

THE IMPACT OF COVID-19 ON THE SRI LANKAN TOURISM SECTOR AND ITS FUTURE PROSPECTS

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ABSTRACT: The novel coronavirus pandemic is imposing global travel restrictions. The tourism sector is undoubtedly one of the most severely impacted victims. We seek to explore the potential immediate and long-term effects impact on the tourism due to the pandemic. This study used a comprehensive secondary data from various government and international sources to evaluate the potential impacts of COVID 19 on Sri Lanka's tourism sector. The finding suggests that economic and labour market distortions represent a significant impact on the country's tourism sector and on its future economic potential. The need for a comprehensive recovery plan, the imposition of health and safety measures and a diversifying of the market are seen to be the highest priority for the tourism sector. This study seeks to outline pragmatic solutions for a post - pandemic tourism sector revival and in particular the enabling of a resurgence in tourist visitations through ensuring the health and safety measures.

KEY WORDS: COVID 19, Tourism, Coronavirus, Pandemic, Sri Lanka, Impact, Labor market

I. INTRODUCTION

The novel coronavirus (COVID 19) pandemic is having a sizable effect on the global economy particularly on the travel and tourism sector (UNTWO, 2020). According to the World Health Organization (WHO) to date nearly 46 million COVID cases have been reported globally including approximately 1.2 million deaths. 10,420 cases and 20 deaths due to the pandemic were registered in Sri Lanka as of November 1, 2020. The economic impact on the tourism sector was estimated at 75 million job losses and a reduction of US\$ 2.1 trillion (Zenker & Kock, 2020). The early prediction of the United Nations World Tourism Organization (UNWTO) regarding declining tourists' number estimated a global decline of 20-30% compared to 2019 (Gössling et al., 2020). Moreover, the global economy is projected to shrink by approximately 0.9 % over 2019 - down from a forecast 2.5% growth in 2020 (World Bank, 2020). Developing countries have been mostly severely affected by the pandemic experiencing long-term consequences in their economic recovery. Poverty reduction efforts are projected to be less effective with a shrinking of per capita income of 5% GDP in 2020 (United Nations, 2020). The sector has faced similar volatility in the past during the 2008 global economic crisis, with growth falling by about 4%-6% and the Asian financial crisis as well as (Işık et al., 2020). The global losses of tourism receipts in 2020 is estimated at US\$ 2.1 trillion (Gössling et al., 2020). The global revenue loss of airline industries alone is put at US\$ 252 billion in 2020. Moreover, the increased cost of health care due to COVID 19 for low income countries in terms of human resources, commodities and capital inputs is estimated at approximately US\$4.5 billion for the year 2020 (Edejer et al., 2020)

According to the World Travel and Tourism Council (WTTC, 2019) the travel and tourism sector is one of the most rapidly growing sectors globally contributing US\$ 8.9 trillion and accounting for 10.3% of global GDP. Moreover, the sector supports one in ten jobs - around 330 million jobs - and is responsible for capital investment of US\$ 948 billion annually (WTTC, 2019). The tourism sector contributes heavily to the Sri Lankan economy being the third largest contributor its GDP (approximately 5%). Sri Lanka is ranked among the world's top five biodiversity hotspots for international tourists. Sri Lanka has a strong potential to draw more foreign

visitors given its strategic location and the extent of its exotic resources which are a powerful drawcard for nature-based tourism. The COVID 19 pandemic, however, is reversing the path of tourism growth.

Since the end of the civil war in 2009, Sri Lankan tourism has achieved a record double digit growth rate both in international tourist arrivals and tourism revenues (SLTDA, 2019; Sarvananthan et al., 2017). However, this speedy growth was disrupted following the Easter Sunday attacks in April 2019 leading to a significant loss of revenue up to US\$1.5 billion (CBSL, 2019). In these attacks on three churches and three tourist hotels in Sri Lanka more than 250 lives were lost with a further 500 injured. (CBSL, 2019). Soon after the attack the entire tourism sector was closed. While the tourism industry had made a rapid recovery by securing international trust at the end of 2019, the global COVID pandemic has reimposed a severe recession on the country's tourism industry with long-term effects on the country's overall economy. Indeed, the effect of the subsequent impact of the pandemic has been far worse for the tourism sector than that of the Easter Sunday attack in terms of employment, skills development and revenue potential.

