

The Role of Lung Diseases Like COVID-19 on the Hospitality and Tourism Industry in India

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Abstract

The COVID-19 pandemic has affected health, hospitals, and the medical infrastructure the world over. The objective of this paper is to assess the economic impact of the biological pandemic, specifically, the COVID-19 pandemic on the Indian Tourism and Hospitality industry. The research question addressed in this paper is what India's economic scenario will be post Covid-19.

Keywords: COVID-19; Healthcare; Hospitality; Tourism; India

Abbreviations

CAGR: Compounded Annual Growth Rate; GDP: Gross Domestic Product; FY: Fiscal Year (In India it is from 1st April to 31st March); FTAs: Foreign Tourist Arrivals; RevPAR: Revenue Per Available Room

Introduction

Coronavirus disease (COVID-19) is an infectious disease caused by a newly discovered coronavirus. Most people infected with the COVID-19 virus will experience mild to moderate respiratory illness and recover without requiring special treatment. Older people, and those with underlying medical problems like cardiovascular disease, diabetes, chronic respiratory disease, and cancer are more likely to develop serious illness [1]. Symptoms can range from mild, such as cough, shortness of breath and fevers, to critical disease, including respiratory failure, shock and multi-organ system failure. According to the World Health Organization, recovery time appears to be around two weeks for mild infection and three to six weeks for severe disease. However, this is variable and depends on a patient's pre-existing comorbidities in addition to illness severity [2]. Some patients may develop long lasting pulmonary fibrosis making them dependent on home oxygen. The prevalence of post-COVID-19 fibrosis will become apparent with time, but early analysis from patients with COVID-19 on hospital discharge suggests that more than a third of recovered patients develop fibrotic abnormalities [3]. India is facing a deadly second wave which has currently peaked at more than 4 times reported daily cases than the previous peak in mid-September. Vaccination remains a challenge, with 19.4% of the population receiving at least their first dose and 7.9% fully vaccinated [15]. Faster vaccination holds the key to an escape from the pandemic.

India's GDP in FY 2021 contracted by 7.3% due to the impact of the first Covid-19 wave [17]. This was the greatest contraction in GDP post India's independence in 1947.

Materials and Methods

Primary data were collected from the following datasets: the ministry of tourism, Government of India [10], Centre for Monitoring Indian Economy (CMIE) [5], International Monetary Fund (IMF) [17] and speeches by the finance minister and prime minister of India [12,13]. These were used to find metrics for tracking the Indian economy and the Tourism and Hospitality industry.

All analyses were done using Microsoft Excel. Raw data from the above datasets were processed as shown in each figure.

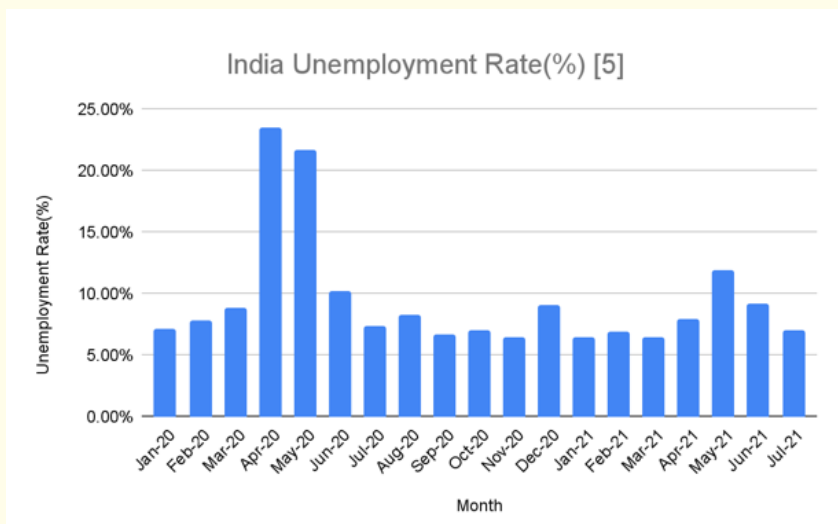


Figure 1

The unemployment rate peaked at 23.5% in April 2020 and was 6.9 per cent in February 2021 which was an improvement from 7.8% in February last year [5]. Unemployment rate in May 2021 is estimated to be at 12% by the CMIE [5]. Before the pandemic, the top one percent of the Indian population held 42.5% of the country’s wealth whereas the bottom 50% held just 2.8% [6]. Moreover, based on a survey conducted by the CMIE, the income of 97% of households adjusted for inflation has decreased post Covid-19 [7].

