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RESEARCH ARTICLE

IMPACT OF CORONAVIRUS PANDEMIC ON HOSPITALITY INDUSTRY WITH SPECIAL REFERENCE TO INDIA

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Abstract

The coronavirus pandemic has resulted in gigantic human and economic devastations since its outbreak. The hospitality industries being dependent on the people's movement has to bear the brunt of this pandemic at the most world over. This crisis brings out the deep and long-lasting adverse impacts of coronavirus on the hospitality industry at a global level. In India, the hospitality industry, having the largest contribution to income and employment, has experienced massive adverse effects of the coronavirus crisis. This makes a strong case for government support to this industry through tax cuts, loans and debt reduction, etc. for enabling this seriously hit industry to survive. In some countries, governments came forward to support the hospitality industry, but India has yet to address this issue.

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Introduction:-

Since 1900, economic history has evidenced several depressions world over. The Great Depression is the most widespread depression of the 20th century that started in 1929 and lasted until the late 1930s (Kehoe and Prescott, 2002). It is the newest to the global economy that the coronavirus pandemic also known as "COVID-19" caused lockdowns the world over and the devastations done by this pandemic, both human and economic, are gigantic (Singh, 2020; Sudipta and Kaushik, 2020). This crisis has affected all sectors and industries world over and the hospitality industry is not an exception in this regard (Kaushal and Srivastava, 2021).

The hospitality industry as a whole has a very significant contribution to the global economy. This industry along with the travel and tourism sectors contributes 9.5 percent of global Gross Domestic Product (GDP) and encompasses 266 million jobs (EY, 2015). The hotel industry contributes over the US \$ 3.41 trillion to the global economy and has registered consistent growth around the world having over 700,000 hotels. This industry has already experienced tough times during the subprime crisis of 2008 and recorded rapid recovery from that deep recession. In 2019, the global hotel industry has worth US\$570 billion. In 2018, Marriott was a hotel company that generates the most revenue of worth US\$20.8 billion (Lock, 2019). The travel and tourism industries comprising an annual direct, indirect, and induced economic impact of around US\$ 6.5 trillion worldwide have pumped the growth of the hotel industry (Ferries, 2020).

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After the outbreak of coronavirus in December 2019 in China and its spread world over till March 2020, lockdowns were announced in major economies of the world for saving the lives of the people. United States, United Kingdom, France, Italy, South Korea, China, India, and several other nations have announced nationwide lockdowns and implemented those strictly for protecting their citizens from the deadly coronavirus. Consequently, inter-county and intra-country movements of the people have been seized and economies have to face severe slowdowns. This slowdown has felt by all the sectors as well as industries of every nation. The hospitality industry having mainly depending upon the movement of the public has been hit hard financially and economically by lockdowns announced the world over. Given the scenario emerging from lockdown, the hospitality industry has envisaged several adverse influences. In this regard, this paper presents a qualitative survey of the adverse effects of the coronavirus crisis on hospitality industry in India.

This paper is based on evidences of impact of coronavirus on hospitality industry published in various online and offline journals, magazines and news platforms and the problem taken is analysed using qualitative information. No statistical analysis of quantitative data has been performed for portraying the impact of coronavirus on hospitality industry the world over and in India. The paper is organized into four sections. Section I deals with introduction and methodological issues. In the section II, global overview of the impact of coronavirus on the hospitality industry is presented and section III elaborates on its impact on Indian hospitality industry. Lastly, concluding remarks are presented in the section IV.

Impact of Coronaviruson Hospitality Industry: Global Overview

Before the coronavirus pandemic, the market size of the hotel industry is US\$ 1 trillion with 0.6 million businesses operating under its umbrella. This industry employs approximately one million workers (IBIS, 2020). One of the major factors driving the growth of the hospitality sector before the coronavirus pandemic was the ever-expanding global tourism industry. But this landscape has changed during the post-pandemic period all around the world. On a business level, the impacts of the crisis have reached every industry in the world, with the travel and tourism taking a massive hit. The industry has faced mass-scale cancellations for travel bookings and this trend will continue for some months to come(IANS, 2020). According to OAG Aviation Worldwide, the travel restrictions on international flights have caused the global airline industry losses mounting up to US\$ 880 billion (Chinazzi et al., 2020).