The success and failure of a tourism destination depends on being able to provide a safe and secure environment for its visitors (Gosssling et al., 2020). The Easter Sunday attacks, and subsequent COVID 19 pandemic have severely compromised the perceived of safety for international tourists. Despite the remarkable resilience of the sector, international support and various proposed government initiatives such as a government relief package, the prospects for the tourism industry remain bleak in the short run (Bilesha, 2019). Currently tourists are choosing low-touch and safe travel destinations. Hence, the travel and tourism industry need to focus on less crowded and low-touch destinations in order to attract more international tourists.

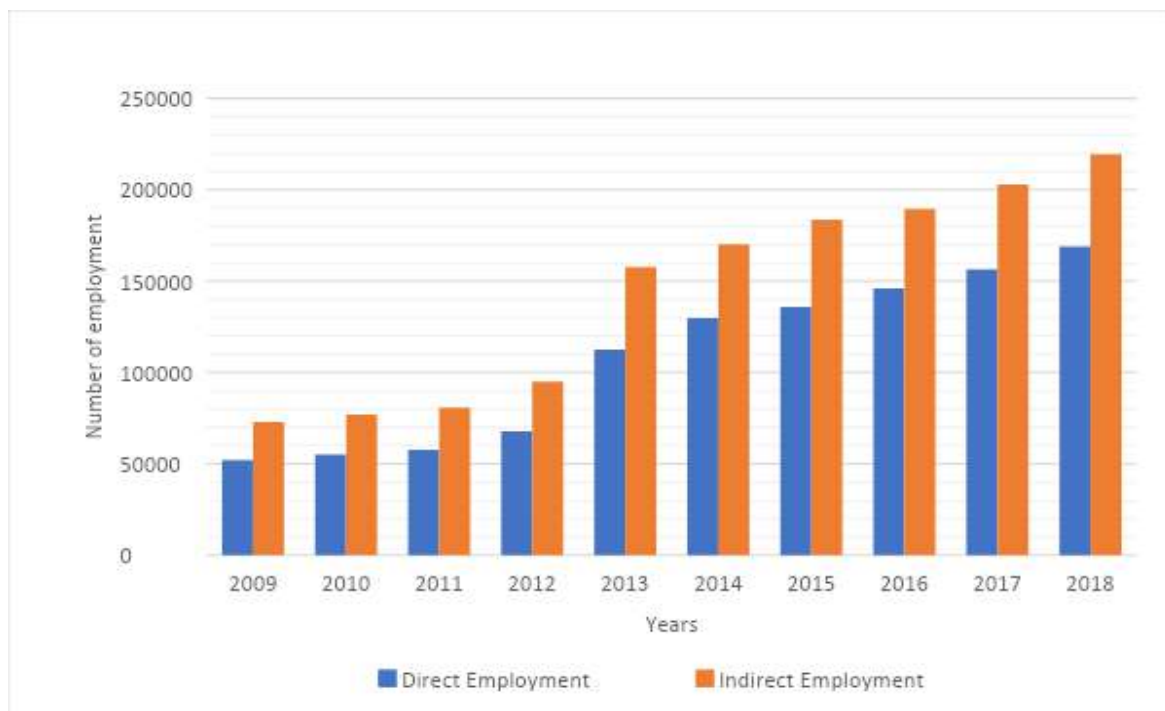


Figure 1 Employment growth of tourism sector

Source: Authors calculations, 2020

In Sri Lanka direct and indirect employment in the tourism sector totaled 169,003 and 219,484 people respectively (see, Figure 1 & 2). Moreover, employment in this sector is likely to be larger than official figures (SLTDA, 2019). For example, a large number of tourism stakeholders operate without a valid license give their services are provided informally. They include positions such as tour guides and chauffeur tour guides. Direct employment is in hotels, travel agencies, airlines and other passenger transportation services, agencies providing recreational facilities, tourist guiding services, tourist shops and other organizations in the tourism sector. Indirect employment includes businesses which sell goods and services to the tourism sector and family owned small and medium enterprises which are not accounted in the official tourism figures (SLTDA, 2019). The pandemic's impact for those not officially accounted for in the sector is substantial as they are unable to benefit from pandemic relief packages.

