

Restoring Growth of Tourism in the Wake of Pandemic

The Travel & Tourism Industry is one of the fastest growing industries of the world with a growth rate of 3.5% vis-à-vis a global economic growth rate of 2.5% in year 2019. The sector contributed around 10.4 % to global GDP, generated 330 million jobs worldwide and accounted for 27.4% of global services exports. However, COVID-19 has had a detrimental impact on Travel industry across the world with the sector's contribution to global GDP and employment declining by 49% and 19% respectively¹.

The pandemic and the resultant lockdown in different countries had a severe impact on economic growth with the global GDP contracting by 3.7% in year 2020². The sudden halt in economic activity led to a decline in production and consumption activities across the world with several countries announcing fiscal stimulus packages to deal with this economic downturn. India, too, announced a stimulus package of a whopping Rs 20 lakh crores to revive economic activity and address challenges arising due to disruption of supply chains across the world. A slew of measures were announced like provision of collateral free loans worth Rs 3 lakh crores to MSMEs under the Emergency Credit Line Guarantee Scheme (ECLGS), Equity infusion of Rs 50,000 crores through the Funds of Funds (FoF) in MSMEs and Rs 20,000 crores Subordinated debt fund for stressed MSMEs, Rs 2,500 crores EPF support for Businesses and Workers, extension of loan moratoriums and loan restructuring, apart from others.

The sector contributes immensely to foreign exchange reserves in the country and provides employment opportunities, both in the formal and informal sector. In year 2019, the sector accounted for 8.8% of the total employment, 5.8% of the total exports and 6.9% of GDP³. However, the sector now contributes only 4.7% to GDP, 7.3% to total employment and 2.5% to total exports⁴. The fact that Services sector contributes 55% to the Indian economy makes the Travel Industry even more crucial for country's overall economic growth.

¹ <https://wttc.org/Research/Economic-Impact>

² <https://wttc.org/Research/Economic-Impact>

³ WTTC India Report 2021

⁴ WTTC India Report 2021

The government has introduced several schemes, over the years, such as the Swadesh Darshan Scheme, Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD), Dekho Apna Desh and Adopt a Heritage scheme. Apart from this, E-visa facility has been extended to the nationals of 169 Countries under 5 sub-categories i.e 'e-Tourist visa', 'e-Business visa', 'e-medical visa', 'e-Medical Attendant Visa' and 'e-Conference Visa'. A new category of e-Tourist Visa for 5 years with multiple entry has been introduced. The visa fee, too, has been rationalized considerably. These measures have been successful in increasing the number of Foreign Tourist Arrivals (FTAs) from 10.04 million in year 2017 to 10.93 million in 2019 coupled with an increase in foreign exchange earnings from US\$ 27.3 billion to US\$ 30.05 billion over the same period⁵. However, due to the pandemic, the number of FTAs declined to 2.74 million in 2020 and corresponding foreign exchange earnings reduced to US\$ 6.9 billion⁶.

Despite having a diverse culture and rich architectural heritage, India holds only 1.2% share of the international tourism market (2019) as against Spain (5.7%), USA (5.4%), China (4.5%), UK (2.7%) and Thailand (2.7%)⁷. Inadequate infrastructure and poor connectivity, safety and security, non-availability of skilled manpower, inadequate promotion and marketing and poor hygiene and sanitation are some of the reasons which are responsible for low tourist footfall in the country. Around 26 million Indian tourists travel abroad each year but Foreign Tourist Arrivals in India have increased only at a marginal pace. India was ranked 34th in the Travel & Tourism Competitiveness Index 2019 of World Economic Forum out of a total of 136 countries⁸. Though India's ranking in the Index has improved considerably, a lot needs to be done to promote India as a favourable tourist destination. Due to the pandemic, the number of tourists travelling to different countries, including India has gone down considerably. To arrest further decline in tourist footfall and give a fillip to the Tourism industry, Government of India launched the NIDHI & SAATHI initiatives in year 2020.

