

# A study on the impact of COVID-19 pandemic on Indian hotel Industry

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## Abstract

*In this paper we are discussing pandemic impact of COVID-19 on the budget of Hotel Sector in Indian Industry. Travel restrictions due to COVID-19 affect the hospitality, travel and tourism sectors in India and around the world. To mitigate the impact of the epidemic on the hospitality sector in India, Hotel conducted an in-depth survey with other domestic operators. The impact of the COVID -19 epidemics and the ensuing lockdown in the March quarter (Q1) of calendar 2020 released on Thursday has severely affected the Indian hotel and hospitality sector. The industry's key performance parameters, revenue per available room (RevPar), declined 18.5% in Q1. Hotels across the country have now been closed for the past five month and have to bear the rising fixed costs with essentially zero revenue. The Indian hotel sector departed smoothly in January 2019 after a record year in January 2019, with the 2020 target being "even bigger". The country first began to feel the effects of the global COVID-19 upheaval in late February 2020, which worsened in early March. There has been a sharp decline in hotel business in major cities and by our estimates there has been a decline of 45 percent over the previous year. In such a short time, such a decline has never seen the decline of the sector.*

**Keywords:** Revenue, Epidemics, Industry, COVID-19, Impact etc.

## Introduction

In line with this, we applaud the rapid decision taken by the central government to put the country on complete lockdown from 24 March 2020 to 14 April 2020 and further enhanced by 3 May 2020, it has boosted the growth rate. Has slowed down a lot and given us time to prepare our medical facilities and plan for the future. While the lockdown has been done keeping in mind the best interests, it has had a catastrophic effect on the economic activity of the country and the recession may well be imminent in the coming few quarters. It has had a wide-ranging impact on the hospitality industry in India, with the cancellation of flights and trains across the country, hotel bookings having to face monumental cancellations and its widespread impact on hotels like travel agents, taxi operators, handicrafts showrooms etc. Has an effect. Across the country, they have been closed for almost a month now, with essentially zero revenue, with rising fixed costs. Further development, growth and development will be affected with the postponement or cancellation of new hotel signatures. However, for developers and investors who have cash reserves, there will be an opportunity to invest and build projects on the back of lower construction and finishing costs over the next few years, the report said. The industry's economy segment is expected to stage a first round of turnaround as there is partial relief in lockdown across the country. "We expect the mid-scale and economy segment to witness the first wave of room-night demand," said Deepika Rao, MD and CEO (CEO) of Ginger Hotels. An official said that the hotel industry, led by the Hotel and Restaurant Association of India (FHRAI), has offered 45,000 rooms, which apart from the medical fraternity, to enable quarantine facilities for tourists and domestic travelers at various locations Have been done. In Mumbai alone, more than 2,000 rooms have been provided in establishments of all sizes, subject to their availability.

## Objective:

1. To Development and new opening in COVID-19
2. To the Impact on the Indian Hotels Sector Industry in COVID-19

### 3. To find the budget accommodation in Indian hospitality sector

#### Literature Review

(Sengupta and Vardhan, 2017, 2019) Over the past few years, India has been emphasizing the Twin Balance Sheet (TBS) in the banking and corporate sectors. This was the result of an inadequately capitalized banking system with high levels of non-performing assets (NPAs), combined with over-leveraged and financially weak firms in the private corporate sector.

(The rate at which RBI lends money to commercial banks 2019) The rate at which the RBI lends money to commercial banks, monetary policy also has its limits, which became evident in this era of crisis. In response to the growth slowdown, the Reserve Bank of India (RBI) paved the way for monetary expansion. Between October 2018 and December 2019, it raised about Rs. 4 trillion liquidity through open market operations 15, and reducing the repo rate 16 by 135 basis points to 5.15% - the lowest as of March 2010.

The literature on the cause of the recession is huge but it has had a great impact on the Indian Hospitality sector due to Covid-19. (See Jagannathan et al, 2013; Stiglitz, 2010; Gaiotti, 2013; Bezemer, 2011; Mian and Sufi, 2010; Bentolilla et al, 2018; Bagliano and Morena, 2012). But today Covid-19 has become the reason for the 2020 global recession. Corona virus triggered a new type of slowdown that was different from the previous trigger of the slowdown. For example, the 1997 Asian debt crisis was caused by the fall of the Thai Baht in July 1997, which created a panic that led to a wide-ranging economic crisis and economic downturn in Asia (Radlett and Sachs, 1998). The 2008 global financial crisis, which translated to a recession, was caused by loose monetary policy, which created a bubble, followed by subprime mortgages, weak regulatory structures, and high leverage in the banking sector (Allen & Carletti, 2010). . The 2016 recession in Nigeria was caused by a drop in crude oil price, balance of payments deficits, the adoption of a fixed-float exchange rate regime, an increase in the pump price of petrol, activities of pipeline wandles and infrastructure weaknesses. The 2010 recession in Greece was caused by the global financial crisis, structural weaknesses in the Greek economy and lack of monetary policy flexibility as a member of the eurozone (Ready, 2012).