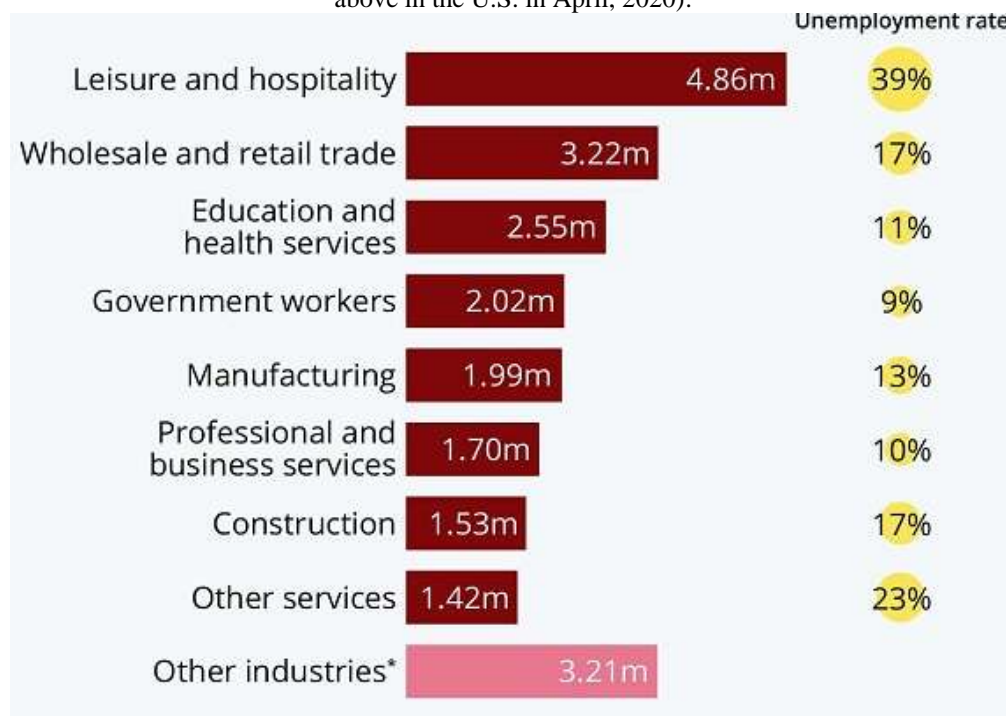
Having an important role in income and employment globally, the hotel industry is bearing strain emerging out of the coronaviruspandemic. Consequently, many hotels find themselves empty and looking to fill the once full lobbies and rooms. The industry has faced mass-scale cancellations for hotel accommodations and will continue to do so in the months to come. Some hoteliers don't see this sector reviving any time before October 2020 (IANS, 2020).Due to the uncertainty caused by the spread of the coronavirus, consumers have put off planning future trips too leaving lakhs of hotels empty for months. As demand for the industry has declined sharply and many industry operators are expected to lay off or furlough employees. McKinsey and Company (2020) has also accepted thatcoronavirus has impacted every sector in the world, and the hotel industry is among the hardest hit. Its recovery to the pre-coronavirus level may take up to or after 2023.

