document aims to help local authorities, leaders, and heads of market and the establishments concerned to identify effective approaches and to implement the recommended actions which make it possible to improve prevention as well as the state of preparation for the occurrence during a COVID-19 epidemic or other similar events to minimize the impact of COVID-19 on the industry as well as the livelihoods of millions dependent on it, the government should introduce short-term relief measures and encourage collaboration and participation from all stakeholders across the industry. Winston Churchill once said, “**Never let a good crisis go to waste.**” The aim is to help the industry survive these tough times, and come through it successfully. For that, everyone, including the government, banks, companies and employees, will need to work collaboratively to ensure that the consumer sentiment becomes positive once the lockdown restrictions are removed.

## II. LITERATURE REVIEW AND IMPACT OF COVID-19 ON THE TRAVEL AND TOURISM SECTOR IN INDIA

The pandemic is estimated to have a debilitating impact on the Indian travel and tourism sector, which includes hotels, travel agencies, tour operators, destinations, family entertainment venues, restaurants and air, land and sea transportation, amongst others. Overall, losses are estimated to total up to USD 16.7 billion. Being a large employment generator for the country, 40-50 million jobs will be at risk in 2020, both directly and indirectly employed in the industry.



The travel ban has largely impacted tour operators and travel agencies as the restrictions have not only affected current bookings, but future bookings too. Negative impact on the Indian Railways has also been witnessed ever since the nationwide seizure of rail services across the country. The COVID-19 pandemic has resulted in the loss of lives and livelihood all across the globe. Industries across the spectrum have been impacted by the pandemic, the travel and tourism industry has felt maximum impact due to grounding of planes, closure of railways, hotels and other establishments. The travel and tourism industry has proven its importance as an economic growth engine for the world economy.

*A. Primary Research is Focus on What Is a Tourism Marketing Strategy?*

With coronavirus impacting the Indian economy, the travel and tourism industry is looking at up to 50 million jobs at risk. For the industry to tide over this crisis, several relief measures have been recommended to the Government of India.

*B. Measures Recommended For The Survival And Revival Of The Travel And Tourism Sector*

- 1) Six-month moratorium to be extended to a minimum 12-month moratorium period on all working capital, principal, interest payments, loans and overdrafts.
- 2) Permit one-time rescheduling of principal/interest dues in line with the estimated cash flows of each project post recovery from COVID-19 without treating it as restructuring, re-classification/downgrading in asset qualification and requirement of additional provisioning.
- 3) 12-month waiver of all statutory dues including customs, excise and license fees and increase in insurance premiums Stimulus package to provide salary support to businesses.
- 4) ESI contribution to be deferred for 12 months. Insurance corpus of ESI should to be used to provide wages to all covered workers.
- 5) Waiver and/or reduction of GST on products offered by the sector for a 12-month period Direct cash support for the aviation sector (airlines, ground handling and airports).
- 6) Waiver of parking and landing charges.
- 7) Short-term, interest-free or low-interest loans for rebuilding businesses in the form of term loans and working capital loans.
- 8) Create a separate tourism fund under the aegis of Ministry of Tourism, accessible to the industry as a collateral free, 10 year loan, with a moratorium of two years and minimal rate of interest to support businesses stabilize in this time of crisis.

*C. Policy Measures*

- 1) Stimulus package to be formed to stabilize and support the sector in the near-term, including a workforce support fund to ensure that there are no job losses.
- 2) Waiver of all statutory dues such as advance tax, custom duties, excise duties, etc. at central and state level for 12 months.
- 3) Provision of a 12-month corporate tax holiday to travel, tourism and hospitality sector and deferment of payment of all statutory dues, such as custom duties, excise duties, PF and bank charges, at central and state level for 12 months
- 4) Extension of annual renewal of licenses paid for in 2020 until the end of 2021 without any incremental fee or charges.
- 5) Provision of soft loans/interest subventions/cash
- 6) Incentive/interest subsidies to ensure continuity in business operations.
- 7) RBI should re-look at the Foreign Exchange and Management Act with respect to Indian travel companies such that they may be able to source and service customers who are not based in India for services in third-party countries. This may allow forex remittance into India to increase, as margins will reside here, and allow Indian companies to expand to a bigger base.

