

Financial Implications involved in Nature and Type of Financial Growth of Tourism Business in Post COVID-19 Scenario

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Abstract

The worst effect of COVID-19 spurted on the financial conditions of business units and other than essential items nothing was allowed to be traded and the same applies to inbound or outbound trading activities. The very first effect was reduction in production levels rather this was the first stage, at the next level the production was slowed down and finally stopped. Further tourism activities all around the world stopped and only emergency flights are travels were allowed. This has bought a slowdown in the international flow of tourists and slashed down the financial contributions worldwide. This paper will attempt to evaluate the financial scenario involved in international tourism in the times of COVID-19 and present a comparative statement with that of Indian tourism sector with special reference to financial considerations.

Keywords: Macroeconomic financial considerations, financial risk, pandemic

Introduction

As per the reports published by WHO on different web portals the pandemic of COVID-19 is an extension of SARS-CoV-2 virus, and the process of becoming a pandemic started at the end of 2019. On account of initial reports it is clear that the pandemic originated from China, there are many arguments for the exact location. The closest one is Hubei but there is a doubt that the

citizens of this province are responsible or there are some other people from some other areas. **WHO (2019)**. Nevertheless a number of people in different countries became infected from the same in no time and from January, 2020 the epicenter of the disease kept on shifting to different places, like Iran to Italy, Italy to USA, then Japan and Korea and then to rest of the world. **WHO, PAD (2020)** announced that till the mid of March, 2020 whole world has been locked down and all the economic activities were stopped. Apparently COVID-19 was announced an emergency situation related to public health. More than 200 countries and 70 lakh people all over the world had suffered the effects of this COVID-19 pandemic, as per the reports about 4.25 Lakh people died and many other are lying on their death beds, other than this some of the senior personnel of WHO also state that there is a possibility that more than 40% of the world's population may be effected by the infection, either directly or indirectly. The worst effect of this COVID-19 spurted on the economic conditions and other than essential items nothing was allowed to be traded, and the same applies to inbound or outbound trading activities. The very first effect was reduction in production levels, rather this was the first stage, at the next level the production was slowed down and finally stopped. May be this was for a short period of time but then again exerted a great impact on the economic conditions of the trade giants of the world, including China and USA. This has alarmed the regular consumers of the economy i.e. people have either reduced or stopped the consumption of less important items and generally waited for the recovery period. If one has to compare the global economic scenario, it is clear from the report of WTO for the first quarter, where it is mentioned that overall growth rate of China and USA reduced by 5.6% as compared to the global average i.e. 6.3% though the numbers are not alarming but then again the impact of the pandemic will continue to exert for a longer period of time and there will take at least 2-3 years to bring the things to normal. As stated above, COVID-19 has affected all the economic activities, round the globe and tourism and travel industry is not one of the survivors, as a matter of fact domestic tourism has reduced by 83% and the international tourism is at its lowest level i.e. 77.43%. then again in terms of values the total loss is estimated to USD 113 Billion at the global level and USD 21 Billion (*on an average*) at domestic level. **UNWTO (2020)** 78.3% of domestic and international flights were cancelled in the said period and only emergency flights were operating till the end of May, 2020. In the starting of June, 2020 some of the flights were initiated but then again the regularity of the same was discontinued in no time. Then as per the reports of WTTC (*World Travel and Tourism Council*)

2020, only 28% of the global travel will resume by the end of this year and may be 40% in the next 6 months. Then on the other hand, most of the developed countries have imposed 40-50% tax on inter-country trade activities which is again going to affect the related services. It is surprising that this imposition of tax will affect the global tourism up to 30% and may be raised at the second level. It is clear that almost all the tourist destinations were affected by the pandemic and China was the biggest sufferer. The above data is for first week of March, 2020, and the scenario was even worse in the next period i.e. March 2020 to June, 2020. Global tourism can achieve a particular level of growth if free travel is allowed and there are minimum restrictions on free flow of travel and tourism all over the world. At the next level, even the international tourists are looking forward to vaccine for COVID-19 and want to wait till all the countries have received the same.