⁵ India Tourism Statistics at a Glance 2021

⁶ India Tourism Statistics at a Glance 2021

⁷ India Tourism Statistics at a Glance 2021

⁸ http://www3.weforum.org/docs/WEF_TTCR_2019.pdf

National Integrated Database of Hospitality Industry (NIDHI) is a portal for registration of accommodation units in the country. Prior to this, Ministry of Tourism had only 1400 hotel registrations but now over 40,000 hotels have registered on the NIDHI portal⁹. The portal provides a number of benefits like Star Classification for hospitality units, project approvals for accommodation units, listing of hotels on IRCTC hotel booking portal and information about capacity building workshops and conferences. To also assist the hospitality industry in their preparedness to continue operations safely and mitigate risks arising out of the pandemic, Ministry of Tourism has partnered with the Quality Council of India (QCI) and launched a new initiative, that is, **SAATHI (System for Assessment, Awareness and Training for Hospitality Industry)**. The idea is to sensitize the industry on the COVID regulations by the government and instill confidence amongst the staff and guests that a particular hospitality unit has exhibited intent towards ensuring safety and hygiene. Self-Certification regarding adherence to SAATHI framework, capacity building and Third party assessment are three main elements of this initiative. The SAATHI dashboard provides information on number of self-certified hospitality units across the country.

Though these initiatives are expected to boost the Indian tourism sector, a number of other measures are needed to substantially increase the tourist footfall in the coming years. This is all the more important because the Indian Tourism industry is expected to bear a loss of USD 16 billion¹⁰ due to the pandemic. The following recommendations may go a long way in reviving the Indian tourism sector:

Cleanliness and Sanitation are of utmost concern for any traveller. However, India is looked down upon by many foreign travellers in these parameters. In order to shun this image, India can use a *Safe Travel* Stamp to rebuild confidence of tourists. The specially designed stamp, launched by the World Travel & Tourism Council (WTTC), allows travellers to recognize governments and companies around the world which have adopted

⁹ <https://pib.gov.in/PressReleasePage.aspx?PRID=1665204>

¹⁰ <https://www.grantthornton.in/globalassets/1.-member-firms/india/assets/pdfs/travel-and-tourism-in-times-of-covid-19.pdf>

health and hygiene global standardized protocols. A significant number of countries are currently using *Safe Travel Stamp* to attract tourists.

Wellness Tourism is about travelling for the primary purpose of achieving, promoting and maintaining maximum health and a sense of well-being. Most of the hotels/ resorts in India are now coming up with Ayurveda & Naturopathy Centres. As India is a hub of Indigenous health systems like Yoga, Naturopathy, Ayurveda Unani and Siddha, there is an urgent need to unleash the potential of Wellness Tourism in the country. However, government should focus on bringing wellness trainers into mainstream, provide them necessary skills and build adequate infrastructure to extract maximum value out of this sub-sector.

A real time dashboard can be created by the Ministry of Tourism to provide information on Covid affected regions in the country, number of Covid affected patients and information on travel restrictions across the country. This will enable tourists to have a safe and carefree journey as they would have access to real time Covid related information. European Union has launched a similar website “**Re-Open EU**” to support safe relaunch of travel and tourism across Europe.

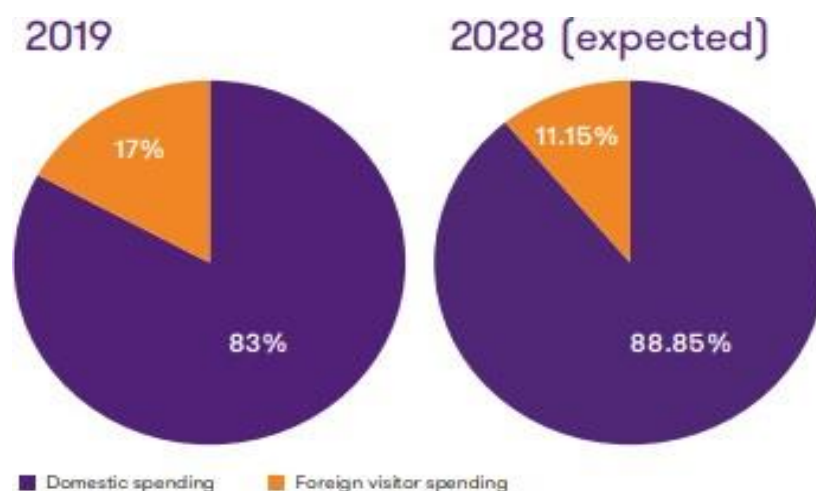
India needs to adopt an aggressive marketing strategy to project itself as a popular tourist destination. The country has 40 World Heritage sites, however its foreign exchange earnings were only US\$ 30 billion in year 2019. Countries like the UK and USA have only 34 and 24 World Heritage sites respectively but their foreign exchange earnings from Tourism are significantly higher than India. In **Prioritization of Travel & Tourism**, India ranks abysmally low at 94¹¹. The index measures the extent to which the government promotes and facilitates development of Tourism sector.