#### Research Methodology

In this paper we are use only secondary data these are news paper, journal, Internet, Wikipedia and use of other sources of Internet.

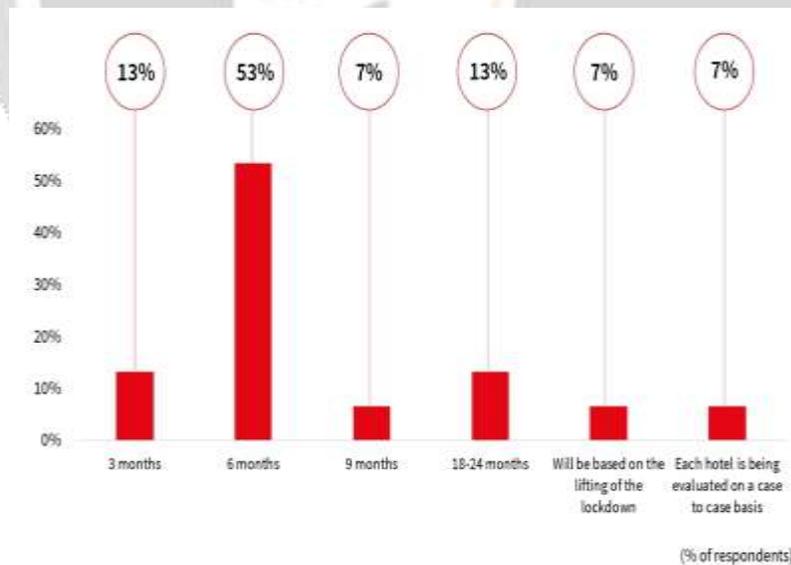
#### Hotel Development and Opening - Learn about new openings

COVID-19 is a black swan phenomenon that has affected every industry in the world, although its impact on the travel and hospitality sector has been overlooked or unheard of in a very short period of time. The virus has spread all over the world and India is no outsider, we are seeing a steady increase in the number of active cases on a daily basis. The general consensus supported by medical experts is that isolation and lockdown are the first steps in slowing the spread of this virus. In the last few weeks, we have been discussing publications and articles discussing the impact of COVID-19 on India's travel and hospitality sector, although most of the conversation has been limited towards mid-market / premium branded hotels and Market segment. However, independent / unbranded operators, who form a large part of the hospitality industry, are usually ignored or ignored. This article draws attention mainly to small chains of hotels / BNBs and alternative accommodation like ours (Le Pension Staes), which has facilitated domestic and international travelers. In order to analyze the impact of COVID-19 on the hospitality industry, HVS published a detailed report on dealing with the condition and the safe side after being associated with the virus. Although most economists and analysts currently expect a rebirth of the global economy, by some measure in the late 2020s, the exact timeline cannot be determined until the virus is absorbed worldwide. In the near future, the Indian hotel sector has been hit hard with low demand, with very few future bookings. Inevitably, all transient demand has completely vanished - the remainder being largely for either long-stay guests or hotels that have been earmarked by the government for international travelers returning to India. Economists around the world expect the global economy to shrink in the first quarter of 2020, for the first time since the 2008 financial crisis. With the number of cases increasing rapidly on a daily basis, even if the epidemic soon subsides, the worldwide ripple-effect will be felt well throughout the year, pushing all major economies into a potential recession.