This paper will evaluate the best and worst case scenario for global tourism, this study is based on secondary data and the researcher will analyze the key factors for improvement in the industry.

Literature reviews

Robalino (2018) evaluated the cases of international pandemic and stated that since 1918 when the first case of SARS was identified, since then many of the pandemics arrived i.e. from HIV to Bird Flu. At every step the medical facilities improved to a certain level and decided to stay at the same level till the appearance of next one. This cycle keeps on rotating and new pandemic again alerts the medical facilities round the globe. He also mentioned that such pandemics negatively affect all the economic activities including tourism, as a matter of fact all other economic activities revive but tourism industry is the last one to be fixed.

Hong et al (2020) evaluated the effect of global pandemics in terms of value, he stated that there is a difference of about 30% in the direct to indirect cost of derailing one economic activity in the times of international medical emergencies. The researchers estimated that in the times of COVID-19, more USD 100 Billion were lost and the expected recovery rate of the same may be 10 to 15% on annual basis and at this speed it will take almost 5 years to recover at the present CAGR. Then they also stated that there is a possibility that the respective governments may impose certain taxes on the tourism industry to channel the extra money to other related sectors.

Mensbrugheet al (2020) evaluated the human activities in the times of COVID-19, they stated that human beings are basically of adjusting nature and are able to adjust with any kind of habitats. People who were not comfortable without an air-conditioner are easily working for 8-10 hours under a ceiling fan, and there are many such examples where the adaptability of the humans is visible. They focused on the point that in order to survive, humans can go to any level and if they are not allowed to travel or take part in recreational activities for a long time then they can adapt this situation. On the other hand they also stated that this phenomenon is related to their very survival and these instincts make them even stronger.

Barry (2004) conducted a study on the impact of the spread of HIV on tourism industry of USA, findings of the study stated that till 1995-96 the spread rate of HIV was maximum and it has impacted the travel and tourism industry to a substantial level. Most of the US tourists have cancelled their trips to other countries and there were even more cancelations from other countries to US as well. People were not interested in visiting South-African countries, Middle east and even Asia as per the threat of the disease. This took another 5-7 years to stabilize the situation. At one point of time this was a challenge for the civic authorities and medics to make the situation comfortable for the visitors.

Sunstien (2015) conducted a study on the outbreak of SARS in early years of 21st century and effect of the same on the economic activities in the affected countries including tourism. Findings of the study stated that the only remedy to ensure the faster recovery is to increase the testing, if the testing is increased then infection ratio will be easier to be identified and it will be easier for the authorities to take appropriate actions. He also stated that tourism and travel industry has experienced the negative growth of around 37% as far as tourist traffic is concerned and 21.3% on reduction of revenue from the source.

Objectives:

The main objective of this study is to evaluate the post COVID-19 scenario of tourism in India and rest of the world and also to analyze the wrath of pandemic on the other tourism related industries.

Research Methodology

Type of Study

- This study is based on secondary data, so the researcher has considered exploratory research as the type of study.

Sources of Data

- Most of the studies based on secondary data it is the first and foremost requirement that the source of data should be authentic and reliable. Here in this present study the researcher has considered the following sources of information:
 - o Websites
 - World Tourism Organization
 - World Travel and Tourism Council
 - Annual reports of Tourism Ministry (India and abroad)
 - o Published sources (*December 2019 to May 2020*)
 - Research journals
 - Magazines on tourism (Internet Edition)
 - Indian and Foreign newspaper article on tourism

Period of Study

The respective period of study is almost one year i.e. 2019 to 2020, the researcher has considered this period because this was the period when the infection of COVID-19 reached at its peak point.

Process of Study

The researcher will try to evaluate the scenario on the basis of threats and weaknesses from the side of tourists as well as the respective governments of different countries.