*D. Relief Measures Requested For The Aviation Sector*

- 1) Immediate direct cash support to Indian carriers for them to meet their fixed costs at least for the period where loss of revenues and liquidity is directly attributable to the Government's directive to cease operation without any reference to the airlines' cash reserves.
- 2) Minimum 20% contribution towards the total salary bill of employees with a gross salary of INR 30,000 or less per month, currently employed in airlines carrying out maintenance and repair work.
- 3) 100% waiver of parking and housing charges for the duration of COVID-19 for a minimum of 6 months.
- 4) Minimum six-month deferment of EMI on term loans
- 5) Provide complete tax waiver, not deferment, for two years



- 6) Soft term loans with 0% interest to meet fixed expenses (salary, wages, utility, maintenance etc), equivalent to 12 months requirement, repayable with a minimum moratorium time.
- 7) Request for AAI to release Bank Guarantees from all RCS UDAN operators. The amount can ensure cash flow for 2 months.
- 8) Provide a 12-month moratorium for payments by airlines, MROs and other agencies to hanger or factory premises. The deferred amount may be recovered over a period of 24 months, after 12 months, without any interest on over dues.

*E. Relief Measures Requested For Online Travel Agents*

- 1) Short-term, interest-free or low interest loans for rebuilding businesses and immediate transmission to all independent travel agents, tour operators and online businesses in the form of term loans and working capital loans. Besides, existing overdraft limits can be doubled for the industry and immediate cash relief to be provided to avoid mass layoffs.
- 2) For the revival of travel agencies, a GST holiday for tour packages and all reservation services rendered by travel agents in line with the tax holiday requested for civil aviation and hospitality sectors
- 3) Tax Collected at Source (TCS) exemption for online travel aggregators (OTA) in line with the GST holiday. OTAs are liable to collect TCS at 1% under GST while remitting payments to airlines and hotels. Estimated TCS liability for the entire OTA sector would be INR 460 crore.
- 4) Union Budget 2020 proposed a new TDS levy similar to TCS under the GST law, whereby OTAs are required to withhold 1-5% TDS while remitting payments to airlines, hotels etc. Considering how the industry is heading towards a loss year, the proposed provision should be rolled back.

*F. Relief Measures Requested For Travel Agents*

- 1) Support fund majorly for salaries and establishment costs through the following:
  - a) Government to contribute 33.33% of take home salaries to all employees of registered travel agencies.
  - b) Government to use funds of ESIC to pay salaries of employees covered under the scheme.
  - c) No deduction of TDS on salaries for employees of the trade till March 2021
  - d) Subsidize electricity by 33.33% to give relief to 53,000+ travel agents, more than 1.3 lakhs tour operators (domestic, inbound, adventure, cruise and outbound), more than 2,700 MICE organizers and 19 lakh plus tourist transporters.
- 2) PF contribution to be waived off for all categories of employees for the next 12 months
- 3) Employees to be allowed to withdraw a fixed sum of INR 10,000 for up to six months from their EPF accounts

*G. Relief Measures Requested For Hotels*

- 1) GST rates on companies in hospitality should be slashed for at least two to three years. Currently, large hotels are charged a GST rate between 12-18% based on room rate. Now that hotels are almost empty, the GST rate should be brought down to 5-6% with immediate effect
- 2) 500 units of electricity per month and water to be provided free of charge to companies in the sector. Thereafter, subsidized rates can apply on actual consumption and not against fixed load
- 3) Export Promotion Capital Goods (EPCG) scheme to consider grant of extension in export obligation fulfillment period by an additional three years (beyond current limit of six years) for all the licenses expiring during current and within this and the next financial year, without attracting any penalty or interest.

*H. Relief Measures Requested For Amusement Parks*

- 1) Employee State Insurance Corporation to pay the entire wages of the employees of units covered under ESI for the lockdown period. ESI is justified in meeting this commitment of employees as COVID-19 is a medical disaster.
- 2) Waiver on custom duties on import of spare parts to bring down the repair and maintenance cost.
- 3) Reduction of effective rate of interest on loans from financial institutions by 200 basis points in effective interest rate being charged by financial institutions on term loans, working facilities and other facilities with immediate full transmission for working capital. This will reduce the burden on cash outflow.
- 4) Support fund for 12 months on the lines of Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) to support basic salaries with direct transfers to affected employees in the amusement park industry.
- 5) Provision of water and electricity to the amusement park industry for 6 months on concessional and subsidized rates.