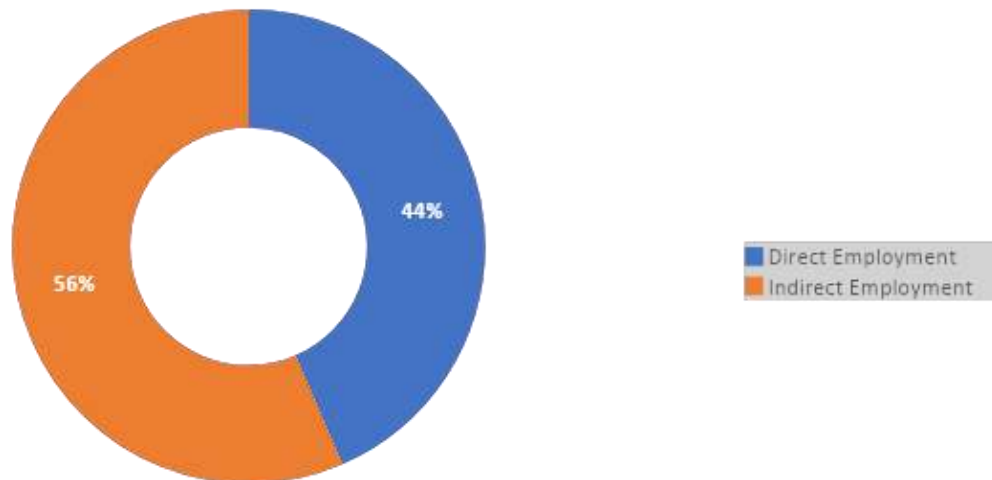


Figure 2 Employment of tourism sector in the year 2019.
Source: Authors calculations, 2020.

According to the recent statistics of SLTDA (2019) there is a high level of informal activity in Sri Lanka's tourism industry. Figure 2 shows that a majority (56%) are indirectly involved compared to (44%) directly employed. The salient feature of the tourism industry is, therefore, that a majority of tourists are channeled through the informal sector and therefore not accounted for in the national income. Consequently, the Sri Lankan tourism sector is subject to a high level of tax evasion. A significant number of tourism bookings take place via word of mouth as are motel or home bookings. This becomes a challenge for government officials seeking to keep track of tourists' locations during the pandemic.

II. GLOBAL AND REGIONAL ANALYSIS OF COVID-19's IMPACT ON TOURISM SECTOR

The unprecedented challenges from COVID-19 is a global phenomenon (Lal et al., 2020). Its impact is however heterogeneous varying across sectors. Travel and tourism are highlighted as the most vulnerable sector given their affiliation with other related sectors. For example, food and beverages and small and medium enterprises (e.g. handicraft and other tourism products) have also been affected by this unprecedented event. Thus, according to the UNWTO, the COVID-19 pandemic will result in a contraction of the global tourism sector of 20% to 30% in 2020 (Gosssling et al., 2020). For Sri Lanka, the decision to lockdown the country with measures to contain the spread of COVID-19 are similarly taking a heavy toll on the tourism sector (SLTDA, 2019).

However, while many economic sectors are expected to recover once restrictive measures are lifted, the pandemic will probably have a longer lasting effect on international tourism. The sector will face an extensive loss of skill growth due to the long-term unemployment of the sector imposing a retraining cost on employees (Boyras&Legros, 2020). In addition, this will have a decisive impact on potential consumption poverty for female households most vulnerable to the pandemic (Suresh, 2019). Furthermore, the building of trust relating to safe travel has been made all the more difficult due to the pandemic. This is largely due to reduced consumer confidence and the likelihood of longer restrictions on the international movement of visitors. The supply side of economies has also been badly affected due to lockdowns and import restrictions on intermediate goods for the manufacturing sectors.

The pandemic has caused an estimated loss of 50 million jobs worldwide in the travel and tourism industry and will take at least a year to recover (see, Table 1). With travel likely to slump in the first quarter of this year, Asia will be the most affected continent (Hoque et al., 2020). The WTTC projects that similar to job losses in Asia, layoffs will equally occur in Europe, North and South American (Gloria Guevara, 2020). According to the WTTC, a loss of three months of global travel in 2020 could lead to a corresponding reduction in jobs of between 12% and 14%. Thus, it has called on governments to remove and simplify visas issuance wherever possible, cut travel taxes and introduce incentives once the epidemic is under control. The European Union (EU) has agreed to support the Sri Lankan tourism industry with a Euro.3.5 million grants for small and medium enterprises (SMEs). Some of the assistance will be provided immediately and the rest to be delivered later in the year and will continue thereafter. Overall, then, the pandemic has caused a global loss of tourism demand, a loss of 850 million to 1.1 billion international tourists, a loss of US\$910 billion to US\$1.2 trillion in export revenues and around 100 to 120 million direct tourism jobs to be put at risk.

