

## IMPACT OF COVID 19 PANDEMIC ON HOSPITALITY INDUSTRY IN KERALA

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### Abstract

The outbreak of COVID19 created a disastrous affect in all over the economies around the world. No country or the economy was spared from its impact. The pandemic has affected all the sectors of the economy, and the tourism sector was one among them. Due to the restriction imposed by the Government due COVID19, there was a drastic fall in the domestic and foreign tourists arrival, which leads to fall in revenue to this sector which results in shutdown of many units and massive unemployment. The state of Kerala was badly influenced by the outbreak of COVID19. Due to the rapid fall of foreign and domestic tourists arrival in the state because of the pandemic, all the segments or the service providers operating in the tourism sector was severely affected. Fall in the foreign and domestic tourists arrival in the state leads to fall in customers, which in turns leads to lower revenue and rise in cost, which leads to retrenchment and layoff's. This paper aims to analyse how the hospitality sector was influenced by the outbreak of COVID19 and the assistance provided by the Government to overcome its impact.

**Keywords:-** COVID19, Hospitality Sector, Tourism Sector, Tourists, Kerala.

The outbreak of COVID19 was one of the most disastrous pandemics faced by the human civilization in the 21<sup>st</sup> century. The pandemic has adversely affected every segment of society and economy globally. Due to the rapid spread of COVID in the first half of the year 2020,

Governments had to shut down the whole economy. The entire economic activities were suspended, which resulted in social and financial catastrophe around the world, which leads to unemployment, poverty and social unrest.

Thus, it can be stated that COVID19 was the greatest calamity the world had

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The tourism sector contributes substantially to the economy of Kerala. The spread of pandemic has dazed the tourism sector of the state. The outbreak of COVID19 resulted in precipitous fall in the arrival of tourists to the state as well as the revenue from the tourism sector. Hospitality sector is one of the sectors that were badly affected by the outbreak of COVID19. With fall in the arrival of tourists, the hotels were not able to run their regular business. With the fall in revenue they were not able to meet the fixed cost which forced them to cut down the cost by laying off workers, cutting down the salary of employees, reducing the frequency of availing services of various service providers or cutting down the services of auxiliary service providers and such other measures. All such adversities created a cascading effect on the hospitality industry in the state. The outbreak of COVID19 in the state of Kerala has virtually affected all elements of the hospitality chain.

### Review of Literature

Prabhakaran and Mathew (2021) found that the average room occupancy in Kerala's hospitality sector dropped below 20 per cent during peak lockdown periods, leading to severe cash flow issues for businesses. Nair and Pillai (2022) highlighted that layoffs and salary reductions were common strategies adopted by hospitality establishments to manage operational costs during the pandemic. Their study emphasized that a lack of financial support from the government exacerbated unemployment in the sector, leading to long-term socio-economic consequences for workers. Thomas and Varghese (2021)

to face since World War two. Tourism sector is considered as the largest and rapidly developing sector in an economy. The sector was one of the most affected sectors due to the outbreak of COVID19. The Government decision to go on lockdown and to impose travel restrictions resulted into rapid fall on the arrival of both foreign and domestic tourists in the country. This has created a terrific impact on various segments of tourism industry such as airways, hospitality sector, restaurants and cafés and such other allied tourism segments. The United Nation World Trade Organization (UNWTO) projected that the fall of tourist arrival in the country would result in a loss of tourism receipts of US\$300-450 billion in all over the world.