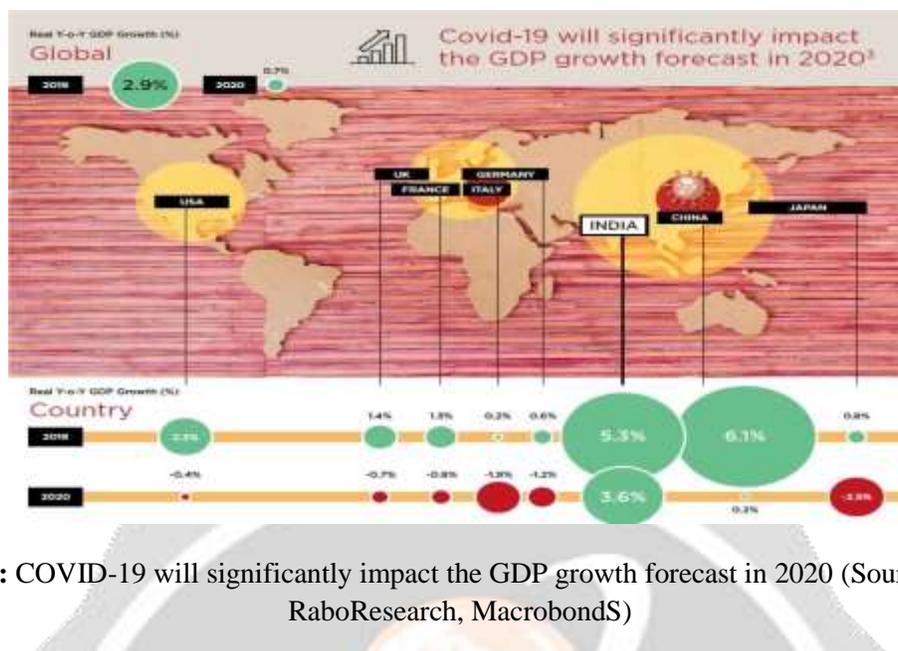


(Source: <https://www.jll.co.in/en/trends-and-insights/research/hotel-operators-survey#contact-us>)

60% of the operators surveyed believe that it will take 13 to 24 months for their portfolio to bounce back to 2019 levels. 53% of the total leading hotel operators closed more than 80% of their inventory during the nationwide lockdown period. More than 60% of the respondents have up to 10% of their total hotels serving as quarantine facilities in major markets, with some of these hotels providing rooms for the "Vande Bharat Mission". 53% of respondents believe that the demand for room nights in major business cities is likely to boom.



(Source: <https://www.jll.co.in/en/trends-and-insights/research/hotel-operators-survey#contact-us>)



**Fig 1.1:** COVID-19 will significantly impact the GDP growth forecast in 2020 (Source: IMF, RaboResearch, MacrobondS)

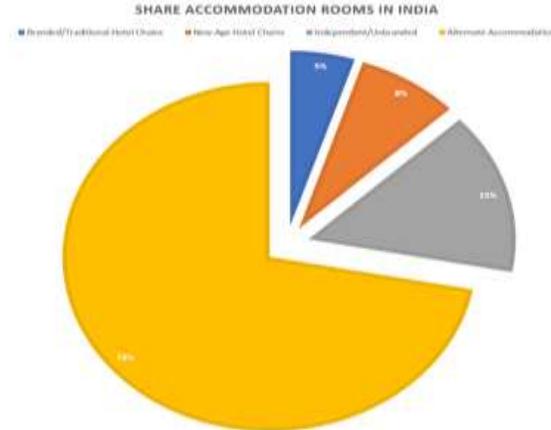
### COVID-19-Impact on the Indian Hotels Sector and global travel and tourism sector

Such a catastrophe is that it has brought together several representative bodies from travel, tourism and hotels to collectively represent the government and the Prime Minister's Office. In all likelihood, as we print, the government should announce measures to revive and support the troubled areas, with particular attention to the hospitality sector. The Indian hotel sector recorded a smooth transition in January 2020, becoming "even bigger" by 2020. The country first began to feel the effects of the global COVID-19 upheaval in late February 2020, which worsened in early March. There has been a sharp decline in hotel business in major cities and by our estimates there has been a decline of 45 percent over the previous year. In such a short time, such a decline has never seen the decline of the sector. This report predicts the second quarter of the year to be the most affected. Hotels will be unable to drive rates and may try to attract business at deep discounts. Overall occupancy in the branded hotels segment is projected to fall by 16.7 - 20.5 percentage points in 2019 to 2020, while ADR is projected to decline by 7% to 8% for the year. As a result, RevPAR will witness a significant decline from 31% to 36.2%. IATA estimates that global airlines need emergency funds of up to US \$ 200 billion as they fight for survival. According to the World Travel and Tourism Council, the COVID-19 pandemic could lead to a loss of 50 million jobs worldwide in the travel and tourism industry, reflecting a 12–14% decrease in jobs. International travel may be adversely affected by up to 25% this year, equivalent to a loss of three months travel. It can take up to 10 months for the industry to recover after the outbreak is over. The Indian hospitality industry is undoubtedly one of the biggest accidents of the COVID-19 outbreak as demand has plummeted to an all-time low. Global travel consultations, suspension of visas, enforcement of Section-144 (prohibition against mass celebrations), most other countries like India are on lockdown, of which unprecedented. The FTA demand is not expected to arise anytime soon. In our opinion, worldwide travel restrictions will only be fully rolled out by the end of the year, although such a process will begin very soon. In addition, most future bookings for winter i.e. October – March - the strong season for our industry - done in the summer months, have evaporated to a great extent. With new confirmed cases reported daily, the entry of COVID-19 virus into India has caused mass hysteria, with the expectation of its re-establishment continuing well into the second quarter of the calendar year 2020. The current situation is grim, domestic flights have been ordered to close shop from 25 March 2020 and all other demand segments such as MICE, business, social and sports events have been canceled or indefinitely for future has been postponed.

