



Covid-19 Pandemic and Its Impact on the Hospitality Sector: An Empirical Study

^{*1}Ruokozenuo Nienu and ²Dr. Gautam Patikar

^{*1}Research Scholar, Department of Commerce, Nagaland University, Nagaland, India.

²Professor, Department of Commerce, Nagaland University, Nagaland, India.

Abstract

The onset of COVID-19 is a blow to the economies on a scale never before seen, leaving almost no nation unscathed. This pandemic is regarded as one of the most severe shocks in modern history, hurting individuals and businesses in every conceivable way. Before the COVID epidemic, it was rare to remember a situation in which people were adversely affected by a substantial magnitude. This pandemic still has terrible repercussions putting personal and professional existence in jeopardy. Among the industries that have reportedly been the most negatively impacted by the disruption in the demand-supply concatenation are aviation, production, services, travel, hotel, transport, and commerce. From the global to the personal, this pandemic threw off the balance of survival and safety for almost everyone. Susceptible instances post-lockdown have exhibited an amplifier reaction, making the post-lockdown scenario even dire. Subsequent ramifications have been challenging to predict due to this intricacy and ambiguity.

The main goal of this study is to provide a comprehensive overview of the situation while also detailing how COVID-19 has affected the hospitality industry. This study's primary intention is to draw attention to the difficulties this industry suffered due to the pandemic. Also discussed is a blueprint for responding to this unfathomable downturn and setting the stage for participatory management as India sails through this testing moment.

Keywords: COVID-19, Hospitality Sector, Hotels, Impact.

Introduction

The widespread of COVID-19 had a significant effect on almost every country. The World Health Organization labelled the COVID-19 outbreak a global health emergency on January 30, 2020, and then on March 11, 2020, it officially announced it as a pandemic ("Statement on the Second Meeting," 2020). The effects of the epidemic are catastrophic on all levels of society, including personal lives, communities, economies, governments, and the global community. This epidemic has surpassed World War II as the biggest threat to humankind. Ministry of Statistics reports that GDP growth slowed to 3.1% in the fourth quarter of the 2020 fiscal year ("India's GDP," 2020). As per assessments from the World Bank and other rating organizations, India's economic expansion in the fiscal year 2021 is at its weakest point since the economic restructuring of the 1990s (World Bank, 2020). After the economic package was announced in the middle of May, GDP forecasts for India were lowered to negative values, indicating a serious recession. The outbreak has had a significant negative influence on India's economy, leading to a substantial increase in unemployment. The percentage of unemployed individuals in India surged from 6.7% on March 5th to 26% on April 19th, however by the middle of June, it had returned to the level it had been at before the lockdown

(Gupta *et al*, 2022). It is claimed that 14 crore individuals became unemployed as a result of the shutdown, while many more had their wages stopped altogether (ibid).

A firm with an eye on expansion is more likely to see increasing profits and revenues, which in turn boosts the economy as a whole via the multiplier effects of hiring more people, spending more money, expanding production capacity, and so on. The expansion of the economy, both in terms of individual industries and as a whole, may be attributed in no little part to the efforts of everyone involved in the supply chain. This economic expansion is often evaluated in terms of gross domestic product and per capita income in order to rank nations according to their relative value. Several distinct economic sectors work together to keep the economy functioning on both the local and macro scales. Although each of these sectors makes a unique contribution to the expansion of the economy, they are highly dependent on one another to carry out their tasks in an effective manner within the system.

Review of Literature

Beginning with a discussion of the pandemic's worldwide effect, the author concentrates predominately on India. Throughout history, outbreaks and epidemics have wielded a

