

# Impact of Covid-19 on India's Tourism

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Two external resources - other than foreign aid and foreign direct investment in physical investment adding to capital stock - have gained prominence for developing nations in recent years. They are remittances from migrants working in developed countries and in oil producing countries to their families left behind; and earnings from international tourism.

Advanced economies began to shrink due to the recessionary impact of Covid-19 epidemic which inflicted loss of lives and livelihoods in 2020. Oil producing countries also decided to cut down crude output resulting in loss of jobs for migrant workers. All these led to a big fall in remittance inflows in 2020. Another victim was tourism. The number of international tourist arrivals had a steep decline. Fear of contracting the virus on the part of the travelers and the closure of borders by host countries to protect their own population are the major reasons for the dismal performance of tourism, striking a blow to the tourism-dependent countries in South Asia. They are Maldives, a small island nation with no significant export potential except tourism and the two landlocked nations - Bhutan and Nepal - who have limited ranges of exports.

## Contribution of tourism

International tourism is a major support for Maldives, Bhutan and Nepal in our region. Although Sri Lanka has a tea industry with its famous export, "Ceylon Tea", and garments, tourism in recent years has taken a lead. Globally speaking, international tourism arrivals reached record high in pre-pandemic year - 2019. They rose from 25 million in the pre-jet year of 1950 to 1.4 billion in 2019. The phenomenal rise was due to globalisation and introduction of jets in the late 1980s. Additionally, cheaper fares due to heavy airline competition as well as rise in per capita incomes in the West and the emergence of newly industrialised economies with greater purchasing power contributed to growth in tourism.

More importantly, innovations in electronic information and communication technology (ICT) rendered international tourism hassle free. The traveler does not have to go to travel agents any more. He can book tickets for travel and hunt for accommodation at cheaper rates and arrange his own travel. Travel arrangements are now made faster and easier. ICT has revolutionised all economic activities by raising productivity and cutting costs. It is now hailed as the fourth industrial revolution.

## Tourism's Role

World tourism receipts rose from \$ 901 billion in 2009 to \$1,462 billion in 2018 at an annual average growth of 4.6%. Tourism has also created job opportunities. It has improved livelihoods, notably in the informal sector, dominated by small and medium enterprises, which have been meeting various needs of travelers, such as domestic tours to places of historical sites and entertainment, curios and handicrafts and ethnic meals. The United Nations World Tourism Organization (WTO) notes mini and small enterprises are growing and more significantly, in the hands of emerging part time women entrepreneurs, indicating a rise in gender participation.



Table 1 gives details of the contribution of tourism to GDP and employment in seven countries which are members of South Asian Association for Regional Organization (SAARC). As data on Afghanistan is incomplete, the discussion is confined to the seven members. Maldives is highly dependent on tourism, as its share of GDP and of total employment are the highest, at a close 60%, followed by a distant Sri Lanka (10.3% and 11.3%) and Bhutan (9.3%) and Nepal. Since India is a more diversified country with a big sized GDP, the share of tourism in its GDP is small. Of course, in dollar terms, tourism

TABLE 1. Contribution of Tourism to GDP, and Employment and Domestic Tourism and Intra-Regional Tourism by destination

	2019
<b>Bangladesh</b>	
Total contribution of tourism to GDP (%)	3.1
Total contribution of tourism to employment (%)	2.9
Domestic tourism spending (% of GDP)	2.5
Intra-regional trips by destination Bangladesh (%)	13.1
<b>Bhutan</b>	
Total contribution of tourism to GDP (%)	9.1
Total contribution of tourism to employment (%)	34.1
Domestic tourism spending (% of GDP)	NA
Intra-regional trips by destination Bhutan (%)	0.01
<b>India</b>	
Total contribution of tourism to GDP (%)	6.8
Total contribution of tourism to employment (%)	8.1
Domestic tourism spending (% of GDP)	5.3
Intra-regional trips by destination india (%)	63.4
<b>Maldives</b>	
Total contribution of tourism to GDP (%)	58.6
Total contribution of tourism to employment (%)	59.6
Domestic tourism spending (% of GDP)	2.2
Intra-regional trips by destination Maldives (%)	2.4
<b>Nepal</b>	
Total contribution of tourism to GDP (%)	6.7
Total contribution of tourism to employment (%)	6.9
Domestic tourism spending (% of GDP)	3.2
Intra-regional trips by destination Nepal (%)	6.2
<b>Pakistan</b>	
Total contribution of tourism to GDP (%)	5.9
Total contribution of tourism to employment (%)	6.2
Domestic tourism spending (% of GDP)	4.1
Intra-regional trips by destination Pakistan (%)	3.2
<b>Sri Lanka</b>	
Total contribution of tourism to GDP (%)	10.3
Total contribution of tourism to employment (%)	11.1
Domestic tourism spending (% of GDP)	2.9
Intra-regional trips by destination Sri Lanka(%)	11.2

Source: World Bank [; World Dev. Indicators May 2021  
UN World Tourism Organization May 2021

Note: Definition of total contribution is much broader as used by World Travel and Tourism Council

World Bank, Dec 2020: Covid -19 and Tourism in South Asia: Opportunities for Sustainable Regional Outcomes

earnings are high at \$29 billion, next only to remittances (\$83 billion). Expressed as ratios of GDP, they are smaller for India in comparison to other members of SAARC.

Table 2, aside from presenting details on the numbers of tourist arrivals and tourist earnings, gives some estimates of contraction in 2020. These are from the WTO.