Table 1: Loss of jobs across regions up to August 2020

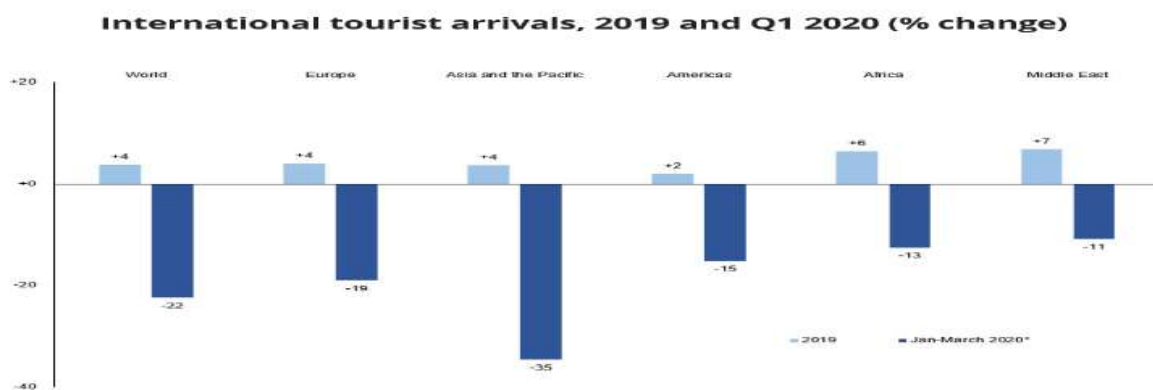
Region	Jobs in million
Asia	30 Million
Europe	07 Million
America	05 Million
Australasia	06 Million

Source: UNWTO, 2020

According to the Sri Lanka tourism development authority in 2019, 169,003 and 219,484 people were employed directly and indirectly in the tourism industry. As of now, a most of these workers are temporarily unemployed due to the closure of hotels and restaurants, airlines, travel agencies, tourist shops producing an estimated 20% job loss to the country (Post-COVID19 Challenges and Way Forward for Sri Lanka Tourism, 2020).

The UNWTO (2020) had declared the pandemic has brought about the worst crisis faced by international tourism since records began in 1950. The impact, it notes, will be felt in varying degrees in the different global regions and at overlapping times. The Asia and Pacific region is expected to rebound first due to the smaller number of COVID cases and experience a quicker recovery compared to other regions.

As the most recent data shows the COVID-19 pandemic has instigated a 22% fall in the global international tourist arrivals during the first quarter of 2020 (see, Figure 3). According to the United Nations specialized agency, the crisis could lead to an annual decline between 60% and 80% when compared with 2019 (Agbola et al., 2020). This could lead to putting the livelihood of several million people at risk and roll back progress made in advancing the Sustainable Development Goals (SDGs). According to the UNWTO World Tourism Barometer, there has been a 22% decline in tourism arrivals in the first three months of this year. Moreover, arrivals in March dropped sharply by 57% following lockdowns in a number of countries, as well as the widespread introduction of travel restrictions and the closure of airports and national borders. This translates into a loss of 67 million international arrivals and about US\$80 billion in tourism related receipts (UNWTO, 2020).



Source: UNWTO

Figure 3 Global international tourist arrivals during the first quarters in 2020

Source: Modern diplomacy, 2020

Sri Lanka has had no tourists' arrivals up till August of 2020 given the suspension of all passenger flights and cruise ship arrivals from 18th March 2020 due to the pandemic. This is a 70.8 % decline compared to the same period in 2019 (SLTDA, 2019). The current crisis has left an estimated 5,424 tour guides unemployed (SLTDA, 2019). The closure of hotels and restaurants, airlines, travel agencies and tourist shops has severely disrupted their sources of income and led to unemployment and social upheavals (Tisdell, 2020). The Sri Lankan Government's COVID 19 fiscal stimuli may do much to manage the immediate needs of those in the tourism sector although it will not by any means erase the very substantial impact on overall job losses and on the budget's bottom line.

When do you expect international demand for your destination will start to recover?