### III. SECONDARY RESEARCH

#### A. *Promote The Cultural Tourism Of The Destination*

To help ensure the survival of the culture sector (cinemas, arts, and many other segments), tourism must strengthen the cultural identity and branding of tourist destinations. Despite all the challenges, the tourism and cultural sectors have an opportunity to seize new partnerships and collaborate. Together, they will have to reinvent and diversify the offer, attract new audiences, develop new skills, and support the transition to the new world.

#### B. *Launch Innovative Alliances*

Containment has demonstrated the importance of new technology and the media in our daily lives. During this digital transition, tourism and culture can forge alliances with tech companies and the private sector to improve access to capacity building programs, available online, dedicated to culture and sustainable tourism.

#### C. *Work For A More Sustainable Future Of Cultural Tourism*

Tourism marketing strategies highlight local cultural expressions not only to reach new audiences but also to encourage responsible travel.

#### D. *Train A More Resilient Workforce In The Tourism And Cultural Sectors*

Both sectors need to develop creative and inventive employment solutions to ensure the resilience of the workforce after decades of precariousness. In the cultural tourism sector, the skill level of existing jobs should be maintained raised, as the reservoir of talent and knowledge is to use.

#### E. *Strengthen Governance Structures To Improve Coordination And Information Sharing*

The crisis is a privileged opportunity to set up governance models would allow effective communication, decision-making, and agreements to frame the development of tourism based on cultural assets.

#### F. *Attract New Audiences*

By reaching out to children and young people, the culture sector is training the engaged global citizens and tourists of tomorrow. The emotional bonds that are now being created between the population and cultural creators will change the situation in the coming years. Confinement can also lead the “regulars” and senior-amateurs of cultural tourism to support culture through sponsorship and solidarity actions.

### IV. PROMOTE THE COMMUNICATION OF A DESTINATION

Developing scenarios is a good lead, but too much data is still unclear. So, while waiting to have more concrete elements, start from the basics and start with an overview of your potential targets and their needs? To support you in this process, here are some tips for the 2020 season.

#### A. *Contact the Locals*

The uncertainty about mobility, economic constraints but also the awareness of ecological and patriotic awareness points to mainly domestic tourism for this summer or even intra-regional.

#### B. *Adapt the Students*

Post-crisis behavior will vary between generations. Young people, will be the least sensitive to health and safety concerns. They are not afraid of the disease and their desire for discovery, travel, and leisure far exceeds their worries.

#### C. *Touching the Tribes*

Whether with friends or extended family, small self-organized groups can also be relevant targets for this summer. Groups of girlfriends, couples of friends, cousins, a family reunion with parents, grandparents, and children each living in different cities and homes ... after confinement and long periods without being able to see each other, the French will want to meet. Large capacity accommodation, connecting rooms, reduced rates for small groups, privatization of activities ... the tribes will be sensitive to suitable products which allow them to stay and spend time together.

## V. CONCLUSION

Today health crisis is upsetting economic crisis worldwide. The recovery must be increasing the tourism. Therefore, increasing the tourism through advertising was in the form of banners/billboards, print media advertisements, online media advertisements, and broadcast on FM radio and Internet marketing such as using websites and Instagram. Online travel management companies in India must develop technology platforms to aid and develop the corporate hotel segment. This would ensure bookings and payments are made from India thus allowing revenues to sit in India rather than overseas. There would need to be a continuous monitoring of traveler properties through an app, so that the tourists have a proof of safety and hygiene before they enter – They need to focus on all touch points such as transfer cars, luggage, laundry etc. and work on creating a contactless experience on Temperature screening of passengers and crew, regular sanitization of terminals and disinfection of buses, trains, airplanes should be implemented Food vendors for bus stands, train stations, airlines should follow extremely high quality and hygiene standards.