Results and Discussion

Hospitality and tourism benefits for India

The Hospitality and Tourism sector is important to India. Tourism and travel made up 9.3% of India’s GDP and nearly 8% of the total employment in 2019 [8]. Among 185 countries in terms of travel and tourism’s total contribution to GDP in 2019, India ranked 10th [8]. Tourism directly benefits India’s economy through the hotel and hospitality usage, transportation services, and retail shops. Prior to the pandemic, the sector was predicted to grow at an average annual rate of 6.9% from 2019 to 2028 to reach 9.9% of the GDP [8]. The sector created 6.36 million new jobs from 2014 to 2019 [8]. India is ranked 23rd in terms of world tourist arrivals and 12th in world tourist receipts. India has gone from 52nd to 34th position in the Travel and Tourism Competitive Index from 2015 to 2019 [10].

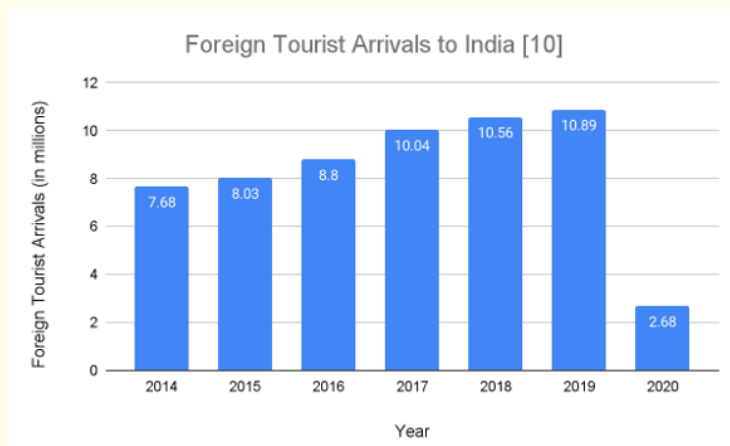


Figure 2

Foreign tourist arrivals to India have grown at a CAGR of 5.3% between 2014 to 2019 [10]. India earned foreign exchange of US \$30.0 billion from tourism in 2019 [10]. Foreign exchange earnings from the tourism industry in India grew at a CAGR of 8.96% between 2007 and 2019 [10]. 10.9 million foreign tourists visited India in 2019 [10]. 6.2 million tourists travelled to India for leisure holidays and recreation, 1.6 million for business and 0.7 million for medical tourism [8]. One of the reasons for a growth in foreign tourist arrivals is India’s e-tourist visa policy which it implemented in 2015. This now allows people from 143 countries to apply for visas online. E-visa tourist arrivals have grown at a CAGR of 39.4% between 2016 to 2019 to reach 2.93 million tourists [10].

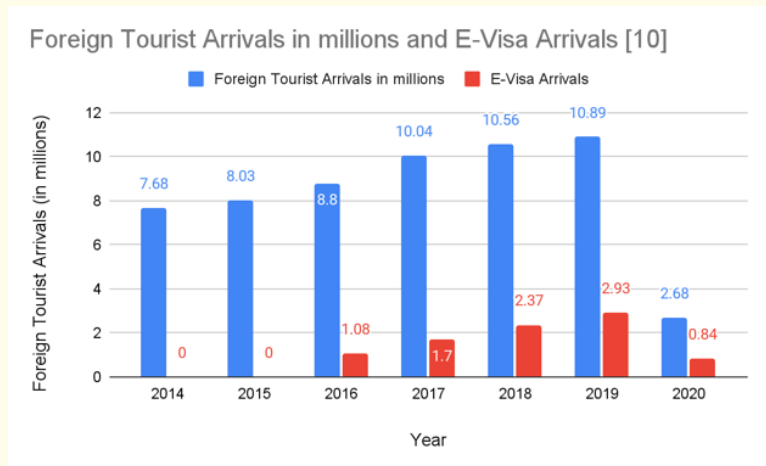


Figure 3

There were 2321.98 million domestic visits in India in 2019 [10]. Domestic tourist visits have grown at a CAGR of 13.2% between 2000 to 2019.