significant role in driving societal and economic upheavals. Most shifts, nevertheless, tend to be non-universal in character. In certain instances, the alterations are subtle, whereas in others, they come as a complete surprise (Hall *et al.*, 2020). It was under British colonial control in India that the hotel sector developed. In the late 1800s and early 1900s the British decided to construct their initial hotels in the serene cities of Shimla and Mussoorie. Throughout the colonial era, Indians like Jamshedji Tata and Rai Bahadur Man Singh took over famous hotels founded by the British, leading to a boom in the hotel sector (Sufi & Singh, 2019). After India gained independence, the hotel business flourished due in large part to the 1982 Asian Games, which attracted a large number of international visitors with the government and foreign dignitaries who stayed there. There were so many expected guests that a large number of hotels were constructed just for them. An enormous expansion of hotels was necessary to accommodate the influx of visitors to India, especially following the Indian government's Incredible India campaign. Luxury, practicality, and convenience all found their way into the star hotels' favour. Another factor contributing to the development of India's hotel sector was the country's burgeoning IT sector and the services it required. When it comes to both business and pleasure travel, nowadays, India ranks among the world's top destinations. When it comes to India's economy, the hospitality sector alone accounts for 9.2 percent of GDP ("Indian hotels industry," 2020). According to reports, the COVID-19 is accountable for a major chunk of the health problem as well as an impending reorganization of the global economic system (Sneider & Singhal, 2020). As a result of the precipitous fall in domestic demand and service supply, several countries and regions have had to adjust their GDP forecasts downward. It has also been noted by the International Labor Organization ("COVID-19 and employment," 2020) that several governments and areas have instituted blockades. There has been an uptick in the manufacturing of luxury items. The economy of export-heavy nations has suffered, and so has employment in the export industry, as a result of falling commodity prices (*ibid.*). Consequently, trade disparities and significant capital outflows of money have created debt repayment and the purchase of necessary goods and services challenging, particularly for emerging nations. Due to COVID-19 pandemic the hotel and tourism sector in India have experienced negative repercussions by the worldwide dissemination, as it has everywhere. This may be seen in the increased numbers of visitors coming into the nation as well as those leaving the country (Dash, 2020). It has been projected that as much as 70% of the employees in the tourist and hospitality industry might be at risk of losing their jobs (Radhakrishna, 2020). Early on in the epidemic, it became standard procedure to close off affected areas. Although COVID-19 daily instances have decreased (after September 16), measures like as reducing contact with others, wearing a mask, and staying away from large gatherings are still recommended. The tourist and hospitality industries have benefited immensely from these policies. The beneficial influence on the industry is still far off, however, due to the lack of assurance around and efficient development of vaccine and medicines, alongside the dissemination of vaccinations to a large population.

Objectives of the Study

This is a conceptual paper where the researchers have

attempted to relook at the damage done to the hospitality sector and more precisely the hotel industries in 2020-21. Also, the researchers aimed at responding to the unfathomable downturn to the hospitality sector. However, the specific objectives of this study are outlined as follows:

- To oversee the impact of Covid 19 on hospitality sector
- To identify the challenges faced by hospitality sector during Covid 19 pandemic
- To highlight the government initiatives for revamping hospitality sector

Methodology

Secondary data have been used extensively throughout this work. Various sources such as books, magazines, newspapers, government websites, internet directories, online adverts, etc. have been scoured for information. The researchers also conducted focused interviews with some travel agencies in Dimapur to unearth their struggles during the COVID-19 phase.

A Bird's Eye View of COVID-19's Impact on the Hospitality Industry

The worldwide economy took a significant blow as a result of the lockdown and shutting of international borders enacted to prevent and control the infection. An anomalous episode was noticed in the tourist and hotel business due to the suspension of domestic and international flights. The implementation of quarantine and social isolation policies became the norm in an attempt to stop the transmission of the virus. As a result of the string of lockdowns and limitations placed on travel, the whole hotel sector came to a complete standstill.

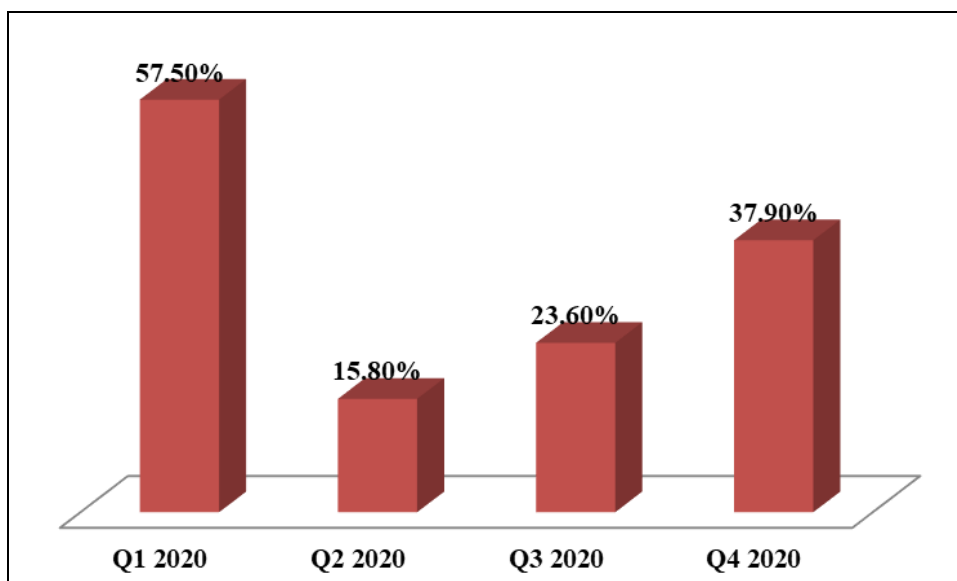
The hotel industry and overall economic growth in India were hit hard by the country's shutdown caused by the COVID-19 virus. Between 2013 and 2017, the hospitality sector in India employed 1.43 million people (*ibid.*). During the period between April 2000 and June 2020, the hospitality and tourist industry attracted a total of US\$15.48 billion in FDI, a figure that was expected to expand (Raja, n.d.). The Indian hospitality sector has taken a tremendous blow recently, as seen by the very low demand and the extremely low number of reservations for the year 2020. During the epidemic, demand from short-term visitors dropped entirely, and what little business left was due to either a small number of guests staying for an extended period of time or hotels that have been recommended by the Indian government for outbound tourists. The Indian hotel industry was negatively affected because of the country's widespread aircraft and rail cancellations, as well as the termination of hotel reservations, the cessation of transportation, and the closure of art displays. With discounts of up to 60 percent, hotels like Trident and Hyatt were hoping to attract more customers (Gautam, 2021). According to Vice President K.B. Kachru of the Hotel Association of India (HAI), around 40 million people in India's hospitality industry lost their employment owing to COVID-19 (Chaturvedi, 2022). After the shutdown triggered by COVID-19, the TATA Group, which owns and operates a premium hotel chain, began looking for ways to cut expenses. Indian Hotels Co Ltd CEO Puneet Chatwal remarked that a decrease in income of this magnitude had not occurred in the industry in the previous one hundred years (Mohile, 2022). Treebo, a cheap hotel business, slashed the salaries of its founders and managers by 60% and 40% respectively and introduced a compensated voluntary departure plan for its 400 workers (Khatri, 2020). Oyo Hotels and Resorts announced that they would lay off 5,000 employees ("Oyo to sack,"