### Role of budget accommodation in Indian hospitality sector

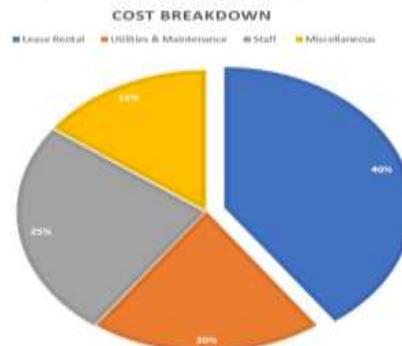
Well-known hospitality consulting firm Hotelivate caters to a total of 2.72 million (as of September 2019) rooms in India and out of that, they estimate that 72% of the inventory is from the independent / unbranded segment. Alternative accommodations such as home stays, guest houses, backpackers hostels, etc. contribute 15% of the total room inventory, which means that today 87% of the total rooms are being managed by independent / small hotel

operators. This number is also important when we consider the amount of employment in this category, with Hotlett estimating that a total of 2.4 million people are employed by the industry of which approximately 81% are employed by the independent / unbranded category. Let us look at this section from revenue point of view, one can find out the revenue contribution of the segment from historical GST collections. Between July 2017 to March 2018, the Indian hospitality sector paid close to Rs 6,709 crore as GST collections, of which around 38% came from the independent / unaffiliated segment. Therefore, while the contribution of small hotel operators at the individual level may seem insignificant, the contribution of the segment at the collective level is large and cannot be ignored. Both the central and state governments will have to play an important role to protect this segment, as it will lead to a massive recession and trade-off, which will eventually result in tax revenue as well as employment.



(Source: <http://bwhotelier.businessworld.in>)

Finally let's forget the instrumental (as well as somewhat devilish) role Venture Capital Money has played in the travel sector for the last 5 years. Companies like OTA and Oyo flush with investor money with a single point agenda - catch as many passengers as possible, offering discounts ranging from 30% to 70% on gross room rates. This meant that a room that cost Rs 1,000 could be booked by a customer for as little as Rs 400, sometimes including breakfast. OTA will fund these exemptions on its own (thanks to investor funds) and take an average commission of 20% of the gross room rate and the operator will have to pay Rs 800. Social media platforms such as Facebook, Instagram and Twitter are used extensively by travel bloggers and influencers, often recruited by state tourism ministries, travel magazines and other market players such as MakeMyTrip, Tripoto, etc. to promote domestic tourism Can be given and people can be motivated to explore India. The fact that we have the largest train network in the world and a growing network of flights covering every corner of the country has logically made it much easier for us to explore our vast country than it was 10 years ago.



(Source: <http://bwhotelier.businessworld.in>)

Given this constraint, independent operators can expand under 4-5 self-operated assets and some more franchise models. As can be seen, over 60% of the cost of running such a property is fixed. A scenario where revenue is 0 and fixed costs remain also gives rise to the question of business continuity. Independent hotel operators do not charge fixed salaries for living, the money they make is from profits after covering costs. In a country like India, if you are a very well-performing hotel, with great reviews, good staff and control over your operating costs, you can manage a

55-60% year-round busyness. It is important to note here that unlike industry giants, small companies such as Le Pension Stays have little or no cash reserves to avoid COVID's delays like an epidemic. In view of the above, we are independently closing large-scale properties with 10 - 15 rooms across India. A by-product of this business slowdown may be a recurrence in property rents across the country, with rents falling anywhere between 20–30% from current levels. Today some of the most popular tourist destinations in India are the most expensive for hotel operators in terms of operational feasibility. Commercial property rentals have almost tripled in the last few years to some tourist centers like Goa, Dharamshala, Mussoorie etc. This is when concurrently the list of rooms has gone up and ARR's have gone down significantly. Average or below average property rentals demand to start as Rs 160,000 per key per year and this can go up to Rs 400,000 for luxury luxury properties. As a result, most of the well-functioning brands in our country aim for 65% –75% on average, charging a low ARR to attract profits.