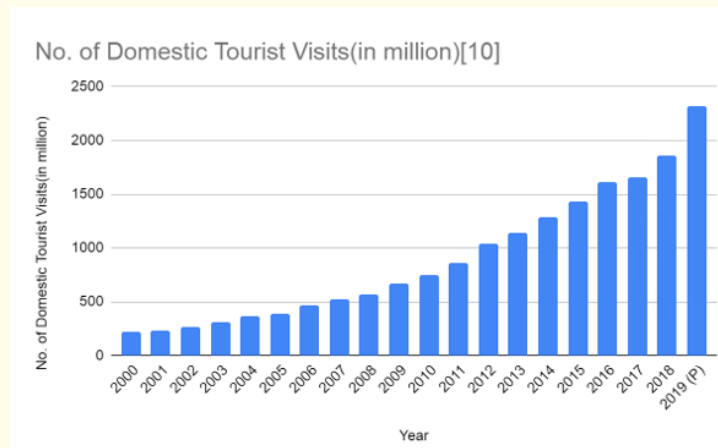


Figure 4

Domestic tourism is quite concentrated with Uttar Pradesh, Tamil Nadu and Andhra Pradesh accounting for 23.1%, 21.3% and 10.2% respectively [10]. These top three states took 54.6% of the domestic tourists volume in India [10].

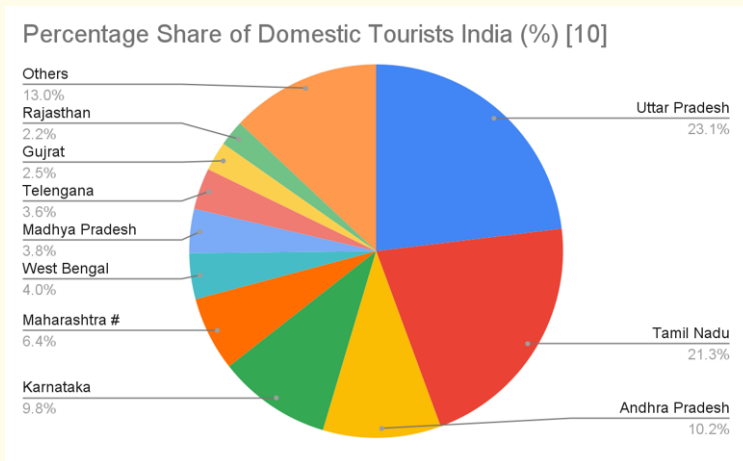


Figure 5

Revenue by leisure travel spending was \$234.16 billion in 2019 and is expected to reach \$432.3 billion in 2028 [8]. India is a land of geographical and cultural diversity and offers multifaceted interests for both Indian and foreign tourists. The subcontinent has a long coastline with beaches offering relaxation as well as water sports. Its numerous hill stations allow tourists to pursue varied activities like trekking and rock climbing. India has a range of religions which is why it has several temples, churches, mosques and religious sites. India has also developed 15 theme-based circuits including Krishna circuit, Himalyan circuit, wildlife circuit, tribal circuit and Buddhist circuit [10]. It is noteworthy that places in the Buddhist circuit were visited by 6.46% of total international tourists in 2017 [11]. Moreover, it is estimated that spiritual tourism accounted for nearly 60% of total domestic tourism in 2019 [16]. India also has 38 world heritage sites, which makes it the country with the 6th highest number of heritage sites. Medical tourism encompasses medical problems and surgical procedures ranging from cataracts, dental extractions to complex cardiac and neurosurgical procedures. India is the birthplace of yoga and Ayurveda and wellness tourism is also popular. Newer forms of tourism include cruise, film, and eco-tourism. The Government is planning to set up five cruise terminals in the country and increase the number of cruise ships to 1,000 [10].