Such effects of coronavirus on the hospitality industry have been observed all around the world. Geographical regions viz. North America, Europe, Asia-Pacific regions,and the rest of the world has experienced its depressing effects. Napierała et al., (2020) has confirmed the most significant and negative impact of the pandemic on hotel performances at the European level. The catastrophe, both economically and financially, of the hospitality industry, can be understood holistically in terms of the crisis of its own and its important verticals such as food and beverages, travel and tourism, lodging, and recreation,etc. in different countries. All these verticals having linkages with the hospitality industry subsequently has led toward its deepest crisis. Foreign tourists from China, Germany, and the United States count among the world's highest spenders. One-third of the revenue generated by the global hotel industry is attributable to the United States.Estimates put the overall revenue from sales of food and drink in the United Stateswas at more than US\$600 billion which has declined drastically. There are several evidences of this crisis faced by the hospitality industry in the countries like India, Argentina, Brazil, Czech Republic, Japan, Mexico, Oman, Sri Lanka, Malaysia etc. Foo et al. (2020) has shown huge adverse impact of COVID-19 on Malaysian tourism industry.

Major players ofthe industry include McDonald's with over 34,000 restaurants worldwide, the Starbucks coffee house chain with more than 19,000 stores worldwide and Domino's Pizza all have experienced the raging effect of the coronavirus pandemic. Due to behavioral changes, there is a reduction in socializing activities and it has also

negatively affected the food and beverage sales in hotels. Consequently, those are left with meager or no earnings. A large number of hotels in the US have faced a sudden downfall in cancellation for individual reservations as well as group events. According to Smith Travel Research (STR), hotel accommodation in the US has fallen to 53 percent and room revenues have fallen by 32.5 percent for the week ending March 14. World Travel and Tourism Council (WTTC) has projected that more than 50 million jobs in the travel and tourism sector could be put at risk globally due to the ongoing economic slowdown (Riaz, 2020). The coronavirus crisis produced the worst job crisis in America after the world war as unemployment rates rose to 14.7 percent in April. The Bureau of Labour Statistics estimates that the number of unemployed workers increased to 22.5 million in April 2020 as a result of coronavirus pandemic prevention measures that have ruined the US economy. Further, its employment impacts on industries are heterogeneous at a great level. Not surprisingly, since restaurants, bars, etc. remained closed in the lockdown, at the end of April more than 4.8 million industrial workers were unemployed in the leisure and hospitality market due to this crisis. Figure-I shows the key sectors that have experienced high rates of unemployment resulting from this pandemic and reveal that the employment catastrophe of coronavirus pandemic in the case of the leisure and hospitality industry is severest (Ritcher, 2020).

Figure I: - The Industries worst affected by the Coronavirus Job Crisis (Number of unemployed persons aged 16 and above in the U.S. in April, 2020).



Source: Richter (2020).

Impact of the Coronavirus Pandemic on Hospitality Industry: Indian Context

Coronavirus outbreak has affected the world throughout and India is not an exception in this regard (Jain and Jain, 2020). In India, devastation done to humans by Coronavirus is less damaging, but its economic impacts are far-reaching and can be long-lasting too. The immediate consequences of the coronavirus crisis on India's economic growth and employment in India are gigantic (Singh, 2020). Being the largest contributor to GDP, employment, and foreign exchange revenue, India's hospitality industry¹ has also reported several adverse consequences emerging out of the COVID-19 crisis (FICCI, 2019).

The effect of the pandemic and the consequent lockdowns has seriously affected Indian hospitality industry in the first quarter of the year 2020. Under strain from rising fixed costs and little footfalls, the food and hospitality industry is now struggling. The hotel occupancy in key cities decreased steadily and has fallen by 45 percent as opposed to the previous year. The industry has never experienced such a rapid downturn over such a short period. The hardest impact of the crisis has borne during the mid of the year 2020 when lockdown, again and again, remained extended (Lamba, 2020). As a result of the coronavirus crisis, Revenue per Available Room (RevPARⁱⁱ),

the key performance parameter of the industry decreased by 18.5% in Q1. In the first quarter of 2020, over the same period in the past year, RevPAR decreased across all 11 major markets in India viz., Ahmedabad, Bengaluru, Chennai, Delhi, Goa, Gurugram, Hyderabad, Jaipur, Kolkata, Mumbai, and Pune (Majumdar, 2020).