As per the result of first quarter (period between January to March 2020) released by UNWTO, there has been a decrease of 22 per cent in the international tourists arrival in first quarter on 2020<sup>2</sup>. By the beginning of March, the tourist arrival was fall down by 57 per cent, following the start of lockdown, widespread travel restrictions and the shutdown of national borders. By the end of March, the tourist arrival was fall down to zero. The amount of loss calculated during the first quarter was 67 million in terms of international arrival as compared to the same period of last year<sup>3</sup>. By region wise, Asia and Pacific region were first affected by the impact of COVID19, saw a 35 per cent decrease in revenue in tourism sector during the first quarter of 2020. The second hardest hit was Europe 19 per cent decline followed by United States (15 per cent), Africa (12 per cent), and middle east (11 per cent).

documented how accommodation units implemented cost-cutting measures, including reductions in energy usage, marketing expenditures, and ancillary services. Many businesses also shifted to outsourcing non-core activities to reduce overheads. Menon and Sebastian (2022) found that despite the availability of relief measures, only a small percentage of hospitality units in Kerala availed government assistance due to procedural complexities and lack of awareness.

Rajan and Joseph (2021) explored the changes in market demand during the pandemic. Domestic tourism emerged as a temporary replacement for international tourism, but the spending patterns of domestic tourists were insufficient to compensate for the losses incurred by the hospitality industry. Kumar and Das (2022) emphasized the adoption of digital tools, such as online booking systems, virtual tours, and contactless payment technologies, as a pivotal shift in Kerala's hospitality sector. A report by the Kerala Tourism Development Corporation (2021) highlighted the pandemic's broader economic impact, noting a steep decline in tourist arrivals, which directly affected Kerala's GDP and employment rates.

### **Kerala Tourism Industry and COVID19**

Kerala is one of the well known tourist destinations in India. In the year of 2019, Kerala ranked 17<sup>th</sup> and 8<sup>th</sup> positions in terms of foreign and domestic tourist's arrival respectively. The tourism sector of Kerala plays an important role in the generation of employment opportunities and makes a significant contribution towards the state

GDP. The fall of tourist footfall in the state had badly affected hospitality sector of the state. The hotels were not able to accommodate the customers. Thus many of them shut down their operations and forced to take radical measures such as laying off and salary reduction among the employees to withstand the crisis. The loan repayment of many entities was affected. These institutions have also faced problems in payment of fixed charges of electricity; taxes etc., which Government have relaxed to some extent subsequently. However the entities find difficulty in finding source for raising finance to meet the cost of maintenance. Even though the banks were directed by the central Government to give 20 per cent of the existing loan amount as new loan, the banks were reluctant to do that. The revenue generated by the Kerala tourism industry in the year 2019 was around Rs 45,000 crore, with a growth rate of 17.2 per cent<sup>5</sup>. It is projected that this revenue and growth rate will slide down in the year 2020-2021 in the light of the unprecedented events of 2020.

With lower occupancy rate and higher operating and financial cost, the organizations find it difficult to survive. The first step taken to meet the situation was to layoff the employees and workers which resulted in massive unemployment in the sector. Hospitality sector in Kerala contributes around 17 to 20 per cent employment in the state<sup>6</sup>. After the outbreak of pandemic, this was fallen by 5 to 9 per cent. Another area which was affected by the fall in business of hospitality sector was auxiliary industries to the hospitality sector. The auxiliary services include taxi, laundry, performing

artists to entertain customers, cleaning staff, security agencies and so on. The outbreak of COVID19 has forced the hotels and such other entities to stop or to reduce the frequency of services of these agencies. This has affected the livelihood of the personnel working in these sectors.

This catastrophic situation in the hospitality sector has also affected the revenue of the Government. Since many of the units shutdown their operation, the revenue to Government in the form of tax, cess, duties and such other payment from this sector had a steep fall. As per statistics of Department of Tourism, Government of Kerala, the tourism contributes 10 per cent to the state's GDP and contributes around 23 per cent of total employment in the state<sup>9</sup>. Downfall of this sector due to COVID19 pandemic has resulted into a huge revenue loss to Government and loss of employment to people who were working in this sector.

