

COVID-19: IMPACT ON THE INDIAN TOURISM INDUSTRY

S. Ambili

Research Scholar (Ph.D), Department of Economics, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore.

Dr. S. Gandhimathi

Professor and Head, Department of Economics, Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore.

Abstract

The Tourism Industry of India is considered as one of the key drivers of development among the services sector in India. It also generates employment besides being a significant spring of foreign exchange earnings of our country. The purpose of the study is to examine the effect of Covid- 19 in the tourism industry. Tourists are over whelmed by Pandemic situation. The coronavirus has paralyzed the tourism sector in a vivid manner. The study mainly focuses on Financial Performance, GDP and the relationship between income and tourism. The study is based on secondary data obtained through books, journals, magazines, reports and published research articles. Covid -19 pandemic situation has adversely affected the tourism sector in India. It has led to uncertainty and messy conditions in the tourism sector. This paper also attempts to know about the important of tourism sector in our economy and to understand the reason of unstable situation of this service sector.

Keywords: Tourism Industry, Foreign Exchange earnings, Pandemic situation.

Introduction

Tourism is an important contributor to the world economy. The Tourism industry not only generates revenues for a country, but it is also one of the important engines for economic growth and development. This sector simultaneously offers the opportunity for economies to grow and people to earn income, while tourism spending is associated with improvements in well -being for consumers of tourism services. As a labour intensive sector, tourism generates employment, while fostering skills development and local entrepreneurship. Its connectivity and mobility features play a key role in regional integration and economic inclusion. (WTO, Working Paper)

India is a country with multicultural experiences, natural beauty and rich heritage and has always been an attractive tourist destination. The Indian tourism industry is one of the significant and vital contributors to the economy of the country. About generating employment and income, the tourism industry seems to be more effective than other sectors. International tourism is an invisible export that creates foreign exchange as other export industries create. (Yadav, et al.,).

Covid 19 pandemic situation is deteriorating the tourism sector in India like in other countries around the world. It is visible in the country's inbound, outbound and domestic tourism (Dash,2020). It has impacted the global economy. It has been predicted that the global GDP will be contracted by 5.2% in 2020(The World Bank, 2020). One of the Economic areas of the pandemic has affected the most in developing countries like India is the tourism sector. (Bartik et al., 2020; Gursoy & Chi, 2020). The measures such as lockdowns, social distances, home orders and travel restrictions have been imposed. Tourism is also an important economic activity and also a one of the stronger pillar of the economy. Due to resulting travel restrictions and drop in demand, Covid 19 Pandemic also impacted tourism industry. With the large scale travel restrictions, quarantines, social Distancing and Lock down, Covid 19 has given a major impact on the economic development worldwide. (Bartik et al., 2020; Gursoy & Chi, 2020). As per the 2019-20 annual report of the Ministry of Tourism of India, more than 87 million people were employed in the tourism industry in 2018-19, which is 12.75% of the country's total employment. In India, tourism is also important from an economic point of view, as during the year 2019 total of 17.42 million international tourists came to visit India and contributing a substantial amount of US\$ 29.962 billion in foreign exchange (Annual Report 2019). India ranked 34 out of 140 countries as per the Travel and Tourism competitiveness report 2019. India is a place for every kind of traveler and has something for everyone. Domestic tourism is also an essential contributor to the sector. During the year 2018 total of 1854.93 million domestic tourist visits all over the country (Annual Report 2019-20).

Objectives of the Study

1. To find out the extent of Covid 19 pandemic situation in the tourism industry in India.
2. To examine effects and impacts of the tourism sector and its financial performance, GDP growth and employment.
3. To find out the data of tourist arrivals and earnings in this Industry.

Methodology

The study is based on secondary data obtained through the books, reports, published articles, magazines and journals. The data has been collected from the Ministry of Tourism, Government of India and Annual report of 2019-20 and so on. The data has been collected from different sources to understand the impact of Covid 19 on the tourism industry. International agency like World Travel and Tourism Organisation, United Nation world tourism Organization, Minsitry of Tourism , India have been considered to collect the accurate information for the study.

Review of Literature

The term tourism can be defined as a „social, cultural, and economic phenomenon that causes movement of people to the country, outside destination, or environment, for personal, business purposes“ (UNWTO, 2020; Lin et al., 2017).Tourism is one of the most important sectors in the global economy, significantly contributing to the world's GDP (Gamage et al., 2017). The tourism sector is a major source of employment globally, which is a labor-intensive industry. The supporting industries of tourism are accommodation, transportation, food and beverages, retail and culture, hospitality, and sports (WTTC, 2017). The tourism sector of a country provides benefits and opportunities for its people. The tourism industry belongs to the service

sector of the economy, which has its unique characteristics (Haq et al., 2014; Gamage et al., 2017)

Tourist arrivals in India

The tourist arrivals in India shows continued to grow from the year 2016 onwards. The growth rate in Foreign Tourist Arrivals during 2019 over 2018 was 3.5% as compared to 5.20 % during 2018 over 2017. Tourism continues to play an important role as a foreign exchange earner for the country.