COVID-19 crisis has also resulted in deep stress in the Indian tourism sector. This sector hires 8.75 crore people (12.75 percent of the overall population workforce in 2018-19), including people from the hotel industry, tour operators, travel dealers, residents, drivers, guides, small merchants, and craftsmen, and a host of other service providers. This sector also has strong forward and backward connections, to name a few, to other sectors such as agriculture, transport, handloom, and Fast-Moving Consumer Goods (FMCGs). The current pandemic, travel sanctions, and the country-wide shutdowns have brought the whole tourism industry to a standstill, and unlike other industries, tourism could take longer to recover especially recreational tourism. This will have a direct impact on the tourism sector in the states such as Uttarakhand, Rajasthan, Kerala, Himachal Pradesh, Goa, Sikkim, and other Northeastern states that rely heavily on tourism as a source of state income (Goswami, 2020).

Tourism disruptions have rendered many people unemployed. About 90 percent of hotel and airline reservations were canceled this period for peak season. Travelers have also scrapped their cruise reservations for destinations like Thailand, Singapore, and Malaysia in tremendous numbers. The hotel, aviation, and travel sector may lose roughly Rs 8,500 crores in tandem, according to the Indian Association of Tour Operators (IATO) (FICCI, 2020). FAITH, a policy federation of tourism and hospitality industry associations, has estimated the industry to lose Rs. 10 lakhcrores because of COVID-19. Battered by the pandemic, the Confederation of Indian Industry (CII) reports that the tourism sector is experiencing an estimated loss of Rs. 5 lakh crore and work losses affecting up to 5 crore workers. Globally, the aviation industry has become one of the worst-hit and the condition in India is also severe, with many staring at work losses and even closures. The integrated tourism sector consisting of branded hotels, tour operators, travel agencies may be the worst impacted by the projected loss of Rs 1.5 lakh crore. Apart from the regulated market, the tourism industry is a source of jobs for homestays, small and budget hotel owners, tour guides, and those for whom this would be an economic challenge that cannot endure without help for more than a few months (Kalra, 2020). In nutshell, all the segments of the hospitality industry viz., hotel, travel, and tourism have experienced huge losses and have to face shutdown under the influence of the coronaviruscrisis. Also, a large number of people employed in this industry have lost their employment and their livelihoods are at stake. Governments in several countries have come forward for the savage of the hospitality industry, but India has yet to address this issue (Goswami, 2020).

Concluding Remarks: -

The hospitality industry, having closest concerns with health hygiene, has been severely influenced by the coronavirus pandemic the world over. In India, the hospitality industry, having the largest contribution to income and employment, has experienced massive adverse effects of the coronavirus crisis. Shutdowns of a large number of businesses, their mounting losses, and a high rate of employment losses are the severe adverse consequences of this crisis in the case of India's hospitality industry. Travel and tourism industries have also faced huge losses emerging out of cancellation of flights and restrictions on the movements of customers of the hotel industry. The hotel industry having backward linkages with the travel industry has been badly influenced by this crisis. Unlike other nations, the center government in India has announced 20 lakh crore rupees economic package for supporting different stakeholders affected by the coronavirus pandemic. Unfortunately, no support has been provided to the hospitality industry till date and financial strains of this industry are still mounting. India's lack of focus on tourism and its conspicuous absence from the recovery package is both surprising and disappointing. Even more so when the government has been paying particular attention to this sector these last six years. As this industry contributes significantly to the national income and employment in India, direct support must be provided at the earliest after estimating the losses of the units at the micro-level.

Notes:

1. According to WTTC India 2019 Annual Research Report, India's hospitality sector in the fiscal year 2018-19 was set to \$247 billion, contributing 9.2 percent to GDP, and \$29 billion worth of forex revenue – the country's third-largest foreign exchange revenue. (FICCI, 2019).
2. RevPAR measures the gross guestroom profits of a hotel by the room count and the number of days in the calculated period.

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