India should focus on efficient management of Tourist sites. This is important because as per “Review of Visitor Facilities at 50 of 116 Ticketed Monuments in India” Report, a number of heritage structures in India are in a shambles. The monuments lack basic infrastructural facilities with a number of illegal construction activities going on in the vicinity. Encroachment is another major problem identified in the Report. Apart from these,

¹¹ http://www3.weforum.org/docs/WEF_TTCR_2019.pdf

non-availability of tourist guides and brochures for monuments and heritage sites makes it difficult for tourists to have information about the site

Due to the pandemic, it is now difficult for tourists to opt for long distance journeys, necessitates the promotion of staycations. A staycation is a period in which an individual or family stays home and participates in leisure activities within day trip distance of their home and does not require overnight accommodation. Domestic travellers drove the travel and tourism sector in India in 2019 and domestic spending in the sector stood at 83%. This share is expected to reach 89% by year 2028, which implies that government should focus more on promotion of domestic tourism¹².



India should also explore the potential of Adventure Tourism, which can be a huge source of revenue for the sector. Global revenue from this sub-sector increased from US\$ 89 billion in 2009 to US\$ 683 billion in 2017. However, India needs to focus on creation of necessary infrastructure, adoption of safety norms and safety and skill certifications. Government may waive off Custom Duty for 5 years on import of adventure equipments to promote adventure tourism.

Government should expedite work under the Swadesh Darshan Scheme for developing theme based tourist circuits in the country. The budget allocation under this scheme is low

¹² <https://www.grantthornton.in/globalassets/1-member-firms/india/assets/pdfs/travel-and-tourism-in-times-of-covid-19.pdf>

and also funds are not disbursed on a timely basis. Amount sanctioned under the scheme is Rs 6,035 crores while only Rs. 3676 crores have been released till date¹³. This calls for a review of lags in the fund disbursement process as well as monitoring and evaluation of the various tourist circuit projects.

Medical Value Travel holds tremendous potential for India, which ranks 10th out of 46 major medical tourism destinations in the world and 6th as per medical tourism industry¹⁴. In terms of medical expenses, India is more competitive than Singapore, Thailand and Brazil. Medical treatment is significantly cheaper in India as compared to the US and other developed countries. However, there needs to be greater integration between Ministry of Tourism and Ministry of External Affairs for the purpose of branding and marketing of medical tourism in India as only 6.7% of the overall Foreign Tourist Arrivals visit India for medical purposes. A helpdesk can be introduced as a single point of contact information for patients travelling to India for medical purposes. An association of Medical Value Tourism Facilitators' can be formed to bring onboard various hospitals and medical service providers providing services to foreign patients across the country. India can pitch for bilateral or tripartite travel bubble arrangements with countries, specifically for medical travel. Standard Operating Procedures can also be put in place to ensure safe passage for the medical tourists.

Connectivity is the prime determinant of tourist footfall in any country or region. Infrastructure assumes an important role and we need to build adequate infrastructure to provide last mile connectivity to far-off regions of the country and to incentivize tourists to visit these areas. For example, we should increase the number of air routes to North east region, which has immense tourism potential.

