

CHANGING DYNAMICS OF HOSPITALITY INDUSTRY IN INDIA AMID COVID'19

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ABSTRACT:

The Indian tourism and hospitality sector is one of the major components of Indian service industry contributing for 9.2 % of India's GDP. Also it's a huge avenue for employment in India by providing 2.67 Cr jobs in 2018. Tourism and Hospitality Sectors are also a great source of foreign exchange for India. Recently, Due to the fatal and highly contagious nature of the Novel Corona virus or Covid-19, all the economic activities and the movements across the country has been stopped as Indian government has imposed a country wide lockdown since March 24, 2020. All the sectors including Tourism and Hospitality are heavily impacted by this unprecedented situation and livelihoods are at stake. Therefore, the aim of this study is to assess the impact of these restrictions due to Covid-19 on the Tourism and Hospitality industry in India. The Methodology technique used is conceptual and the Secondary data published through government sources, websites, published reports, magazines and newspapers is used for the study. The major findings regarding the extent of the impact on the Hospitality industry (Hotels, Aviation, Travel and Tourism) are highlighted. In conclusion, this study will be helpful for the authorities to understand the depth of the problem and to implement necessary measures to make this sector more sustainable.

INTRODUCTION:

Indian Tourism and Hospitality industry is one of the emerging and attractive destinations for tourists. The reasons being warm hospitality and strong communication campaigns by Indian Government ranging from 'Visit India Year 2009' to 'Incredible India'. Government has joined hands with leading airlines, hoteliers, holiday resorts and tour operators in this ambitious marketing campaign. And all these efforts have been well received by the tourists and succeeded in resonating the ancient Indian value of - 'Atithi Devo Bhava' or 'The Guest is God', which embodies the traditional Indian philosophy of revering guests with the same respect as God.

Tourism sector has a very high employment potential with approximately 90 jobs creation per Rs. 10 Lacs of investment. In 2019, the 'Travel and Tourism Competitiveness Index' (TTCI) of the World Economic Forum has ranked India 34th out of 141 nations, a huge improvement from being ranked 65th in the year 2013.

Travel and tourism industry contributes to 9.2% of India's GDP and 8% of the total employment as per the 'India 2019 Annual Research' by 'World Travel and Tourism Council' (WTTC), the global authority on travel and tourism. This total contribution is expected to rise to US\$ 275.2 Billion in 2025. Also, Travel and tourism is the third largest foreign exchange earner for India. Hotel and Tourism sector attracted around US\$ 12.35 billion of FDI as per the data published by Department of Promotion of Industry and Internal Trade (DPIIT).

The current COVID-19 pandemic has hit hard the World economy and the Indian tourism sector is no exception to this. The countrywide lockdown put up by the Indian Government has put the intra- national as well as international tourism to a long halt. As the lockdown is expected to stay for longer period and no special provision for tourism and hospitality industry in the 20 lac Crore 'Aatmanirbhar Bharat Package', the future looks worrisome for this industry. Following is the analysis of impact of COVID-19 on Aviation, Hotel, and Travel and Tourism sectors in India.

LITERATURE REVIEW:

Hotel sector analysis annual report, EQmaster, 12 Jan'2020, Provided the data about the World Travel & Tourism Council (WTTC), the global authority on travel and tourism, which has done a research study called 'India 2019 Annual Research', that showed travel and tourism in India contributed 9.2% of the GDP

and provided 42.7 million jobs or 8.0% of the total employment. Further it contained report from the Ministry of Tourism of the Government of India, stating 10.5 million foreign tourists visited India in 2019 which represents a 5% increase over the previous year.

Vanessa Allen and Barbara Yaffe, CMAJ April 14, 2020, 'Lack of COVID-19 transmission on an international flight' named article explained us about the correlation between the pandemic and the flights doing journey. The biased approach towards the industry helped spread of COVID-19 which resulted in diluted approach towards the study and thus brought us on practical grounds.

In International Journal of Application or Innovation in Engineering & Management, SWOT Analysis of Indian tourism Industry by Archana Bhatia, December 2018, defined the potential tourism industry carries and how it is expected to grow in the forthcoming period. As India is an emerging economy and tourism constitutes to its GDP in an exponential way we here studied its strength, weakness, opportunity and threads for deep insight.

Indian hotel industry: past, present and future by Tahir Suri in PCTE Journal of Hotel Management helped us know the foundation and get connected with the hotel industry in India. Its emergence, flexibility and potential it carries to grow in any given scenario. Huge hotel chains emerging and capturing the market with its unique diversified offerings. Also we learned about the per year reports released by Ministry of tourism and its correlation with the dynamic changes in the trends.