2020).

Some Worrisome Assessments on the Impact on Hotel and Tourism Industry

- As they battle for their very existence, global airlines, according to the International Air Transport Association (IATA), need an emergency reserve of up to US\$ 200 billion.
- As a result of the COVID-19 epidemic, the Globe Travel and Tourist Council estimates that 50 million jobs were lost in the travel and tourism business throughout the world. This represent a decrease of 12-14% in the number of employment.
- In the year 2020, there was a reduction of up to 25 percent in international travel, which is comparable to missing out on three months of vacation time.
- Foreign Tourist Arrivals (FTAs) entering India (especially leisure tourists) began softening in February, as the spread continued its relentless shift to other nations, and in the year 2020, inbound foreign tourism came to a screeching halt.
- The majority of travel permits were halted by the Indian government until April 15, 2020, with a few notable exemptions; however, this date was pushed forward owing to the continued spread of the epidemic.
- Even in 2021, people’s concerns about COVID-19 remained to have a significant effect on their ability to travel.
- As travel restrictions continued to be enforced all around the world until the year 2020, there was no increase in demand from FTAs in India.

- The majority of the travel reservations for winter (October-March) – the peak season for India’s hotel and tourist business – which was completed during the summer months vanished in the year 2020.
- The effect of the COVID-19 pandemic on the Indian hotel business is estimated to be about Rs 1.30 lakh crore in revenue for the fiscal year 2020-21.
- The hotel business had been struggling to meet its regulatory and capital spending commitments since March 2020. Interest-bearing loan repayment had been more than challenging; it had been insurmountable.
- In a country with over 150,000 branded hotels, 20-25% were in danger of going out of business.
- Many hotels have taken precautions, including halting hiring, closing certain rooms, and sometimes closing their restaurants entirely. In other instances, they had also implemented layoffs.
- The Indian Hotels Company Limited, the largest hotel firm in South Asia, recorded a loss of around 7.2 billion rupees in the pandemic-ravaged 2020-21 fiscal year, compared to a profit of 3.54 billion rupees in the previous fiscal year.
- Due to financial difficulties in 2020, the renowned Hyatt Regency Hotel in Mumbai was forced to momentarily close its doors, leaving its employees without compensation.
- Marriott International started laying off thousands of workers globally in March of 2020. The group has 84 hotels in India, and their employees were impacted by the company's policies.



(Source: <https://www.statista.com/statistics/1220349/india-hotel-occupancy-rate-covid-impact/>)

Chart 1: Impact of COVID on Hotel Occupancy Rates

Challenges faced by Hospitality Industry due to COVID-19

Shrinking Revenues: The whole commercial income model has shifted as the pandemic phase of an outbreak progresses. The researchers spoke with PK Travels and Voyages Travels, travel operators in Dimapur, and the organizations confirmed that string of losses had begun long before the lockdown. Because of the competitive nature of the travel industry, most people book their trips well in advance to get the greatest prices and discounts. However, no one anticipated that March 2020 would bring losses rather than profits owing to prior

booking cancellations and reimbursements.