Government should promote Buddhist Tourism extensively. This is all the more important because India is the land where Buddhism originated. Though five Buddhist circuits have been identified in the country, we can also think of developing a circuit specifically for

¹³ Annual Report 2019-20, Ministry of Tourism

¹⁴ Medical Tourism Index Overall ranking, 2020-21

Ashokan edicts, which are found in different parts of the country. One circuit can include places which have rock edicts like Girnar, Sopara, Dhauli, Jaugada, Sannati, Yerragudi & second circuit can be for pillar edicts like Delhi-Meerut , Delhi-Topra, Vaishali, Rampurva and Lauriya.

The Ministry of Tourism has developed guidelines for extending financial support under Market Development Assistance (MDA) scheme to 'Active Members' of India Convention Promotion Bureau (ICPB) towards bidding for International Conferences/ Conventions, thereby bringing more MICE(Meetings Incentives Conferences & Exhibitions)business to the country. Under the scheme, associations are given financial support on winning the bid or obtaining second and third positions in the bidding process. However, only 12 % of FTAs visit India for Business or Professional purposes. The number needs to be increased significantly by provision of necessary and adequate infrastructure and favourable business environment in States.

The coastline of India and our inland waterways have enormous potential to develop cruise tourism, both international and domestic. Cruise tourism is a niche sector representing approximately 2 percent of the overall global travel industry with a steady growth of approximately 7% in the last three years, led by contemporary and premium cruises¹⁵. The sector has huge scope in India and can become an economically viable and profitable sector provided certain measures are undertaken like exemption of IGST on import of cruise vessels in India, development of port infrastructure to handle all type of cruises and provision of loans on soft terms to cruise companies and a longer loan repayment duration.

COVID-19 has had a debilitating impact on the global Travel & Tourism industry, which is a major source of employment and revenue generation for countries across the world. Consequently, a number of countries have announced relief packages to revive this industry. A brief description of revival packages is as follows¹⁶:

¹⁵ Maritime India Vision 2030

¹⁶ "Survive, revive and thrive in times of COVID-19": Grant Thornton & FICCI Report

Hongkong:

In Hongkong, an Anti-Epidemic Fund's Travel Agents Subsidy Scheme has been introduced, under which 1,350 travel agents have received payments. Apart from this, government would also provide a one-off subsidy of HKD 80,000 (USD 10,322) to each eligible travel agent.

Australia:

The Australian government has pledged AUD 1 billion (USD 632 million) to support sectors that have been disproportionately affected by COVID 19, including travel & tourism. Existing fees and charges pertaining to tourism businesses that operate in the Great Barrier Reef Marine Park and Commonwealth National Parks will be waived off.

France:

A EUR 2 billion (USD 2.2 billion) solidarity fund has been set up for eligible travel and tourism businesses. These include businesses whose activities have been closed, non-food trade, SMEs that have lost turnover by 70% compared to March 2019; SMEs with a turnover of less than EUR 1 million (USD 1.1 million). Under the solidarity fund, employees with a minimum wage salary or below are provided 100% compensation. Additionally, partial unemployment will be fully reimbursed by the State for wages as high as EUR 6,927 (USD 7620) a month (4.5 times the minimum wage).

Singapore:

The country has waived license fees for hotels, travel agents and tour guides, enhancing training schemes and subsidizing them by up to 90%. For commercial establishments including hotels, tourist attractions and eateries, a 100% tax rebate has been announced for 2020. The government has also established a Tourism Recovery Action task force (TRAC) to enable recovery by developing and implementing strategies to aid the tourism industry.

United Kingdom:

A stimulus package amounting to GBP 330 billion (USD 413 billion) has been set out by the government. It includes a 12- month business rates holiday for all retail, hospitality and leisure businesses in England; a grant funding of GBP 25,000 (USD 31,274) for retail, hospitality and leisure businesses with property with a rateable value between GBP 15,000

(USD 18,764) and GBP 51,000 (USD 63,800). Payment of VAT has also been suspended until the end of June. The government has also stepped in to pay people's wages with a new scheme under which a grant will cover 80% of wages up to GBP 2,500 (USD 3,127) for those employees kept on payroll. This grant will be available for three months, with the possibility of extension, and will cover businesses of any size.