Effects of Corona virus Disease (COVID -19) on Tourism Industry of India, a study published in UGC Care Journal in Feb '2020, we came to know about the top 10 popular states of tourist visits in India. The number of foreign tourist arrivals in India and foreign exchange earnings of India from tourism before COVID19, decisions taken by Government for removal of COVID-19 and its impact on Tourism Industry of India. Employment, fiscal deficit and financial loss under this pandemic were known through analytical figures here in this proposal.

Hotel Industry in India

Prasun Choudhary, Apr 29'2020, Impact of COVID-19 on Indian hotels and how OYO is working with its hotel partners to ensure business continuity. We get to learn about the percentage fall in the bookings and the statistics of how much cancellation and revenue loss occurred because of government decisions amid this pandemic. It also gave us the insight of the hotel chain industries overall method in current scenario.

ETHospitalityWorld, March 18, 2020, Hotelivate report clearly explained about the revenue hotel industry produce per annum and the statistics with respect to securities it owns and the effect COVID-19 produced. It further explained about the bifurcation of lodging sector and its respective contribution to the profit making; adding on to this we learned about the change occurred in its proportion then how could it forecast the upcoming damage.

Aviation Industry in India

Department of tourism India, April 15, 2020, released the monthly report about the number of passengers touched and it was very clear from that the tourist arrivals in India decreased to 328462 in March from 1015632 in February of 2020. It makes sense when we compare these numbers as a parameter to analyze the effect of COVID-19. Also report contains the supplement information about the GDP contribution in Indian economy and its exponentially decreasing figures.

Anumedha Chaudhary, ETbureau , May 21, 2020, Overall job loss estimates for the entire tourism value chain — including hotels, airlines, tour operators, transport providers and all other allied businesses — battered by the Covid-19 pandemic, may lie between 38 million and 50 million as per industry body FAITH and CII. The figures explain direct connection between the employment loss and the pandemic situation in India.

Tours and Travels

Jayajit Dash, Business Standards, April'28, 2020, collected data based on the revenue growth per year and the forecast of how it will affect this year's rate. During April-June, the Indian tourism industry is expected to book a revenue loss of Rs 69,400 Cr, denoting a loss of 30 per cent compared with last year revenue data.

The President of the Indian Association of Tour Operators (IATO), a body representing more than 1700 tour operators specializing in inbound tour had begun laying off staff to around 50 percent was clearly stated in the report which indeed gave estimation of the upcoming layoffs in this industry.

METHODOLOGY:

The information collected for the research work is totally based on secondary data. The information collected is through various journals, articles and official website of Tourism and Travel, Hotel industries. Data released by Ministries in their annual report were also taken in consideration.

Impact of COVID-19 on Aviation Industry

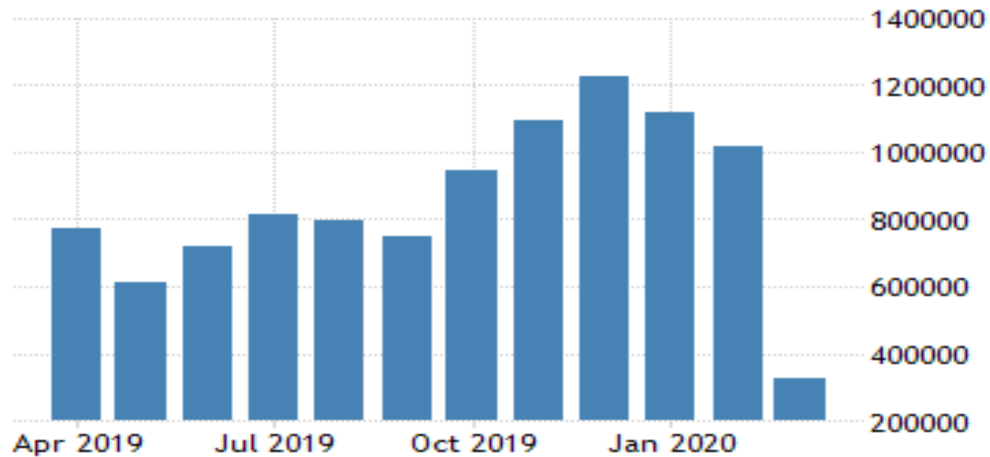


Figure 1: Number of passengers arrived

Not only the hotel industry, massive changes have been experienced by Indian aviation industry as well. Since the outbreak of the novel corona virus, the aviation industry has been among the hardest affected in terms of revenue and that has prompted airlines to try ways to soften the hits. There is a noticeable weak passenger demand across the globe.

Almost all the countries has planned restriction on travel, India was proactive in banning international and domestic flights to stop penetration of this pandemic as well. This has resulted in the various conclusions of unemployment, The Federation of Association in Indian Tourism & Hospitality (FAITH) and the Confederation of Indian Industry has estimated direct and indirect job losses of around 38 – 50 million.