## A Bleak future

The ongoing Covid-19 pandemic is becoming uncontrolled with poor observance of precautionary measures by the public and weak enforcement by governments all over the world. It is presently aided by the emergence of new variants since the first quarter of 2021. Shortages of vaccines have compounded the problem. As of April 2021, it seems that complete vaccination coverage on a global scale by the end of 2021 is unlikely. It has now totally engulfed the globe and severely disrupted economic activities. A December 2020 IMF staff review observed that in the first half of 2020, world tourist arrivals decreased by more than 65%, compared to 8% during the Great Recession (2007-2009) following the global financial crisis and 17% amid the SARS epidemic of 2003. While global earnings from tourism were estimated to have fallen to \$ 910 billion in 2020 from \$1.2 trillion recorded in 2019, any recovery to the levels of the pre-Covid-19 years is unlikely by 2023.

The United Nations Conference for Trade and Development (UNCTAD 2020) has cautioned that when other domestic sectors might recover, Covid-19 would have a long-lasting effect on international tourism, mainly because of fears of Covid-19 infection and doubts about the effectiveness of the host countries' approach to handle public health issues. The latest experience of partial lockdowns and the half-hearted enforcement of rules and regulations in India, people's ignorance or utter disregard of medical advice, aside from lack of planning and foresight, have shown the nation's governance in poor light - inspiring no confidence.

The World Bank has a good word about Maldives. One should remember it is a small country with a population of about 540,000. It is an upper middle-income country as compared to all other members of SAARC which are lower middle-income countries. Maldives' public health system, telehealth and business, public administration is all high tech. In fact, ICT has made far greater progress among all SAARC members. The International Telecommunication Union has ranked Maldives number one with the highest ICT index at 5.25, followed by Sri Lanka (3.91) and Bhutan (3.69). The data for calculating the index include mobile cellular subscriptions per 100 persons and percent of internet use. India is ranked fourth at 3.05.

Maldives relaxed border controls in late 2020 when things appeared to have eased. Soon, Maldives experienced a surge in tourist arrivals in January and February and partly in March

**TABLE 2. South Asia Tourism Indicators: Prepandemic Years and Forecasts for 2020**

	2018	2019	2020 Expected Contraction by %
<b>Bangladesh</b>			
International Tourists Arrivals (000)	267	323	NA
Tourism Receipts ( US\$ million)	357	393	-44
Tourism Receipts ( % of exports)	0.085	0.085	NA
<b>Bhutan</b>			
International Tourists Arrival ('000)	274	316	-36
Tourism Receipts ( US\$ million)	121	120	-37
Tourism Receipts ( % of exports)	0.015	0.015	NA
<b>India</b>			
International Tourists Arrivals: ,000)	17423	17914	-54 ( upto June)
Tourism Receipts ( US\$ million)	29143	31661	-49 ( upto June)
Tourism Receipts ( % of exports)	0.005	0.006	NA
<b>Maldives</b>			
International Tourists Arrivals: ,000)	1484	1703	-67
Tourism Receipts ( US\$ million)	3054	3171	NA
Tourism Receipts ( % of exports)	0.085	0.085	NA
<b>Nepal</b>			
International Tourists Arrivals: ,000)	1173	1197	-81
Tourism Receipts ( US\$ million)	3054	3171	-71
Tourism Receipts ( % of exports)	0.0278	0.029	NA
<b>Pakistan</b>			
International Tourists Arrivals: ,000)	NA	NA	NA
Tourism Receipts ( US\$ million)	845	948	-11
Tourism Receipts ( % of exports)	0.003	0.003	NA
<b>Sri Lanka</b>			
International Tourists Arrivals: ,000)	2521	2027	-70
Tourism Receipts ( US\$ million)	5608	4663	-70
Tourism Receipts ( % of exports)	0.0278	0.024	NA

**Source:** World Bank ]: World Dev. Indicators May 2021  
UN World Tourism Organization May 2021

2021. The country has only one international airport. The policy of “one atoll, one resort” has indeed worked well. Some atolls have no local population and are inhabited only by resort staff who had been duly vaccinated. These resorts have also served as safe quarantine centers. The suspected foreign nationals with Covid-19 are kept in these atolls, with no chance of infecting local inhabitants. WTO’s report of April 2021 reports that about 85% of the population of 540,000 of Maldives has been vaccinated.

Maldives was swift to re-impose restrictions in late March 2021 when the emergence of new variants in Europe and India rang alarm bells. They stopped the inflow of all travelers who happened to be from Eastern Europe, Russia and India.

Further, Indians spend relatively a larger share of domestic spending on domestic tourism, which is 5.3% - the highest among all 7 SAARC countries

Intra-regional tourism cannot in any way replace international tourism. Intra-regional tourism with Maldives as destination is very small, just around 2% of total regional travel. Its regional visitors are from India and Sri Lanka. Maldives waived visa requirements for Indians; offered discounts and attracted Bollywood stars and movie producers who look for cheaper locales for their future ventures.

In the short-term, the way out is clear for all SAARC nations: when the pandemic is ultimately conquered, promotion of intraregional tourism within SAARC offers greater scope in the short-run. Resumption of international travel from outside the region would take longer time as confidence level has to be restored. So, in the short term, India stands to benefit much more as intra-regional tourism with India as destination is 63% of total intra-regional trips. The intra-regional travel mobilization efforts could include air travel bubble agreements between countries within the SARRC region; and they can be bilaterally and multilaterally negotiated. Further, Indians spend relatively a larger share of domestic spending on domestic tourism, which is 5.3% - the highest among all 7 SAARC countries (**Table 1**). Domestic tourism will certainly re-activate the economy. All the short-term measures discussed above are all subject to one big if: acceptance Covid-19 protocol by masses and strict enforcement by all state governments and the centre. ■

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