Covid impact on tourism and hospitality

The tourism and Hospitality sector is one of the worst hit sectors by the pandemic. Lockdowns and travel restrictions like quarantines or bans have discouraged people from travelling for most of the year. The fear of the virus is still high amongst people and vaccination rates and number of active cases of countries will play a huge role in tourists’ decisions.

The Covid-19 pandemic led to a drop of its contribution to the GDP to 4.7% in 2020 [9]. The number of jobs fell by 20.8% [9]. The tourism ministry stated that the foreign tourist arrivals (FTAs) between March to December of 2020 stood at 0.21 million, which is down over 97 per cent as compared to the same period in 2019 when FTAs stood at 7.75 million [10]. International visitor spending fell from 2282.3 billion rupees to 890.7 billion rupees which is about 61% from 2019 to 2020[9]. On the domestic side, visitor spending has decreased by 30.7% from 10384.8 to 7201.4 billion rupees [9].

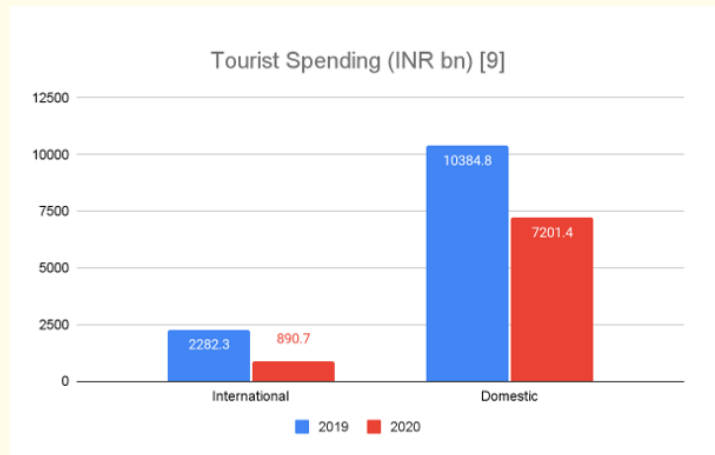


Figure 6

Of the approximately 10.9 million people who lost their jobs, 5 million were in the tourism and travel sector alone [14]. The restaurant and hotel industry took a big hit, and hotels were forced to retrench staff due to almost ‘zero bookings’ in April and May 2020 [14]. Almost 1 million drivers of public transport and modes of travel were put out of business [14]. Hotel occupancy rates in India had been at 66.7% and 65.4% in fiscal year 2019 and 2020 respectively [4]. This fell to 33.8% in fiscal year 2021 [4]. The average daily rate, the revenue from rooms divided by the number of rooms sold, fell by 34% to 4013 rupees and the RevPAR, revenue per available room, fell by 66% to 1358 rupees in FY 2021 [4].

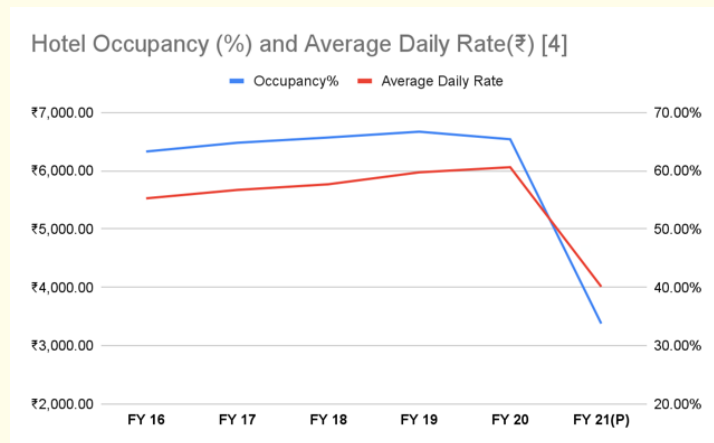


Figure 7

Steps to revive the sector

The revival of the tourism and hospitality sector is dependent on several factors. Tourism and aviation ministry officials cannot predict when normal business will resume. The industry can be divided into two main categories: international and domestic. In 2019, India’s

tourism market by spending largely relied on domestic tourists. 82% of total spending was from domestic tourists and the remaining from international [9]. In 2020, this number increased to 90% as international tourism was affected more severely than domestic tourism [9].