In the month of August 2020, the Government of Kerala has announced a Rs100 crore package to help the tourism entrepreneurs and employees who were affected by the pandemic. The soft loans were provided under the packages at an interest rate of 9 per cent per annum where the department of tourism will absorb 6 per cent of the interest for a total period of 18 months and the remaining 3 per cent shall be borne by the concerned borrower. The initiative is to make available loans to entrepreneurs and employees of the sector through various banks and Kerala Bank. Those personnel who are working in the tourism establishment were also offered a loan

facility of Rs 30000 (per employee). Apart from this, the Government have formulated a loan scheme with State Level Bankers Committee Kerala to provide working capital assistance to the tourism entrepreneurs. Under this scheme, the entrepreneurs in the tourism sector can apply for a working capital loan up to Rs 25 lakhs. The Government have also extended relaxation in the levy of property tax and deferment of electricity charges in coordination with Kerala State Electricity Board.

### Research Problem

As elaborated earlier, the Covid pandemic has brought in unprecedented hardship to the entire society and to the hospitality industry in particular. The non-movement of vehicles and travelers put the industry in a standstill. The policy makers in Government, business community and researchers in tourism and hospitality sector are curious to know the extent of impact the pandemic has caused to the industry. It was in this context that a study was undertaken to assess the impact the Covid pandemic has put on the hospitality industry of Kerala.

### Objectives of the Study

The study aims to achieve the following objectives:

- To assess the impact the Covid pandemic has caused to the hospitality industry in Kerala.
- To ascertain the type of assistance, if any, extended by Government to help the hospitality industry to survive and overcome the crisis.

Scope of the Study

The study evaluates the extent of financial losses and operational challenges faced by the hospitality sector in Kerala due to the pandemic-induced shutdown. The study focuses on identifying measures adopted by businesses and policymakers to mitigate the crisis and provides insights into strategies for resilience and recovery.

Significance of the Study

The findings will assist policymakers in crafting targeted interventions and relief measures to support the hospitality sector’s recovery and resilience against future crises. The study equips hospitality businesses with valuable insights to develop effective strategies for survival, adaptation, and growth during unprecedented disruptions.

Methodology

The study undertaken was a small sample study with 8 hotel units selected from 3 major cities in Kerala such as Trivandrum, Kochi and Kozhikode. The categories of hotels selected for the study are presented in Table 1

Apart from the collection of primary data from selected units, the study has also made use of secondary data from literature published in news paper, journals,

reports of department of tourism, world tourism organization and resources available in the World Wide Web. Though the sample units selected are relatively small, they almost represent the characteristics of other units in the hospitality industry in the state. Non-probability convenience sampling technique was adopted for sample data collection as many units in the industry were reluctant to share data.

As a prelude to the study, the facilities available in the selected units were ascertained. The data in this regard are presented in Table 2.

All the sample units have restaurants and accommodation facilities and conference facilities in all but one unit. Many of these units also had beverages services and gift shops. The operation of these facilities offers direct and indirect employment to many who are engaged/ dependent on these facility services. As many as 2 hotels selected for the study maintains more than 150 guest rooms and the other 1 has between 150 and 100. The other hotels of the sample study maintain less than 100 rooms for guest accommodation. All these hotels have reduced their room tariff to promote

Table 1  
Categories of Hotels Chosen as Sample

Categories of Hotel	No
Three star	1
Four Star	3
Five Star	2
Not classified	2
Total	8

Source: Primary data

**Table 2**  
**Hospitality Related Facilities Available in the Selected Units**

Type of facilities available	No
Restaurant	8
Conference Hall	7
Gift shop	3
Accommodation	8
Alcohol and Beverages	4
Spa and fitness centre	2

*Source: Primary data*

guest arrival and as a measure to face industry competition during pandemic period. As many as 50 per cent of the hotels offered room tariff reduction at the rate of less than 15 per cent where as the rest of the units offered discount up to 30 per cent.