Table 1
International Tourist arrivals in the world and India 2016-2020(in Millions)

Year	World		India		% share of India
	Number in Millions	% of change	Number in Millions	% of change	
2016	1241.0	3.8	15.0	9.1	1.21
2017	1332.0	7.3	16.8	11.8	1.26
2018	1413.0	6.1	17.4	3.7	1.23
2019	1466.0	3.8	17.9	2.8	1.22
2020	405.0	-72.3	6.3	-64.7	1.57
2021	427.0	5.3	7.0	10.6	1.64

Source: Indian Tourism statistics 2022

The above table shows the variations in the arrivals and the percentage of change in the tourist arrivals in the world and India from the year 2016 to 2021. It has been noted that in the year 2016 there were about 15 million tourists in India and there were only 7 million tourists in the year 2021. But the percentage of share of India shows a change of 1.22 in the year 2019, 1.57 percentage in the year 2020 and in the year 2021 there was about only 1, 64.million.

Indian Tourism and financial Performance

Indian tourism and its financial performance was very essential to know the economic development of Indian economy. There was a tremendous change in the profit before and after tax in the tourism industry.

Table – 2
Indian tourism financial performance 2016 -2021(in crores)

Year	2016-17	2017-18	2018-19	2019-20	2020-21
Turnover	356.11	366.42	371.72	357.49	197.22
Profit Before Tax	17.00	21.25	57.91	37.57	-26.37
Profit After Tax	11.43	17.71	42.15	22.48	-27.20
Foreign Exchange Earnings	15.20	15.27	18.65	16.11	14.71

Source: Ministry of Tourism Annual Report 2021-22

The information in the table above pertains to the five-year financial performance. If we consider both elements, namely revenue and earnings from foreign exchange, we can see that revenue was 356.11 in 2016-2017 and is projected to decrease by 371.72 in 2018-2019, It has been decreased to 197.22 in the year 2021-21 while earnings from foreign exchange were 15.20 in 2016-2017 and are projected to increase to 18.65 in 2018-2019, 16.11 in the year 2019-20 and 14.71 In the year 2020-21.

Association between profit before and after tax

Tourism is a complex industry of numerous sub sectors. It is challenging to define exactly what constitutes a tourism product and how to tax it. Tourism is not a single commodity, but rather a collection of many different goods and services provided by a wide range of suppliers. The Tourism value chain encompasses a variety of different actors, including hotels, air carriers and transport companies, tour operators, travel agents, rental agencies and countless suppliers from other sectors. An indirect tax is a tax collected by an intermediary (such as a hotel in the case of tourism sector) from the tourist who bears the ultimate economic burden of the tax. Indirect taxes are levied on production and sale of commodities and services and small or a large part of the burden of indirect taxes are passed on to the consumers. VAT, service tax, customs duty, tax on rail or bus fare are some examples of indirect taxes. An indirect tax may increase the price of a good so that consumers are actually paying the tax by paying more for the products and services. A Direct tax is a charge, which is imposed directly on the taxpayer and paid directly to the government by the persons or institutions on which it is imposed. A direct tax is one that cannot be shifted by the taxpayer to someone else.

The study tried to find out the association between the financial performance in terms of profit by Indian tourism industry before and after tax.

Table – 3

Paired Sample t-test

Association between profit before and after tax

Variable		Mean	SD	SE	t-value	Sig
Profit	Before Tax	38.91	18.37	10.60	2.890	.102 ^{NS}
	After Tax	27.45	12.95	7.48		

The association between before and after tax in terms of profit by the Indian tourism industry showed that there is no association ($P=0.102$) between the profit received by the tourism sector with the tax levied. The same was supported by the study of Taqi et.al, (2018). Tax plays important role in the profit of the tourism industry. Though there is slight fall in the tourism sector with effect of Covid-19 but there is no much changes in the profit encountered by the industry before and after tax incurred.

Correlation among Indian Tourism Financial Performance

The study has also tried to find if there is any correlation among Indian tourism financial performance based on the turnover that the industry has received and the foreign exchange earnings. The result is been given in the following table (4).

Table – 4
Correlation among Indian Tourism Financial Performance

		Turnover	FEE
Turnover	Pearson Correlation	1	.613
	Sig. (2-tailed)		.580
	N	3	3
FEE	Pearson Correlation	.613	1
	Sig. (2-tailed)	.580	
	N	3	3

From the table it is evident that there is significant correlation between turnover and foreign exchange earning with the tourism financial performance in the Indian tourism sector. This same was reported in the study of Godara et.al, (2020). In India, the tourism industry helped generate about five million jobs; the foreign tourists buy handicrafts worth around Rs. 10 billion a year; the total income from this smokeless industry is around Rs. 200 billion; and the regions like Aurangabad in Maharashtra, Khajuraho in MP, Jammu & Kashmir, and Raghurajpur in Orissa have emerged with the help of tourism only. Tourism is therefore, a major engine of growth for Indian economy.