Evaluation of Present Scenario in Different countries

China

As stated in the above given matter, China was the first country to get infected from COVID-19 and all other countries took up the infection from China, so it can be said that China has suffered the maximum amount of restriction as far as economic affairs are concerned and tourism is one of them. Ayittei et al, (2020) stated that by the start of 2020 i.e. in January all the theatres were closed down, 87% of the flights were restricted from taking off and all the tourism related activities stopped in the mainland of China. The experts also analyzed that this scenario was more furious than the spread of SARS in the starting years of 21st century. As per the reports of WTO and WEF (2020) it was estimated that the Chinese economy has lost around USD 40 Billion in last 12 months. NBC (2020) supported the fact and stated that tourism industry of China was contributing 10% of the total GDP of the country this came down to -0.4% in the last quarter. Then on the other hand China accounted for 11.3% of global GDP and tourism is one of the major industries to contribute. As a matter of fact in the second quarter of 2019 China spent around USD 250 billion on outbound tourism and stood at 2 second place in terms of outbound tourism. The tourism industry of China is now consuming the 7% of total GDP of the country to keep alive the tourism related industries in maintaining the major tourist spots of the country. It is expected that in next three months i.e. August 2020 to October 2020, the authorities will open the lines for inbound tourism but with lot of restrictions.

Italy

The outbreak of COVID-19 targeted Italy after China and as a result 95% of the inbound and outbound tourism activities were suspended in the country and 100% bookings of hotel and flights were cancelled in Rome and Sicily. Turismo(2020) stated that as a matter of fact 2.3% of the total population of Italy was roaming around the world as tourist and became the carrier or COVID-19 in 11 different countries in Europe and other continents. The report of WHO stated that if Italy has followed the guidelines of COVID-19 then the global spread can be reduced to 29.7% in rest of the world. Even New York airport authorities identified 123 cases of corona

positives and communicated the same to state and central government of Italy, but the authorities denied the responsibility and never stopped the tourism related events like Gala Parade, etc. NYT (February,2020). As of now many of the historical monuments of Italy are converted into quarantine centers and 4.7 million people have been cured in these centers till data. As per the reports of UNWTO (June, 2020) stated that most of the countries are not willing to allow their residents to visit Italy and some other countries in Europe till next update from WHO. This is going to cost USD 133 billion to overall economy of the country.

Australia

Reports of WHO (2019) there is a moderate effect of corona in Australia, but then again it is important to mention that 15.7% of Australian economy is dependent on tourism industry and out of the total tourist outlay 37.4% of the tourist are coming from the countries like China, Japan, Italy and even India. In the present times, Australia is the only country which is having minimum restrictions on inbound and outbound travelling but on the other hand rest of the countries, where the infection is still live, have maximum restrictions on both the inbound and outbound travelling This phenomenon is going to affect the overall tourism sector in Australia. For an example famous tourist destination of Australia like gold Coast and Cairns are expected to lose around 123 million Australian Dollars by the second quarter of 2020 and another 100 million Australian dollars by December 2020 if the threat of COVID-19 is not cured.

Negative effects of Covid-19 on global tourist activities

- More than 54 million people all around the world have lost their jobs, specifically from tourism and travel sector. South Asia and Europe are the most affected regions as far as tourism is concerned.
- According to a report of WEF(*World Economic Forum*) it will take around 10-14 months for the tourism industry to recover from the pandemic and even after this period there is no guarantee that 100% business in tourism and travel will revive.

- **WTTC (2020)** states that the overall tourism sector of the globe is going to shrink by 26% by the end of the year 2020 and there is nothing that international authorities can help with.
- As per the report of **IATA (2020)**, the international airlines and flights are going to lose more than USD 30 billion in this Corona period and the revival rate of the same will be 20-30% by the last quarter of the year 2020. Here it is important to mention that 95% of the loss will be on the part of Asia-Pacific region.
- 63% of the global tourism industry will be affected by the pandemic, and threat of infection is going to restrict the individual choices of tourists i.e. they will prefer domestic tourism in place of international tourist places.
- Even the respective agencies may not be willing to allow the tourist from countries like China, Italy, USA, India and other countries from South-Asian region. This is going to reduce the share by 32% on international level