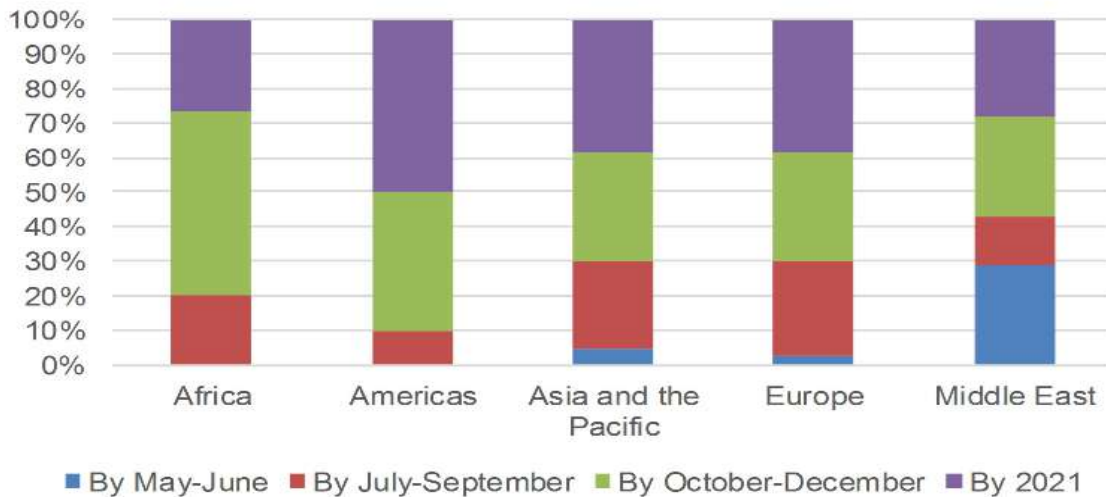


Figure 4 Regional visitors' perceptions on lifting travel restrictions
Source: Modern diplomacy, 2020

Domestic tourism demand is expected to recover faster than international demand according to the UNWTO panel of experts' survey. Many experts anticipated signs of recovery by the final quarter of 2020 and mostly in 2021. Based on previous crises, leisure travel is expected to recover more quickly than business travel, particularly travel for visiting friends and relatives. However, for Sri Lanka, domestic tourism demand has not stimulated visitations to heritage and national parks sites even following lifting of the local travel ban. However, for many countries, including Sri Lanka the multiple waves of the pandemic are further delaying projected normalization of tourism demand.

Estimates regarding the recovery of international travel are more positive for Africa and the Middle East with most experts foreseeing recovery still in 2020 (UNWTO, 2020). Tourism experts in USA are the least optimistic and least likely to forecast a recovery in 2020. For Europe and Asia, the outlook is mixed, with half of the experts expecting to see recovery within this year (see, Figure 4). The following two charts show estimations for how tourist demand for domestic and international destinations may start to recover. UNWTO's survey shows the Asia and the Pacific region recovering by 2021 - somewhat quicker than the other regions surveyed. Globally, it has been anticipated that 45% of domestic tourism destinations will start to enjoy a recovery by July-September. However, by 2021 only 39% of international destinations are projected to begin to recover due to the slow recovery process and multiple waves of the pandemic in many parts of the world. A further survey conducted by UNWTO indicates that domestic demand in 2020 will exceed international tourism arrivals (see, Figure 5).

When do you expect tourism demand in your destination will start to recover?

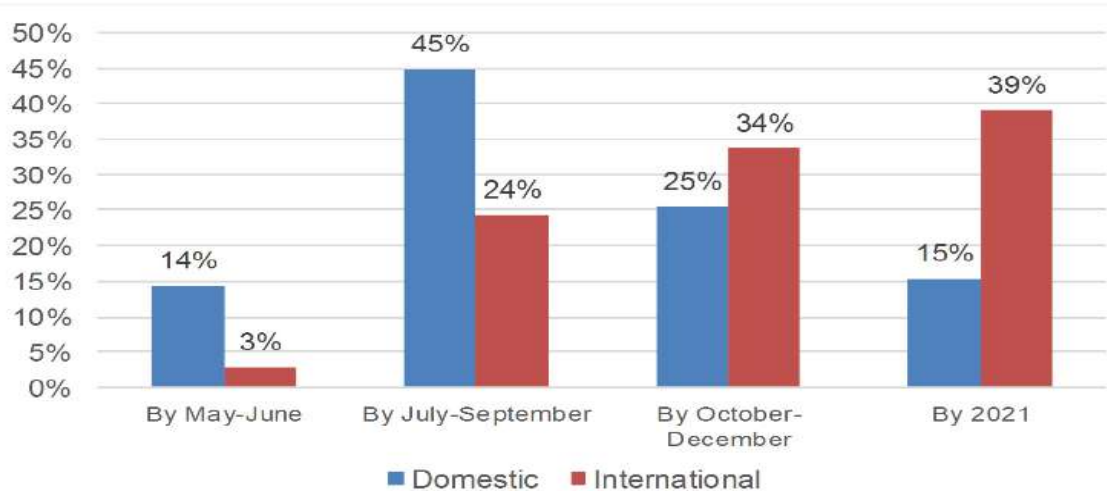


Figure 5 Domestic and international visitors' predication on recovery of tourists' arrivals