Contribution of Indian tourism towards Indian GDP

The tourist business in India contributes significantly to the country's gross domestic product and is increasing rapidly.

Table – 5
Indian Tourism and GDP Growth

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Share in GDP (in %)	5.10	5.06	5.02	5.01	5.16
Direct (in %)	2.65	2.63	2.61	2.60	2.68
Indirect (in %)	2.45	2.43	2.41	2.41	2.48

Source: Ministry of Tourism Annual Report 2021-22

The above table shows that the data regarding Indian Tourism and GDP Growth. There have been variations in the GDP from the year 2015-16 to 2019-20. In the year 2015-16 share of GDP was 5.10% and it has shown 5.16% in the year 2019-20.

Correlation among Indian Tourism and GDP Growth

Further, the correlation among Indian tourism and GDP growth was examined and the result is been given in the following table.

Table – 6
Correlation among Indian Tourism and GDP Growth

		Share in GDP	Direct (in %)	Indirect (in %)
Share in GDP	Pearson Correlation	1	.990	.982

	Sig. (2-tailed)		.091	.121
	N	3	3	3
Direct (in %)	Pearson Correlation	.990	1	.945
	Sig. (2-tailed)	.091		.212
	N	3	3	3
Indirect (in %)	Pearson Correlation	.982	.945	1
	Sig. (2-tailed)	.121	.212	
	N	3	3	3

It is found from the table that there is no correlation among the Indian tourism and GDP growth. Today tourism is the largest service industry in India, with a contribution of 6.23 per cent to the national Gross Domestic Product (GDP) and providing 8.78 per cent of the total employment. India witness's more than 5 million annual foreign tourist arrivals and 562 million domestic tourism visits. The tourism industry in India generated about US\$100 billion in 2008 and that is expected to increase to US\$275.5 billion by 2018 at a 9.4 per cent annual growth rate. According to World Travel and Tourism Council, India will be a tourism hotspot from 2009-2018, having the highest 10-year growth potential (Ghosh and Bhattacharya 2022)

Indian Tourism and Employment

Tourism industry plays a vital role in providing employment opportunities in a vivid manner. The share of Employment in the Tourism sector shows a tremendous change in the industry.

Table – 7

Indian Tourism and Employment

Year	2017-18	2018-19	2019-20
Share in Jobs (in %)	14.78	14.87	15.34
Direct (in %)	6.44	6.48	6.69
Indirect (in %)	8.34	8.39	8.65
Employment(Million)	72.89	75.85	79.86

Source: Ministry of Tourism Annual Report 2021-22

The above table shows about the share in jobs of the tourism industry from the year 2017- 18 to 2019-20. There has been a change in the data in the year 2017-18 as 14.78 and in the year 2018-19 it has been about 14.87 and in the year 2019-20 it was 15.34. It has shown that there has been an expansion in the employment in the Indian tourism industry.

The study also tried to correlate the Indian tourism industry with employment generation and the findings is as follows,

Table – 8

Correlation among Indian Tourism and Employment

		Share in Employment	Direct (in %)	Indirect (in %)	Employment
Share in Employment	Pearson Correlation	1	1.000**	1.000**	.959
	Sig. (2-tailed)		.000	.000	.182
	N	3	3	3	3
Direct (in %)	Pearson Correlation	1.000**	1	1.000**	.959
	Sig. (2-tailed)	.000		.001	.183
	N	3	3	3	3
Indirect (in %)	Pearson Correlation	1.000**	1.000**	1	.959
	Sig. (2-tailed)	.000	.001		.182
	N	3	3	3	3
Employment	Pearson Correlation	.959	.959	.959	1
	Sig. (2-tailed)	.182	.183	.182	
	N	3	3	3	3

** . Correlation is significant at the 0.01 level (2-tailed).

It is found from the table that the share in employment of tourism industry is correlated with direct and indirect employment generation whereas the direct employment is correlated with share in employment and indirect share and the indirect share in employment is found to be correlated with share in employment and direct share and the employment is not correlated with any variables taken for the study. Thus it is found that there is correlation between share in employment, direct and indirect with the employment of tourism industry in the economy the same was mentioned in the study of Jaipuria et.al, (2021). Tourism sector in India is, therefore, growing and it has vast potential for generating employment and earning large amount of foreign exchange besides giving a fillip to the country's overall economic and social development.

Conclusion

The tourism industry has been affected widely due to Covid for a long period. It has led to the economic slowdown and the tourism industry faced a huge drift as well as it has established an impact of in the tourism sector. It has adversely affected the financial performance of the economy, GDP and tourism growth and employment aspects of tourism. There has been a tremendous change in the tourist arrivals die to quarantines, slowdown of the economy, lock downs etc. made the tourism industry in a miserable situation. Different measures have been taken to make some changes in the tourism sector but it is not fruitful enough to make growth with stability in our economy. Covid 19 pandemic situation had adversely effected the tourism sector rather than all other sectors of Indian economy.

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