

A Study on Travel-Tourism and Hospitality Business during Pre and Post Covid-19 Pandemic Period and Its Impact on GST

Bishnu Pada Das

Research Scholar Seacom Skills University, Bolpur, West Bengal, India.

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ABSTRACT: Now all over the world facing a biggest problem as-well-as international crisis on Covid-19 pandemic situation and presently millions of people around the world are also facing financial insecurity with job losses. The problems are also faced by the total travel- tourism and hospitality related business and industry as well. The some of the related business are like transportation- airlines, car rental, water transport, coach services and railway. Accommodation- hotels, shared accommodation, hostels, camping, bed and breakfast, cruises, farm houses, time share accommodation. Food and beverages- restaurants, caterings, bar& cafes, night clubs. Entertainments-casino, shopping. Other services- financial services, travel agents, tour operators, online travel agencies, educational etc. The concepts of travel and tourism are very closely linked, both the travel industry and the tourism industry with hospitality have significant overlap. Tourism is generally regarded as the act of travelling to a different location, for either business or pleasure purposes. The industry was flourishing day by day, but was put to nearly an end due to the lockdown phases because of pandemic. Government of various countries was doing enough along the years to boost the tourism and hospitality business around the world, but now the setback is felt well. GST is a non-discriminatory tax, and its effect is felt across verticals. Cost reduction and abolishment of cascading taxes was the prior objective of it, and stands true for the tourism and hospitality industry as well. In this paper we tried to highlight the revenue generation and its impact on GST during pre and post pandemic period across the world and how the industries laid themselves in a logged position due to the break of the pandemic disease.

Keywords: Travel and Tourism, Hospitality, GST, Covid-19, Pre & Post Pandemic, financial crisis.

I. INTRODUCTION

The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India. Tourism in India has significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Tourism is also a potentially large employment generator besides being a significant source of foreign exchange for the country. As of 2019, 4.2 crore jobs were created in the tourism sector in India, which was 8.1 per cent of the total employment in the country. The number is expected to rise by two per cent annum to 52.3 million jobs by 2028.

According to WTTC, India ranked third among 185 countries in terms of travel and tourism's total contribution to GDP in 2018. India ranked 34 in the Travel and Tourism Competitiveness Report 2019 published by the World Economic Forum.

India was globally the third largest in terms of investment in travel and tourism with an inflow of US\$ 45.7 billion in 2018, accounting for 5.9 per cent of the total investment in the country.

The effect of pandemic lockdown has put a strong setback in the tourism industry as the inter-state movement and intra-state movement within the country was put on hold and subsequently the international flight and train locomotives were also stopped eventually resulting into the decline of accommodation revenues generated from hotels, motels and attached restaurants industry.

Basically the travel industry is divided into :-



Foreign tourist refers to the foreign national and citizen, visiting the country for travel & bring the economy to hotels, tourist spots locomotive drivers and other engagers. The visitors generally visit the country for not less than a month and try to explore the various states of the country either through package service or self. They stay in motels, high graded hotels and travels different places. They generally visits different states at a time for a single visit.

Domestic tourist generally refers tourists who generally travel to different states for a particular visit. Generally they travel to another place for a period ranging from 7 – 15 days in case of inter-state visit and 2-5 days incase of intrastate visit. They generally visit to different states for spending the education vacation of students, puja holidays and other vacations.

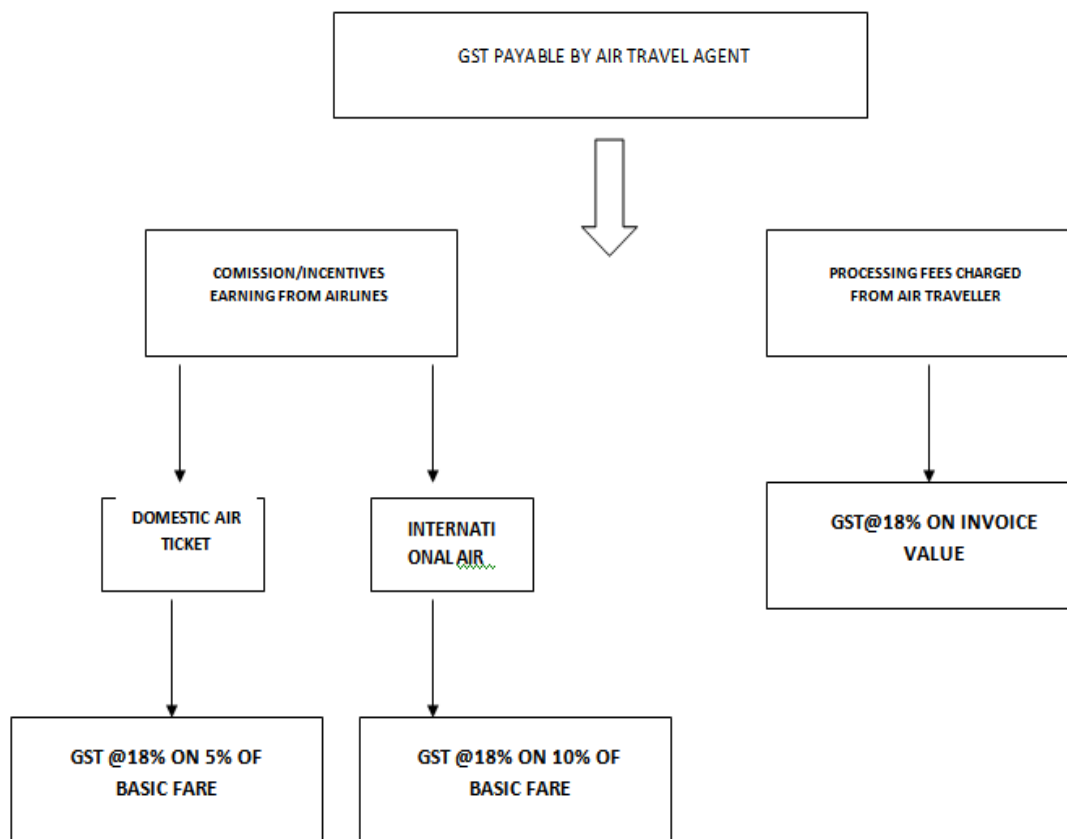
FOREIGN TOURIST ARRIVED IN INDIA FOR THE SUBSEQUENT YEARS.