Discouragingly Low Demand: There was no discernible uptick in business activity as a result of the worldwide shutdown of public spaces and travel bans. A drop in demand for goods and services was seen even after the shutdown was removed, suggesting that the effects of anxiety had persisted for some time. Even by the year 2020, there was no effective vaccination available. There was an increase in local demand beginning in September 2020, but the recovery in foreign tourism was significantly slower. Due to the pandemic's impact, hotel occupancy rates dropped to between 5 and 10%.

Job Uncertainties: The epidemic posed a significant threat to the employment of those whose occupations were tied to the hotel industry. The nation had entered a period of cyclical unemployment. Employees were indefinitely dismissed in large numbers to prevent future costs as the industry struggled to survive.

Sustenance Hurdles: In 2020-21, the supply units had a hard time covering their fixed costs of operation. During the COVID period, hoteliers struggled severely to thrive due to declining earnings and fixed operational expenditures such as interest payments, running costs, client retention, staff pay, and periodic rentals. Numerous establishments were on the verge of insolvency due to mounting liabilities and persistent deficits.

Functioning at or below Maximum Capability: Hotels and transportation services had to run at or under capacity as a result of government regulations and the accompanying climate of dread. As a result of unexpected trips and new government requirements, the industry could not reach its full potential. In 2020, isolation from society became the norm and had to be maintained if businesses were to go back to work. The domestic airlines were only allowed to operate at 45% of their capacity per the civil aviation ministry's 2020 rules. The hotel and restaurant sectors suffered significant consequences due to the halving of the usual capacity of banquet halls and dining establishments.

Extremely Strict Safety Regulations: In 2020–2021, the government issued severe restrictions that made it essential to wear face masks and use thermal scanners at all times, to keep a certain distance from the public, and to adhere to general standards of sanitation. After February 15, 2020, all visitors, including those from India, coming from China, Italy, Iran, the Republic of Korea, France, Spain, and Germany were required to enter a 14-day quarantine.

Recovery Time Elongated: Potential demand was anticipated to be pushed back even more given that individuals often pay their travel budgets out of savings and that even personal expenditures depend on reverse money. Due to subsequent bouts of COVID, recovery took much longer than anticipated. The presence of fear and security concerns further decelerated the healing progression. Because the COVID epidemic is still ongoing, safety is prioritized above enjoyment even in 2022. Travel related to business was also delayed unless absolutely required.

Initiatives Taken by the Government

The government's strategy has been to revitalize the hotel industry via creativity and more investment, and in one way it has done this is by introducing a number of useful applications and online sites. The Reserve Bank of India (RBI) has implemented several quick actions to prop up the faltering Indian economy. The decline in the reverse repo rate and other interest rates is being driven by the necessity to infuse additional funds into the economy. Tax refunds of Rs.18,000 crores are processed immediately and distributed to individuals and companies. Several stimulus plans have been proposed to increase the flow of money into the economy, and banks have increased their loan facilities to accommodate borrowers who may have encountered a liquidity shortfall.

Although the government has taken action, business owners and those working in the hotel industry still need to make the most of the current situation. The incorporation of improvised services into a value chain has the potential to significantly boost economic activity. A targeted deployment of personnel to the zone of greatest need is called for. Redirecting currently

unused labour force has the potential to improve conditions generally. Antibacterial room fresheners, bed sheets, towels, air conditioners, etc. are just few examples of how present products and services might be improved to put consumers' minds at ease. Contactless services and payment methods also need more attention. Having more common hotels and eateries that adhere to higher safety measures and regulations is a positive for the hospitality sector. It is imperative that the government offer financial aid to businesses still feeling the effects of the epidemic. Promoting new employment and skill development was essential alongside providing monetary incentives for tourist investment. This industry will benefit from price support as well.

Conclusion

We have an obligation as customers to assist the disadvantaged as well. It is our responsibility to aid the recovery of the industry and the economy as a whole. The notion here is that after the epidemic has been contained, Indians should prioritize reinvesting in local vacation in order to revive the local demand that has been lost as a result of the outbreak. Really, there is nothing else on Earth like India. Many of the world's most awe-inspiring and venerable structures may be found in India. We must return to fundamental principles in order to see India in a fresh light. On the supply side, there is a pressing need for speaking for local, while on the demand side, businesses need to rethink their operational models and adjust to new circumstances. The hotel industry has a history of reviving itself and seeing rapid expansion in the medium to long term. The development of an economy may be hastened by taking use of new possibilities while also making use of the ones already in existence. It will not be easy, but if everyone pulls together, this once-prosperous industry may get back on its feet and find its way to become the shining example of a successful business in the future term.

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