Press Note from Indian Chamber of Commerce

COVID-19 Impacts on Indian Tourism & Hospitality Sector

Travel and tourism alone account for 9.2% of India's GDP (2018). The tourism sector generated 26.7 million jobs in 2018. The cascading effect of the coronavirus has been found to cripple the Indian tourism and hospitality industry at an astonishing pace. The recently published statistics by Ministry of Tourism, Government of India has also corroborated the same concern as the Foreign Tourist Arrivals (FTA) has been found to be down by about 67% annually in the January-March quarter, while domestic tourists notched a much lower figure by about 40%.

FTA in February, 2020 has dropped by 9.3% month-on-month and 7% year-on-year, according to government data. In February 2020, there were 10.15 lakh FTAs, against 10.87 lakh in February 2019 and 11.18 lakh in January 2020. The situation is getting uglier as India has announced suspension of all tourist visas till April 15 in a bid to contain the spread of the virus.

The Archaeological Survey of India (ASI) has 3,691 sites registered with it, of which 38 are world heritage sites. As per information provided by the ASI, the total revenue from ticketed monuments was 247.89 crore in FY18, 302.34 in FY19 and 277.78 crore in FY20 (April-January). If the scenario fails to change by May, which is when domestic travel is at its peak because of the summer vacations, employment may then become a concern.

Disruption due to coronavirus could result in 18-20 per cent erosion of nationwide occupancy across the hospitality sector, and 12-14 per cent drop in average daily rates (ADRs) for the entire 2020. The hospitality sector is also likely to be impacted by large-scale cancellations and drop in room rates.

Most of the tourism companies afflicted by Coronavirus Pandemic are now anxiously looking for interim relief to pay EMIs, installments, taxes, and salaries to employees for at least six (6) months. The Reserve Bank of India (RBI) already announced that all banks and NBFCs had been permitted to allow a moratorium of 3 months on repayment of term loans outstanding on March 1, 2020. The loan EMI payments will restart only once the moratorium time period of 3 months expires. Given the severity of damage, ICC thinks that Government should extend the time period to six (6) months.

ICC also suggests six (6) to nine (9) months' moratorium on all principal and interest payments on loans and overdrafts, besides deferment of advance tax payments.
ICC would like to recommend a complete GST holiday for tourism, travel and hospitality industry for the next 12 months till the time the recovery happens.

The government announced Rs 1.7 lakh crore relief package aimed at providing a safety net for those hit the hardest by the Covid-19 lockdown. Business fraternity thinks that this amount is largely insufficient and Government should consider to increase the relief package to at least Rs. 2.5 Lakh crore to ride over the Covid-19 crisis.

Amid growing signs of trouble, ICC solicits RBI to take steps to ease the working capital crunch faced by the tourism industry in the wake of corona virus outbreak. In this regard, ICC suggests the apex bank to facilitate faster clearance of banking credit related to Travel & Hospitality sector. TFCI also has a special role to play in this regard.

We will also recommend for interest reduction or subvention on term loans and working capital loans for Travel and Tourism industry.

ICC also strongly recommend for removal of fees for any upcoming licenses, permits renewal, excise exemption (for liquor mainly) for the hospitality and travel industry across the country.

We will also urge the Ministry to provide funds from the MGNREGA scheme to support the salaries of employees in the industry.

On a long term perspective, the following measures may be suggested to be undertaken for revival of the Tourism & Hospitality Sector.

After the impacts of Corona virus pandemic subside, the primary aim of all the stakeholders of the country would be to bring back the confidence of the tourists to visit India. In fact, in the long run, the country will have a competitive edge in this respect, since it has been least affected by the pandemic compared to other countries afflicted by Corona virus. The Government and private stakeholders should very subtly publicise this newly acquired credibility for promoting our tourism sector. Government should allocate sufficient funds for organising Road shows and other promotional activities in prospective markets.

*Government of India should tie up with healthcare accreditation bodies of foreign countries (like National Accreditation Board for Hospitals & Healthcare Providers (NABH) in India) to issue “Fitness Certificates” for visa purpose. Every tourist will have to procure this Certificate from the respective authority in his/her country to get visa. This Certificate needs to be made mandatory to block any cross-border transfer of infectious diseases, like Coronavirus. Tourists visiting foreign countries will have to produce the ‘Fitness Certificate’ at the time of immigration formalities.*

*The Government should focus highly on all type of safety and security measures for the tourists visiting various places of the country. Since global tourism fraternity will take some time to get settled after the aftermath of this pandemic, the sector per se should now*
focus more on domestic travellers. People would now feel more comfortable to travel within the country rather than going abroad. Alternative tourist spots should be developed and marketed properly within the country.

Since East and North Eastern States are comparatively in better position in terms of spread of Corona virus, both Central and State Government of this region should emphasize on promoting and developing tourism attractions of this region. There are lot of unexplored tourism options in North Eastern States. North Bengal is also having huge tourism potentials. Government should chalk out special plans to promote tourism in these areas.

ICC recommends set up of a “Travel & Tourism Stabilisation Fund” with direct benefit transfer to each unit to prevent financial loss and consequent job loss. Each unit suffering loss should claim equivalent subsidy to the Ministry help break even and avoid sacking of a single employee. The claim of each loss making unit would be verified by a concerned officer of the State Government and once verified the amount needs to be transferred to the account of the unit owner, on the undertaking that no employee is sacked. This fund could be drawn from the Direct Tax Contribution of this sector, supplemented by the Central Government. If this is not taken, we fear, that the economy which was already facing highest unemployment at around 8%, could slip into recession with unemployment increasing further.

It is anticipated that this pandemic will entail huge job cut, specially for the unskilled workers. There should be some planning to absorb these newly unemployed workers in the tourism sector itself. Otherwise, this unemployment will create huge social unrest in other sectors of the economy. ICC thinks, Government should employ them as “Tourism Police” in every state to take care of the safety and security of the tourists.

ICC also thinks that if a proper strategy action is chalked out and both Public and Private sectors work in camaraderie in sync with this planning, the Tourism & Hospitality Sector would definitely spring back and provide much needed respite to the entire economy.