The guest arrival in all the hotels during the all India lock down period started on 24<sup>th</sup> March 2020 was zero where as the flow gradually increased along with the curtailing of lock down restrictions by Government of India in the subsequent months. The average guest arrival per week before and after Covid 19 pandemic is presented in Table 3

The table presents the reduction in guest arrival in the selected hotels in the state. Currently in majority of hotels (4 out of 8) the guest arrival is less than 100 per week. It used to be more than 300

guests in 5 hotels before the start of the pandemic where as only 3 hotels get guest more than 300 per week after the outbreak of pandemic. As room selling is one of the most perishable activities, one can imagine the magnitude of revenue loss to the hospitality industry in terms of low occupancy rate.

The occupancy rate pre-post pandemic in the selected hotels is presented in Table 4.

It is evident that the room occupancy rate in majority of hotels after Covid 19 pandemic is less than 45 per cent where it was above 45 per cent in majority of hotels before the outbreak of pandemic. Less number of guest arrivals and low occupancy rate naturally has an impact on revenue of these institutions. The reduction in revenue on account of pandemic is presented in Table 5.

**Table 3**  
**Guest Arrival Per Week – Pre Post Covid 19 Pandemic**

Average guest arrival per week	Before the start of pandemic	After the start of pandemic
Less than 100	0	4
101-200	0	0
201-300	3	1
More than 300	5	3

*Source: Primary data*

Majority of the units selected for the study has experienced revenue loss to the tune of more than 50 per cent during the post pandemic period. This would have affected all allied segments of the hotels such as employment, outsourcing services, tax payment to Government etc.

Strategies Adopted by Hotels to Overcome the Revenue Loss

As self sustaining entities, hotels in hospitality industry cannot survive on loss for long. The units under study have adopted different strategies to prevail

over the crisis. The options exercised by selected units are presented in table 7 below.

The majority of the hotels either declared lay off or considerably reduced the number of employees to prevail over the crisis along with other natural choices of reduction in complimentary services and restricted usage of water and electricity. The declaration of lay off put severe blow to the serving employees as there was a total loss of revenue to them in an unexpected time. This phenomenon

Table 4  
Guest Occupancy Rate – Pre Post Covid 19 Pandemic

Occupancy rate	Before the start of pandemic	After the start of pandemic
Less than 15%	0	2
16% to 30%	0	4
31% - 45%	2	1
More than 45%	6	1

Source: Primary data

Table 5  
Loss of Revenue on account of Covid 19

Average Percentage of Reduction in Revenue	Number of Hotels
Lesss than 25%	1
26% - 60%	2
51% - 75%	3
More than 75%	2
Total	8

Source: Primary data

Table 6  
Number of Employees Working – Pre Post Covid 19 Pandemic

Number of employees working	Before the start of pandemic	After the start of pandemic
Less than 50	0	2
51 to 100	3	3
101 - 150	2	1
151-200	0	0
More than 200	3	2

Source: Primary data

was not the case of hospitality industry alone but for almost all sectors of the economy leading to a total distress in the society at large.

While few units adopted alternative strategies to cope up with the financial loss incidental to the pandemic, others remain passive. As many as 3 out of 8 units diversified into allied activities to withstand the turbulence. The alternate ventures adopted by these units include online delivery of food from restaurant, converted rooms as quarantine paid facility etc.

There was substantial reduction in availing services in regard to guest entertainment and call taxi service. The contract with cleaning and kitchen supplies services have increased after the pandemic as the hotels terminated their permanent employees and outsourced these services based on needs.

The number of agencies and number of people who are indirectly on employment/contract with a hospitality unit are enormous. There was sharp reduction in the contract with outside agencies during pandemic; the data in this regard are presented in Table 8.

**Assistance from Government**

Government, both the central and state, have announced relief packages for various segments of the society who were severely affected by the economic slowdown post-covid and to rejuvenate the economic growth. As it is obvious, hospitality sector was one of the worst affected sectors on account of Covid 19 pandemic. The study explored if the units selected for the study were given any assistance from the government to prevail over the crisis.