Philippines:

The travel and tourism sector will receive significant portion of the government's USD 523 million support package to combat the coronavirus outbreak. Specifically, USD 271 million aid from the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) has been earmarked for various programs and projects of the Department of Tourism in Philippines. To promote Philippines as a destination, the Department of Tourism (DOT) is allocating approximately USD 118 million for a new campaign for domestic travel and to create content that targets emerging countries unaffected by Covid-19.

Spain:

The Spanish government announced a financing line of EUR 400 million (USD 436 million) with guarantee from the ICO (Official Credit Institute of Spain), for self-employed individuals and tourism companies, domiciled in Spain in need of liquidity with a limit of EUR 500,000 (USD 545,270), including transport companies, taxis, hotels, restaurants, car rentals, travel agencies, museums among others. The funds will operate as a 4-year loan with a fixed interest rate of 1.5%

Portugal:

The government has placed particular emphasis on the travel and tourism sector by establishing a dedicated EUR 60 million (USD 654 million) credit line for micro-businesses in the sector and by working closely with stakeholders within the sector to respond to the challenges resulting from COVID-19. The tourism ministry has also introduced a scheme within which travellers forced to cancel their trips due to the pandemic will be eligible to reschedule their trips till December 2021. The scheme also states those who are unable to complete their trip will be eligible for a full refund in 2022.

Government of India may consider the following measures to revive the Indian Tourism Industry and enable the industry stakeholders to overcome the financial woes arising out of the pandemic:

1. One-time rescheduling of principal/interest dues without categorizing this as restructuring, re-classification/downgrading of assets and requirement of additional provisioning.
2. 12-month waiver of all statutory dues including customs, excise and license fees and increase in insurance premiums
3. Stimulus package to provide salary support to businesses
4. ESI contribution to be deferred for 12 months. Insurance corpus of ESI may be used to provide wages to all covered workers
5. Waiver and/or reduction of GST on products offered by the Tourism sector for a 12-month period
6. Direct cash support for the aviation sector (airlines, ground handling and airports) & Waiver of parking and landing charges
7. Short-term, interest-free or low-interest loans for rebuilding businesses in the form of term loans and working capital loans
8. Creation of a separate tourism fund under the aegis of Ministry of Tourism, accessible to the industry as a collateral free, 10 year loan, with a moratorium of two years and minimal rate of interest to support businesses in this time of crisis.

Suggestion : A 500 Crore fund is invested in easily retractable Government Bonds or securities by MoT, with 100 Crores investment every year for next 20-30 years, which grows over a period of time and helps sustain the industry in case of another unprecedented crisis. (we had recently made this as suggestion to the Ministry of Tourism as a pre - budget recommendation)

Government of India has announced a number of measures to boost the Indian tourism sector like constitution of National Tourism Task Force, extension of working capital and personal loans with a limit of ₹10 lakh for travel and tourism stakeholders and ₹ 1 lakh for registered tourist guides with 100% guarantee and provision of free visas to 5 lakh tourists visiting India.

NITI Aayog has, time and again, encouraged States/UTs to adopt measures to increase tourist footfall and introduce policies in sync with sustainable tourism. Kerala has been a frontrunner in the Tourism sector. The State has introduced a number of initiatives to attract tourists like commissioning of India's first solar powered miniature train at Veli, opening up of a Vellar Craft village near Kovalam Beach, and renovation of several beaches and village destinations.

The apex policy think has proposed to the Ministry of Tourism to develop virtual tours with Augmented Reality/Virtual Reality facilities in different museums and destinations to showcase rich architectural heritage of India to foreign and domestic tourists. NITI Aayog has also pitched for aggressive marketing of tourist sites through various social media platforms.

As per WEF's Travel & Tourism Competitiveness Report, India ranks high in *Price Competitiveness* (Rank 13), which implies that it is considered a low cost destination by many travellers. India also ranks high in *Natural and Cultural Resources* factor (Rank 9), which means that a country has a significant number of natural and cultural heritage sites. Since India ranks higher in these two factors, it implies that the country has immense and untapped potential, which needs to be unleashed to attract its tourist footfall.