Source: Modern diplomacy, 2020

III. GOVERNMENT POLICY ALTERNATIVES FOR A TOURISM RECOVERY IN SRI LANKA

A number of measures have been taken by governments and tourism authorities in many parts of the world to encourage a post-pandemic recovery. In Sri Lanka, the tourism sector is working closely with ministries of Health, the Civil Aviation Authority and Defense to ensure the safety and health of international tourists. Furthermore, visa online facilities, COVID-19 insurance, Polymerase Chain Reaction (PCR) tests on arrival in the vicinity of airports and an all-inclusive App for guiding travelers were initiated by the government. The App includes the COVID-19 protocols, procedures and information on iconic tourist destinations such as national parks, watersports and archaeological sites and the emergency contacts of the nearest police station. For tourists visiting Sri Lanka visa procedures have been reformed as have recording of confirmed stay in certified hotels which ensures health authorities can follow up on health issues. The creation of a comprehensive plan for health and safety measures have been a key priority for the government of Sri Lanka.

The Sri Lankan Government has also announced various fiscal measures to support the hotel industry travel agencies and tourists guide. This has been in the form of low interest loans (4%) over a 2-year period. Moreover, leasing facilities (concessional provisions) for tourism related vehicle purchases has been introduced for safari rivers and small-scale hotel owners to enable them to stay in the sector. The tourism sector accounts for around 60% of small and medium sized businesses which were badly affected by the pandemic. Given the nature of the pandemic it is clear that the informal sector of the tourism industry needs to be given greater priority. In particular, use of information and communication technologies are proving vital for assisting reservation and payments which are not online as well as shopping related aspects. To support the hotel industry and Sri Lanka's national airline, the government has undertaken the rescue of Sri Lankan nationalities stranded in other countries. This is complemented with a scheme of 14-day quarantine at domestic hotels and the use of the country's national airline.

IV. CONCLUSIONS AND POLICY IMPLICATIONS

The position and effect of tourism on the global economy remains uncertain in a competitive global economy, exemplified by the recent COVID-19 pandemic. It is therefore crucial at this juncture to improve institutional capacity and ensure health and safety measure to overcome the issue. Tourism plays a key role in economic development in many parts of the world and particularly for small island nations such as Sri Lanka (Suresh, 2014). However, the COVID 19 pandemic has been causing an acute recession in the tourism sector. Consequently, safety standards and new transparent protocols have become a key priority in efforts to rebuild tourism demand by regaining the confidence of tourists in making destination choices. One of the potential solutions to this issue is the issuing of certified safety measures as a means of building the confidence of tourists for particular destinations. There is also scope for adoption of new technologies in the tourism sector such as the use of robot for receptions and use of wireless access for contactless hotel and cafe communication.

The way forward for engendering post pandemic tourism growth should involve some diversification of the market. The Sri Lankan tourism sector has identified market segments such as health tourism, including indigenous medicine (Ayurvedic medicine) and water-based sport tourism. These markets are underdeveloped and are seen to have considerable potential to attract further international tourists. Future tourism investment could also promote virtual tourism. However, it is clear that a single initiative will be insufficient to address the pandemic's immense challenges, but rather a multifaceted and integrated approach is needed. Hence, new labour market regulations and job keeper's payment for employees who have lost their jobs should be an essential priority for governments in support of private entities.

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COMPETING INTERESTS

The author(s) declared no potential conflicts of interest with regard to the research, authorship, and /or publication of this article

AUTHORS' CONTRIBUTIONS

This work was carried out in collaboration among all authors. Author KS designed the study and devised the first draft; CW conceptualization and guidance, ST compiled the data from various sources, SD conducted key informant interviews with relevant stakeholders via Zoom and telephone interviews and JS compiled the data and proof reading of the article. All authors read and approved the final manuscript

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