The Tourism Impact of Virus Outbreak

The Indian tourism industry is projected to book a revenue loss of Rs 1.25 trillion in calendar 2020 as a fall out of the shutdown of hotels and suspension in flight operations after the onset and spread of the corona virus pandemic. A study notes that the figure corresponds to a 40 per cent decline in revenue over calendar 2019. Also this culminate to the impact of the pandemic on tourism at about 50 per cent during January and February 2020, while it may be higher at 70 per cent in March alone, following the suspension of international flights.

During April-June, the Indian tourism industry is expected to book a revenue loss of Rs 69,400 Cr, denoting a year-on-year (y-o-y) loss of 30 per cent. "During H2 2020, assuming the virus impact subsides, we expect FTAs (free trade agreement) to still be lower affecting the FEEs (foreign exchange earnings) by about 50 per cent to reach Rs 56,150 Cr instead of Rs 112,300 Cr during H2 2019,".

Impact of COVID-19 on Hotel Industry

According to an assessment study; Hotelivate, India's organized hotel industry's loss due to the COVID-19 epidemic would be in the range of US\$1.3 to 1.55 billion this year. Hotelivate has released the on data-driven assessment of the performance of the hotel industry through the years.

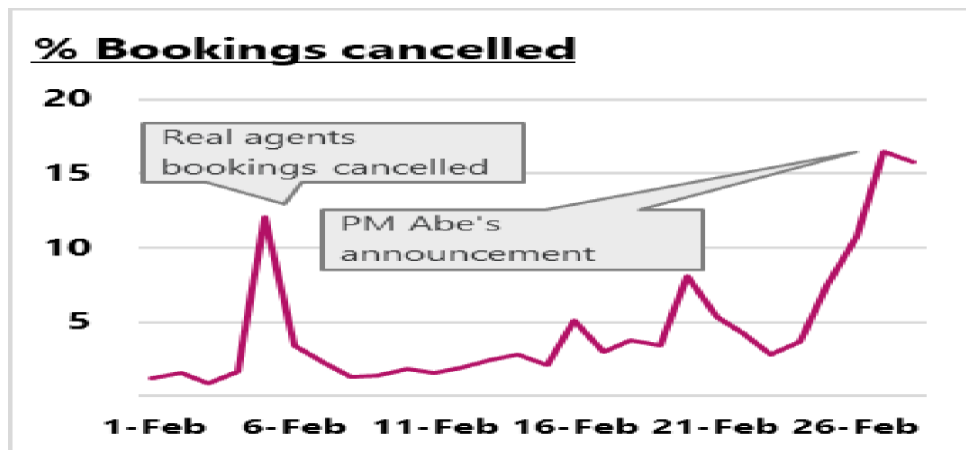


Figure 2: Oyo rooms booking cancellation rise

In this 'best case scenario' of the virus's impact only being devastating for the next two to three months, estimates are made that the weighted impact of this situation is likely to erode the blended nationwide occupancy (in calendar year 2020) by about 18% to 20%, while the blended nationwide ADR (security instrument) may see a drop of 12% to 14% this year.

Reduced room revenue, coupled with erosion in both restaurant demand and MICE business, are very likely to have a cascading effect on non-room revenue for hotels across India. Therefore it is estimated that the overall loss of total revenue for the 140,000 branded / organized hotel rooms across the nation will be anywhere between US\$1.3 billion to US\$1.55 billion. This amounts to 27% to 32% erosion in the overall revenue as compared to last year.

Moreover, given that these 140,000 rooms represent only about 5% of the total lodging sector in India (95% of it being B&Bs, Guest Houses, Unbranded & Unorganized Supply, etc), there is likely to be an additional loss of anywhere between US\$4.2 billion to US\$4.7 billion in total revenue across the alternate accommodation industry. These losses are assumed based on the current ongoing scenario and an assumption that normalcy may begin to prevail in the next 90-days i.e. up to 30 Aug '20 or so. Should this situation extend for a longer period, hotels in India are then likely to bear loss which can't be quantified.

CONCLUSION:

Indian Prime Minister Narendra Modi in his Independence Day speech had said that Tourism and Hospitality is one of the Five Pillars of growth for India. But from the above study and analysis of the data we can surely conclude that this pillar is shaking today with the potential loss in revenue of Rs. 5 Trillion, while 35-40 Million direct and indirect jobs are in jeopardy. The purpose of keeping these facts and figures in front of the readers is to show the true picture of why this industry is so important in India's growth and how it is on the verge of collapse due to COVID-19 pandemic blow.

This paper shed some light on the Tourism and Hospitality sector in India which has experienced the devastating situation due to the current lockdown in the country. The results highlighted in this study would help the authorities related to this sector to better understand the problem and decide the best Policy to be implemented to make the sectors sustainable. This being a labor intensive industry, government must try to save it through various measures possible like deferment of the GST , waiver of fees for licenses and permits, tax cuts to 5% from the current bracket of 12-18%, for 1-2 years and restart the industry by strictly putting in place the social distancing and hygiene norms.

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