2016 - 15852662
2017 – 16805842
2018 - 17423420
2019 – 17852685
2020(march) – 2856458

GS T structure for Airline services.

The GST structure of airline services, borne by travel agents is generally of two ways/types:-

- i) Processing fees charged from Air-Traveller – The GST charged is flat rate of 18% on the invoice value of the the ticket.
- ii) Commission / incentives earnings from airlines – the incentives system from the ticket value is divided into two types Domestic air ticket & international air ticket. The GST structure is different for domestic ticket price & International ticket price. GST is charged @18% on 5% of basic fare, whereas GST @18% is charged on 10% of basic fare in case of international ticket price.



GST for Railway Passengers

With the implementation of GST, end consumers now pay 5% in GST on the full ticket price, up from 4.5% of service tax. However, any passenger that makes use of the Indian railways to travel for business purposes can file input tax credit (ITC) claims on ticket prices.

BREIF REVIEW OF LITERATURE

In the paper titled “CRUISE TOURISM: Economic, Socio-Cultural and Environmental Impacts “ by Juan Gabriel Brida & Sandra Zapata Aguirre (2009) studied that what the decision makers perception in the promotion of cruise activity in the particular territory. The study is basically a preliminary study stated by the authors ,where they tried to highlight the activities and future prospect of shipping industry .

Ericka Duncan Ortega in the paper titled THE INTERNET EFFECTS ON TOURISM INDUSTRY (2009) highlighted the positive effects of the Internet on the tourism industry in three main areas: planning travel, commerce and industry structure. The document highlight that the journeyers have several tools provided by the Internet to receiving, looking for and sharing information to plan their travels.

Heather Yan , Andy Tu, Logan Stuart, Qingquan Zhang (2020) studied that how the effect of pandemic covid-19 will affect the stock market .According to the authors the effect will not be on the short run but will also affect the long run stock market .the authors stated that the pandemic will adversely affect the stock market and the value of share prices in the short run but eventually will tend to increase in the long run as production and manufacturing sector will slowly pick up the pace in the post lock-down phase.

Dr. Siddhartha Jain (2020) in the paper titled Effect of COVID -19 on Restaurant Industry-how to cope with changing Demand studied that ways and methods should be adopted by the restaurant industry with the help of govt. intervention and support to bring back the customers in the post lock down period. The author came up with the suggestive measures like island sittings ,live cooking counters ,proper sanitation ,low staff-customer ratio and government law in pulling the customer in the post lock-down period.

RuwanRanasinghe,
 AnupamaDamunupola, ShamilaWijesundara,
 ChandiKarunarathna, DhananjayaNawarathna,
 SammaniGamage, Amaya Ranaweera, Ali Abdulla
 Idroos (2020) in the paper titled TOURISM

AFTER CORONA: IMPACTS OF COVID 19 PANDEMIC AND WAY FORWARD FOR TOURISM, HOTEL AND MICE INDUSTRY IN SRI LANKA studied the economic crisis faced by the industry during the pandemic and stated the need for strategic plans and action to be taken in bringing back the economy to the earlier stage. The authors mostly emphasized in promoting the flexi-services in bringing back the industry and pulling the customer at the earlier stage.

Electra Pitoska(2013) in the paper titled E-TOURISM: THE USE OF INTERNET AND INFORMATION AND COMMUNICATION TECHNOLOGIES IN TOURISM: THE CASE OF HOTEL UNITS IN PERIPHERAL AREAS stated the use and introduction of ICT in developing the hotel industry. The author stated the use of e-tourism will lead to the direct communication with

the guest and proper use of internet will turn the guest to potential guests. The proper use of internet in e-tourism will be a silver lining to the young entrepreneurs planning to step forward in the highly competitive industry.