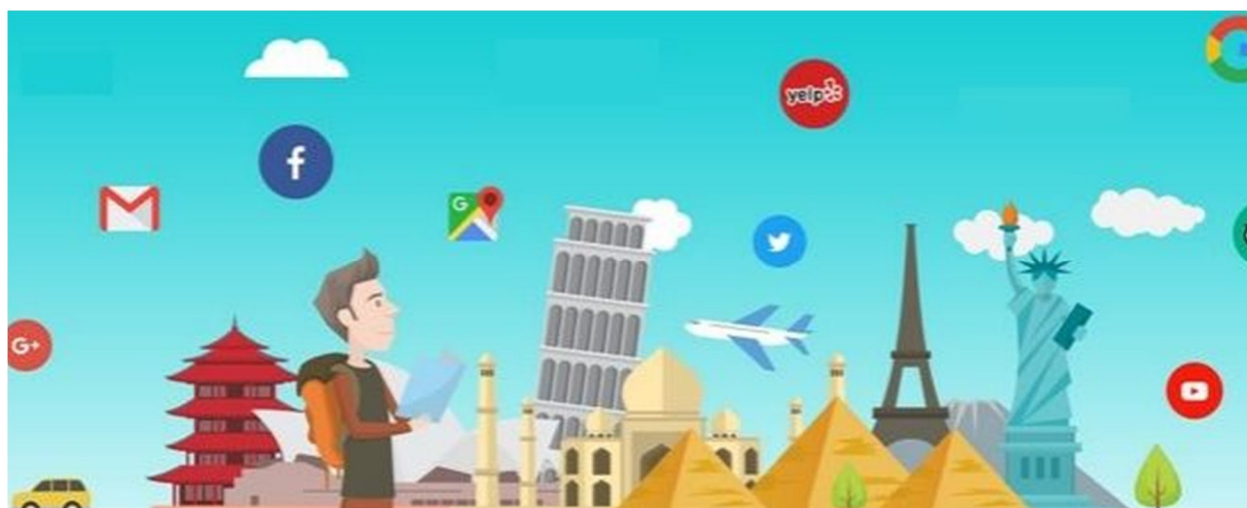
## VI. PROPOSALS FOR GOVERNMENT

On behalf of the tourism industry, this paper is a result of a rapid and extensive in the design of the Tourism Sector Deal, proposes actions and recommendations for government across four work streams:

### A. Timelines

On timelines, the industry needs

- 1) A standards-led approach which allows businesses and destinations to assess their ability to reopen under clear criteria.
- 2) Clear guidance to consumers about what it is safe to do and when – and reassurance that travel is socially responsible and encouraged
- 3) As much notice as possible of the reopening date so that businesses can prepare.
- 4) Recognition that domestic will be much faster to recover than international or business travel, with longer term financial support needed for the industry.



### B. People

To help staff back to work and keep them and visitors safe, the industry needs:

- 1) Extension of the furlough scheme in recognition that many sites will not be able to operate economically under continued social distancing, the seasonal nature of tourism and its dependence on customer demand.
- 2) Development and recognition of a 'stay safe' charter mark.
- 3) Access to apprenticeship levy money to fund retraining in social distancing measures such as hygiene and adapted operating requirements.
- 4) Clear guidance on how best to protect staff and customers through adaptations to sites and use of PPE.
- 5) Consideration of the other parts of the economy needed for people to return to work, such as public transport and schools.



### C. Regulation

To make doing business easier in the recovery, industry needs

- 1) A rent holiday for the tenants and landlords of restaurants and other premises.
- 2) Relaxation of planning restrictions that limit the opening season for some businesses, or limit where food and drink can be served/consumed.
- 3) Amendments to the Package Travel Regulation so that a 'package' must include transport to incentivise domestic trips.
- 4) Recognition that now is not the time to impose additional burdens or tax obligations on the visitor economy.
- 5) Consideration of an additional bank holiday, or moving the later May bank holiday to October half term to stimulate demand when it is possible to travel.
- 6) International work by government to try and build global consensus on how international businesses need to operate.

### D. Long Term Future

To secure the long term health of the visitor economy, industry needs

- 1) Acceleration and expansion of the 'tourism zones' proposed in the Sector Deal to support tourism's contribution to the recovery, as part of the government's ongoing ambition to 'level up' poorer parts of the country.
- 2) Seed funding of the Tourism Data Hub to build information that will support the recovery, especially for SMEs.
- 3) To use the crisis as an opportunity to drive innovation and improve productivity and boost the India's profile as a destination.
- 4) Encouragement for travellers to holiday at home with a major marketing campaign focused on domestic travel.
- 5) International visitor visas to be extended automatically to make it easier for them to take visits postponed due to the pandemic.
- 6) To use the reset in consumer behavior forced by lockdown to consider wider questions like sustainability and longer term consumer behavior.





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