

Road Ahead for Tourism & Hospitality Industry: RSTV- Big Picture

Anchor - Frank Rausan Pereira

Guests -

1. Meenakshi Sharma, Director General, Ministry of Tourism
2. Puneet Chhatwal, CEO & Managing Director, Taj Group
3. A.K. Bhattacharya, Editorial Director, Business Standard

Context:

- This edition of the Big Picture analyzes the **impact of the Coronavirus pandemic on the Tourism and Hospitality industry.**

Background:

Significance of the Tourism and Hospitality Sector:

Global perspective:

- The tourism and hospitality sector accounts for around **10% of the global GDP.**
- The sector has a tremendous potential to create **employment opportunities in large numbers**, given the higher **forward and backward linkages of the sector**. The sector acts as a **multiplicator of jobs**, as every direct job in this sector creates 6-8 times indirect jobs.
- Apart from the obvious economic significance of the sector, it also has **significant social impact** given its potential for a distributed model of growth and employment opportunities for a wide variety of people including the unskilled and semiskilled labourers.
- The tourism sector is also crucial in helping **build awareness, character, knowledge and tolerance.**

Indian perspective:

- Contrary to the popular belief of tourism and hospitality industry being a peripheral sector, in the recent past it has become a **crucial sector for the Indian economy.**
- The travel and tourism sector accounted for **9.2 per cent of India's GDP in 2018**, and

generated around 26.7 million jobs in 2018 alone.

- The sector accounts for **nearly 12.75% of the employment in India**. Also considering the indirect jobs it creates, the number would be even higher.
- Given the issue of **jobless growth in India**, it is an important employment generating sector in the country.
- Notably it provides employment opportunities for a wide array of professionals ranging from **skilled to unskilled people**.
- Given the regional inequality in growth, in India, the sector also plays a critical role in ensuring **decentralized development**.
- The travel and tourism sector is an important source of **foreign exchange for India**.

Details:

Impact of COVID-19:

- The sector had reported good progress up until January 2020 and the number of tourists both international and domestic was expected to reach a record high.
- However, given the **extensive travel restrictions and movement regulations** in place, both at the global level and within the country, the travel and hospitality sector has been severely affected and is facing a crisis. The cascading effect of the global Coronavirus pandemic is crippling the tourism and hospitality industry.
 - Media reports suggest **Foreign Tourist Arrivals (FTA) in India have come down by about 67 per cent** in the January-March quarter, while for domestic tourists the figure is lower by nearly 40 per cent.
- Given the global nature of the present crisis, the tourism sector is under great stress - world over. This is an unprecedented situation for the sector.

Concerns:

Collapse of the sector:

- The tourism and hospitality sector has been the most affected sector due to the current lockdown, since the whole sector has been brought to a standstill and has almost **zero new revenue**.
- Given the uncertainty with respect to the current crisis, there could be an **impact on the future investment decisions** in the sector.

Macro-economic impact:

- Given its substantial share in India's GDP, slump in the sector will have a considerable macro economic impact in the form of **reduced growth**.

Job loss:

- The biggest impact would however be on the employment scenario. The sector could witness **salary cuts and also job losses**.

Way forward:

- Given the high impact of the pandemic on the sector and also considering the significance of the sector in the Indian economy there is a **need for special attention and measures**.

Government efforts:

Short term measures:

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- The problem that the sector is currently facing is with respect to survival. The major concerns with respect to liquidity crunch, payment of salaries etc.
- In the short term, there is a need for **state support** in the form of moratorium on loans, extending statutory deadlines, providing low interest loans, tax cuts, etc., which could help **ensure sufficient liquidity in the sector** and ensure the sector sustains till the lockdown ends.
- The government can consider **providing subsidy to hotels based on the criteria of their employment maintenance**. This move could deter the owners from resorting to job cuts and thus help avoid its ripple effects in the economy.
- There have been reports that several governments are considering **using the empty rooms in hotels as a backup option for additional bed capacity** in case of an emergency. The government can consider paying a small fee for the services of such hotels which can help them sustain their finances.

Long term measures:

- In the long term, the government should look for creative solutions to **induce business for this sector** through appropriate policy measures.
- This could involve incentivizing the Indian Corporates to hold their meetings in hotels by providing tax deductions.
- The government policies should also **incentivize domestic travel**, given the fact that the contribution from international tourism would require a longer time to recover.

Industry efforts:

- Notably, several hotels have been hosting medical personnel and providing them food. There have also been reports of several hotels providing food packets to migrants.
- Under the **Stranded in India portal**, hotels have come forward to host several tourists stranded due to the lockdown in place.
 - Through the Stranded in India portal the Tourism ministry has helped more than 1,200 stranded foreign tourists.
- Given the drastic changes in people's social behaviour that could be expected in a post pandemic scenario, the hospitality and tourism sector should consider **revaluating and re-engineering their business models** for viability in a changed scenario.