OBJECTIVES OF THE STUDY

- To analyse the travel and tourism industry, in India.
- To analyse the effect of GST revenue on travel & tourism industry in India.

METHODOLOGY

For the purpose of research, secondary data have been collected from annual report of ministry of tourism, international journal of science and research ,gstcouncil .gov.in.

II. ANALYSIS & FINDINGS

REVENUE OF TRAVEL AND TOURISM INDUSTRY

YEAR	2016	2017	2018	2019	2020 (UPTO MARCH)	CAGR(KEEPING THE BASE YEAR 2019)	CAGR(KEEPING THE BASE YEAR 2020)
REVENUE (IN US BILLION \$)	233	219	240	265	58	1.03269	0.757

$$CAGR = \left(\frac{V_{final}}{V_{begin}} \right)^{1/t} - 1$$

CAGR = compound annual growth rate

V_{begin} = beginning value

V_{final} = final value

t = time in years

One of the most effective tool in determining the return and the increase and decrease value of any parameters is Compound Annual Growth Rate. From the revenue of travel and tourism industry we can see that the compound annual growth rate if taken 2019 as the base year shows the growth of 1.03269 where as if we include the revenue of 2020 upto March(start of the lockdown

period) ,it shows a slight growth rate of 0.757 .This declining in the growth rate is because of the overall pandemic spread around the world and lockdown. Governments of all across the countries forbidden the international travel, flights and local travel and tours were also stopped .

PARAMETERS OF TRAVEL AND TOURISM INDUSTRY(in INR crores)

	2017	2018	2019	2020	S.D	MEAN	CV
AIRWAYS(FOREIGN NATIONAL)	601	710	736	89	302.3761	534	1.76601233
RAILWAYS (DOMESTIC)	546	603	688	44	290.0947	470.25	1.02102255
HOTEL & ACCOMODATION	8450	9832	11202	2311	3926.04	7953.75	2.02589627
RESTAURANTS & FOODING	4650	6388	5689	1108	2328.166	443.75	1.90439588
OTHERS	9	11	16	03	5.377432	9.75	1.8131365

$$CV = \frac{\sigma}{\mu}$$

where:

σ = standard deviation

μ = mean

Coefficient of variation is another measure of determining the variation, which is an improved measure over standard deviation . It is the ratio between the S.D and mean and is usually represented on percentage. This measures the consistency of the observations within a sample and discriminates a given set of samples sharply in terms of consistency. Generally the major parameters of the travel & tourism industry are airways (including only foreign nationals visiting India), Railways (domestic),Hotel & Accommodations, Restaurants & Fooding, Other(including processing fee ,agents commission e.t.c).

III. CONCLUSION.

Coefficient of variation is another measure of determining the variation , which is an improved measure over standard deviation . It is the ratio between the S.D and mean and is usually

represented on percentage . This measures the consistency of the observations within a sample and discriminates a given set of samples sharply in terms of consistency.Due to the overall lockdown phase of the world the parameters of travel and tourism industry showed little variation in terms of overall GST revenue generation :-

- AIRWAYS(FOREIGN NATIONAL) showed variation of 1.76
- RAILWAYS (DOMESTIC) – 1.0210
- HOTEL & ACCOMODATION – 2.025
- RESTAURANTS & FOODING – 1.904
- OTHERS (include processing fee, agents commission , e.t.c) – 1.813.

From the data set it is seen that the travel and tourism industry is not static over the years ,its constantly showing the variations indicating the development & growth of the industry.The variation could also be felt in the 2020 if the global pandemic crisis would not have happened and

subsequently its positive impact could be felt in the GDP also.

Throughout the past decade, the Indian Government has realized the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. Some of the major initiatives planned by the Government of India to boost the tourism and hospitality sector of India are as follows:

- Ministry of Tourism launched DekhoApnaDesh webinar series to provide information on many destinations and sheer depth and expanse on the culture and heritage of India.
- Prime Minister, Mr Narendra Modi urged people to visit 15 domestic tourist destinations in India by 2022.
- Statue of Sardar Vallabhbhai Patel, also known as 'Statue of Unity', was inaugurated in October 2018. It is the highest standing statue in the world at a height of 182 metre. It is expected to boost the tourism sector in the country and put it on the world tourism map.
- Government of India is working to achieve one per cent share in world's international tourist arrivals by 2020 and 2 per cent share by 2025, but now has slowed down due to pandemic.
- Under Budget 2020-21, the Government of India has allotted Rs 1,200 crore (US\$ 171.70 million) for development of tourist circuits under Swadesh Darshan for eight Northeast states.
- Under Budget 2020-21, the Government of India has allotted Rs 207.55 crore (US\$ 29.70 million) for development of tourist circuits under PRASHAD scheme.
- In 2019, Government reduced GST on hotel rooms with tariffs of Rs 1,001 (US\$ 14.32) to Rs 7,500 (US\$ 107.31) per night to 12 per cent and those above Rs 7,501 (US\$ 107.32) to 18 per cent to increase India's competitiveness as a tourism destination.
- In September 2019, Japan joined a band of Asian countries, including Taiwan and Korea among others, to enter India's tourism market.

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