Source: HVS Research; \*Analysis based on data available as of 23rd March 2020

**Fig 1.2: Demand picks up in October-November**

Therefore, the overall revenue of the Indian hotel sector declined anywhere between \$ 8.85 billion to US \$ 10 billion from 39% to 45% over the previous year. Apart from the actual business losses, hotel owners will also suffer losses due to operating expenses, debt repayments, interest payments and many other compliance made as part of the sector. Based on the high performance in 2019, as a result of the outbreak of COVID-19 and preventive measures initiated by the government, both tourism and business passenger sectors have seen a steep decline in foreign and domestic travel, the report 'India Hospitality Industry Review' 2019 ' Have said "In the third week of March 2020, at the all-India level, the hotel sector saw occupancy levels fall by more than 65 percent compared to the same period last year," he said. As travel restrictions around the world have intensified, a similar effect is likely to occur in the second and third quarters of 2020. If the situation does not improve by the end of June 2020, at least 30 percent of the hotel and hospitality industry's revenue could be affected. With more than 60 percent of organized hotels in India already closed and operating with many other single digits, recovery will be gradual, the report said. The industry estimates that the annual revenue of branded and organized hotels in India is Rs 38,000 crore.

### Implication and Finding

Overall, the results suggest that the lockdown days at the peak of the coronavirus crisis, the increasing number of monetary policy decisions and international travel restrictions have led to the epidemic effect of COVID-19 on the level of general economic activity and the budget of the hotel sector in Indian industry. Has severely affected the lowest and highest stock prices. . On the other hand, the epidemic of COVID-19 has a negative impact on the hotel sector budget in the Indian industry whereas the confirmed cases have a profound effect of COVID-19 on the hotel sector budget related to the highest and lowest prices. . The COVID-19 appears to be more effective in reducing the effects of the epidemic, as economic stability in the hotel sector has deteriorated significantly over a short period of time. Operating sufficient minimum for quick recommendation when the opportunity arrives. Implement a micro-digital and social media marketing strategy to maintain the customers' mindset. Engage with

suppliers / vendors to calculate your ability to reconnect with the hotel upon recommendation. Develop and maintain communication lines with key customers and team members. Continue to remain in discussion with the local government authorities concerned develop a plan and budget again.

### Recommendation

The large-scale hotel sector has been the biggest cause of COVID-19 shock, with less worldwide demand. As contingency plans continue to ease the collapse of the crisis in the region, in our opinion, hotel operators should also extend a hand of solidarity to their owners by providing some relief measures. According to recent reports, more than 30% of domestic hotels in the country resumed operations at the end of May 2020, 2 months after the first COVID-19 case was filed in the country. Hotel bookings are also increasing, with hotel travelers accounting for the largest segment. Hotels located in proximity to transportation centers have been a popular choice. All of the above news comes in the form of silver linings as it provides a window to the Indian hotel sector for future viewing, as it makes reference to COVID-19 related travel restrictions and cancellations. Our industry has taken several precautionary measures to minimize the immediate impact. However, we must ensure in advance that hotels must now continue their efforts to adapt to the rapidly changing business environment.

### Conclusion

Re-negotiate the lease contract with the landlords for at least the next 6 months and cancel the force measure for the lockdown period. Eliminate renegotiation or part pay for the next 4 months, at this time it is important to avoid job cuts because employees are the backbone of your business. Analyze your expenses and cut discretionary expenses. Instead, spend this money on improving the customer experience, whenever the business is resumed, this will include top-quality linen and housekeeping, strict hygiene standards and better trained staff personnel. . Develop a direct marketing strategy, use your in-house client database and connect with them, tell them how you are dealing with this period and what steps are being taken to ensure that they are in the future of your property Enjoy a safe and enjoyable stay in. Use social media channels and email to apply this talk to various channel partners and explore the possibility of reducing commissions paid to various OTAs such as MakeMyTrip, Booking.com etc., offering more to customers for less. Do, for example, bundle packages for meal plans. Ensure that the operating costs are kept under control after the start of business; remember this is a question of your existence. Total occupancy in the branded hotels segment is projected to fall by 16.7 - 20.5 percentage points in 2019 to 2020, while ADR is projected to decline by 7% to 8% for the year. As a result, RevPAR will witness a significant decline from 31% to 36.2%. The report stated that 47% of operators expect their hotels to reopen for operation within 2 weeks of the removal of the lockdown ban by the respective state governments. While 33% of them expect to open within a week. Meanwhile, 67% of the operators surveyed confirmed that they were being approached by hotel owners for financial assistance or relief, for example, management fees, fixed system fees, etc. The country's travel and hospitality industry, affected and battered by the COVID-19 epidemic, is losing Rs 5-trillion in revenue next year, while 35-40 million jobs, both direct and indirect, are endangered.

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