The growing influence of the tourism sector as an economic powerhouse and its potential as a tool for development are irrefutable. Not only does the tourism sector spearhead growth, it also improves the quality of people's lives with its capacity to create large scale employment of diverse kind. Augmenting tourism infrastructure, easing of visa regime, assurance of quality standards in services of tourism service providers, projection of the country as a 365 days' tourist destination, promotion of sustainable tourism etc. are some of the policy areas which need to be constantly worked upon to increase and facilitate tourism in India.

Access & Aviation

2. Key to growth of any destination is Direct flight connectivity to key geographies and key cities, for both Indian LCC's and full-service carriers. This will

be a gamechanger · Seat capacity needs to be increased to encourage ease of access from key source markets · The Government needs to consider assistance with viability gap funding, easier bilateral support, supportive code share arrangements to connect prime source markets and increase seat capacity giving advantage to Indian carriers ·

3 · ATF is a key pain point for Aviation and directly has effects on the pricing factors for tickets and the journey cost · ATF needs to be brought under the GST ambit ·

Important policy changes

1 · The 5 MN free ETVoA scheme must be brought back for 2022-23 & 2023-24 · This will give a big fillip, should we see international movement and contraction in OMICRON ·

2 · Articulated crisis management & emergency response plan - in case of accidents, natural disasters, acts of terror or any other untoward event - coordination mechanism with District Magistrate, State Government, Ministry of Tourism, Ministry of External Affairs and Embassies and Consulates ·

3 · Tourism is primarily implemented by States - for the hospitality industry the diverse laws regarding property tax and trivial issues like liquor licenses, parking norms bring down profitability · A paper mostly articulating the State issues, driven by WTTCII needs to be taken into account and the Ministry of Tourism has to lead a GST Council like decision making body to implement uniform rules and economic initiatives for tourism businesses ·

4 · For destinations like North East, lesser destinations in Jharkhand, Chhattisgarh, J&K etc - quality accommodation will be a boon · However, considerations need to be made to make accommodation projects economically viable and develop existing attractions as well as tourist holding activities in a planned manner to develop destinations ·

5 · Policy to use heritage monuments in a sustainable manner, to monetize and upkeep and to promote such spaces for big ticket events ·

Marketing, Promotions & Publicity:

1 · In the Union Budget 2022-23 the outlay for Tourism has been increased from INR 2026.77 Crores to INR 2400.00 Crores · The allocation on publicity and promotions have been increased from INR 1088.03 Crores to INR 1750.34 Crores · However, the Budget for Overseas Promotion and Publicity including Market Development Assistance has been reduced from INR 524.02 crores to INR 341.00 Crores · The Ministry of Tourism must have at least an INR 2000 Crore budget

for Marketing, Promotions & Publicity.

- 2. Tourism marketing and promotions for large inbound markets like (e.g. USA, UK,) are predominantly controlled & executed by Diplomatic Missions in coordination and conjunction with the Tourism Ministries or Tourism Boards - India needs a strategic shift in this direction. An India Tourism Marketing Board is needed - on the lines of Visit Britain or Brand USA.*
 - 3. Concept of targeting high value travellers rather than mass tourism - lends to the sustainable tourism practices of resolving overcrowding, over pressure on destinations.*
 - 4. A new Incredible India 3.0 campaign must be launched that focuses on top volume generating geographies and key source markets such as - USA, UK, France, Germany, Italy, Spain, Russia and Japan for the next 5 years.*
 - 5. Along with a clear strategy of developing the markets which are 4-5 flying hours away - Middle East, Asia.*
 - 6. Emerging markets should be targeted in the third phase.*
 - 7. The new Incredible! India 3.0 campaign must be planned with engagement and combination of digital marketing & PR agencies, targeting high value travellers, geo targeting cities regions from where people have the maximum propensity to travel. Immediate appointment of such niche and boutique agencies in prime source markets is the need of the hour and recommended.*
 - 8. Create a Visit India program by country - strengthen Tourism bilateral tourism ties through public diplomacy.*
- 9. A calendared Travel Event and an International Travel Mart led by the Government.*