The government has decided to spend about Rs 950.00 crores to improve tourism infrastructure and about Rs. 670 crores on tourism promotional activities in FY 22 [12]. As people prefer to visit nearer locations within their own country, domestic tourism has helped revive the tourism sector.

The ministry of tourism has started “Dekho Apna Desh” webinars in which they inform people about tourism destinations all over India, from tiger reserves and river tours to detailed guides on a few places. As of X 90 webinars have been conducted. Prime minister Narendra Modi has also encouraged people to visit 15 locations across India by 2022 under this initiative. The government has launched the SAATHI (System for Assessment, Awareness and Training for Hospitality Industry) to help hotels, restaurants and B and Bs implement Covid safety guidelines [10].

On the international side, the recovery is expected to take longer. The fear of travelling internationally still looms due to new potentially more dangerous variants of the virus. These have also resulted in strict quarantine rules on arriving to India which have discouraged foreign tourists from visiting. Tourists will prefer to travel to countries with high vaccination rates and few daily reported cases. There is pent up demand and tourism in more developed countries is expected to recover faster. With only 7.9% of the population completely vaccinated, India may not be a choice for most tourists in the near future [15]. As of now 39 countries have placed travel restrictions on Indians travelling to their country.

There are a few segments of tourism which are expected to be permanently affected by Covid-19. This includes the MICE (meetings, incentives, conferences, and exhibitions) segment and other business related travel as most corporations have started using online meetings. It is estimated that business and professional meetings were 14.7% of foreign tourist arrivals in India in 2019 [8].

The government has decided to issue free visas for the first 500,000 tourists after travel restrictions ease [13]. This may not seem as an incentive for tourists to visit India as the visa fee for travellers from US and other European countries is around 55-75\$ which is a small amount compared to how much they would spend on their trip. The government has started the Vande Bharat Mission (VBM), which aims to help people stranded in foreign countries back home, and travel bubbles with several countries; however, the amount of traffic in these flights remains fairly restricted.

The government has also announced 100 percent loan guarantees for the hospitality and tourism industry [13]. There is a limit of 10 lakh rupees for travel and tourism stakeholders and a limit of 1 lakh rupees for travel agents [13]. This will help businesses in this sector to survive. However, only registered tour operators and tourist guides will be able to avail the loan guarantee. This number is estimated to be around 11,700 which is roughly 5% of the total tour guides and operators [13]. Although these loans will provide liquidity to firms, there is no cut in interest rates for them which may discourage tour operators and guides from taking them.

Conclusion

Overall, with continued government support to enable businesses in this industry to survive through the COVID-19 crisis, hospitality and tourism will rebound. The major recovery in tourism will be largely in line with the control of Covid-19 and people’s confidence for travelling. India relies much more on domestic tourism than international which is why this sector could potentially recover faster in India. People are tired of the stagnated life that lockdowns and restrictions have imposed on them and are eager to travel. This is seen by instances of revenge tourism post heavy lockdowns restrictions are partially removed. In India, several hill stations saw an influx in travellers as the second wave of the virus cooled down. This form of travel is not appropriate and can lead to an increase in the number of infections, but it shows the pent up demand for travelling. Domestic tourists tend to be more price sensitive and normally spend less than their international counterparts, but their scale currently trumps international tourists. The Goods and services tax rates for hotel

accommodation in India are currently much higher than neighbouring countries with rates varying from 12% for rooms between 1000 to 7500 rupees and 18% for rooms more than 7500 rupees. A cut in the tax rates will make Indian hotels more competitive and encourage people to increase their duration of stay. The tourism and hospitality industry has been severely affected by the Covid-19 pandemic and it has impacted the livelihood of a significant portion of the country's workforce. India is a culturally and geographically diverse country with several features which can attract any tourist and India should promote tourism as restrictions ease. Infrastructure projects related to tourism should also be fast tracked while relatively fewer tourists are traveling. The industry will continue to see growth as the pandemic subsides.

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