Impact on Indian Tourism

India is one of the oldest and most visited countries of the world more than 30 million people all around the country are engaged in tourism and travel sector. As per the reports of Tourism department, Indian government and WTO (2019) tourism industry is liable to contribute around 9% of the total GDP of the country. After China and Italy the next prey of COVID-19 was India and after 22nd March, 2020 all the inbound and outbound tourism activities were restricted by the Indian Government. Till June, 2020 the domestic tourism crashed down to -35% and outbound to -78%. As a matter of fact next 10 months are very crucial for the tourism sector of the country.

Some of the other negative effects of COVID-19 can be stated as follows:

- *FTA (Foreign Tourist Arrivals)* in the country reduced to a threatening level of 67% by the end of March, 2020 and is expected to come down to the level of 93% by the end of June 2020.
- As far as domestic tourism is concerned, in the month of April, 2020 it has reduced to 49% and is expected to revive by 13% per quarter for next 4 quarter and then expected to increase by 39% in the subsequent quarters. UNWTO (2020).

- Rajasthan is one of the most preferred tourist destinations and there is always a waiting of 2-4 weeks for hotel and travel bookings, in the period of COVID-19 international arrivals reduced by 97% and even the domestic tourism also shifted to mere 30% of the total domestic outlay.
- Then again a 28% fall is registered in domestic tourism for hilly areas like J & K, Laddakh, Leh, Himachal Pradesh, etc. this is the situation when most of the airlines have reduced their fares by 30-35%.
- There was 38% of business and office related travel in the month of January and February, 2020 but this shifted to 11% after the announcement of lockdown, as only emergency tours were permitted.
- As per the reports of ASI (*Archaeological Survey of India*) there are about 3055 sites which are visited by the tourists of 38 different countries and almost all the states of the country. After the Threat of COVID-19 only 110 sites were visited in the month of May and June, 2020 and that too by the local or domestic visitors.
- The overall hospitality sector has witnessed around 57% fall in hotel bookings and another 63% reduction for new queries and all this happened from January 2020 to March, 2020. As stated in the report of **Edelweiss (April, 2020)** there is a 67% fall in the hospitality sector of India and the same is expected to grow by 11% in the 3rd or 4th quarter of 2020. The report also stated that the stakeholders should not expect any miracle by the next year, things are going to take time for revival.

Findings

- RBI has given the biggest relief to corporate sector in the form of three months moratorium and all the EMIs were shifted for three months. This has been a big relief to the hotel and hospitality industry of the country, because many of the related services were running on bank EMI and it was hard to pay the EMI without any income. There is a recommendation from ICC that this moratorium period of 3 months should be extended for 6 months for betterment of the tourism industry of the country.

- The government of India has announced a relief package of 1.7 lakh crore, specifically for the tourism industry of the country, fueled by this money tourism industry can revive at a rapid rate and gain complete health by the third quarter of 2021.
- Many of the countries are opening gateways for tourism and travel related activities but still the tourists are feeling the threat of COVID-19 and avoiding any kind of air travel. Even the domestic visitors are avoiding travel except unavoidable emergencies.
- Some of the moderately affected countries like Australia, Japan, New Zealand, etc. are avoiding travelers from the countries who were highly affected by the pandemic like China, India, Italy, USA, etc.
- UNWTO has released an advisory for the respective countries for conducting tourism related activities in their respective countries, and these guidelines are required to be followed till the announcement of next set of guidelines from the agency.

Conclusion

After SARS attack of 2003, COVID-19 is the only threat that has stopped the economic line of the world, as per the report of WHO if the agencies will not find the vaccine in time then there is a possibility that the virus get immune and become stronger. In the meantime, tourism industry all over the world is negatively affected by the threat of COVID-19 and will take almost a year to revive the services in the tourism sector. Even if the authorities decide to start the travelling and tourism activities in their respective economies then also there will be a dearth of visitors for at least next one year.

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