Among the units selected for the study, one unit responded that they have received pay check assistance during Covid pandemic. Tax relief was given to one unit where as some sort of subsidy was given to another unit. These concessions of various sorts were given only 3 out of 5 units selected for the study. This indicates that the Government assistance to hospitality industry during the crisis was considerably inadequate. As many as 3 units have also resorted to bank loans to meet the liquidity crisis created by the pandemic. The three units which have availed Bank loans earlier also find it difficult to pay back the loan installment consequent to the loss of revenue in their units.

**Table 7**  
**Survival Strategies Undertaken by the Accommodation Units**

Strategies adopted	Number of units adopted the strategy
Lay off of employees/workers	3
Reduction of salary of employees	2
Reduction in the complimentary services to the workers	3
Reduction in Marketing cost and advertisements	6
Reduction in monthly cost of electricity, water etc.	8

*Source: Primary data*



Perception on Business Prospects

The units are hopeful that the Covid impact will not last long and the business will come to normal within short span of time. Since the instinct of people towards travel and entertainment are natural, hospitality industry has the prospects of coming back to normal soon. The majority of the units have the same view.

Findings of the Study

- 1. After the outbreak of COVID19 pandemic there was a drastic fall in the hotel room occupancy rate.
- 2. Majority of the accommodation units had experienced significant revenue loss as a result of the pandemic.
- 3. For the survival adverse measures were taken by the accommodation units such as laying off workers, reduction of salary of the workers, reduction in complimentary services to the customers, reduction in marketing cost and advertisement, reduction in monthly cost of electricity and water. Among this measures majority of the respondents followed the measures

of reduction in monthly cost of electricity and water followed by reduction in marketing cost and advertisement.

- 4. In comparison to pre-Covid era, there was significant reduction in dependence of accommodation units on the ancillary service providers. In some cases the accommodation units outsourced some of the functions to outside agencies with the aim of reducing cost.
- 5. In relation to assistance from the Government, only a fewer accommodation units had availed assistance from the Government.

Suggestions

- 1. The government should design targeted financial relief packages, including subsidies, low-interest loans, and tax exemptions, to support struggling accommodation units.
- 2. Encourage accommodation units to adopt energy-efficient technologies such as LED lighting, solar panels, and smart energy management

Table 8  
Contract With Outside Agencies – Pre - Post Covid 19 Pandemic

Type of contract	Before the start of pandemic (number of units)	After the start of pandemic (number of units)
Artists to entertain guests	4	1
Call Taxi service	6	4
Laundry service	4	4
Securities agencies	6	6
Cleaning staff	1	3
Kitchen suppliers	1	3
Gift shop	2	2

Source: Primary data

systems to reduce electricity and water costs sustainably.

3. Establish government-supported wage subsidy programs to prevent layoffs and ensure workers' financial stability.
4. Offer incentives or shared marketing platforms to encourage businesses to invest in marketing and promotion efforts to attract domestic and international tourists as the market recovers.
5. Promote shared services or cooperative models where multiple accommodation units pool resources for marketing, procurement, or ancillary services to reduce individual costs.
6. Rebuild trust and partnerships with ancillary service providers by fostering transparent communication and long-term contracts which would help to reduce the cost of operation.

## Conclusion

Risk and uncertainties are associated with every segment of economic activity. The consequences of risk and uncertainty will be high when it affects every segment of economic activity. Risk and uncertainties were at its peak for every business units during pandemic. The hospitality industry perhaps was the most affected sector. This industry as well as the auxiliary industries depended on this were severely affected. There were massive un-employment, loss of revenue, liquidity crisis and damage to tools and equipment during pandemic. The support from the Government, both central and state, to this industry was relatively inadequate during the hours of crisis. However, the pandemic has forced the owners to think of alternatives and many units survived by engaging in alternate options. It is expected that the post Covid period will offer new impetus for the industry to grow.

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