

# Measures to Revive Tourism Sector in Tamil Nadu After Covid-19 Pandemic

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The consequences of Covid-19 pandemic and the ongoing lockdown have been severe and unprecedented in the tourism sector in Tamil Nadu. Suspension of all types of surface transport as well as domestic and international air travel, closure of hotels and restaurants, and complete shutdown of places of worship, beaches, sports facilities, tourist spots, and recreational sites have been a body blow to this sector. Rebooting the sector would be challenging because the lockdown has substantially weakened the financial health of tourism and its allied activities. Job and income losses to people due to economic slowdown have also affected their ability to take up tourism-related activities. Besides, fear of uncertainty, enforcement of social distancing norms, and unwillingness of tourists to come out from self-containment would continue to prevail in the coming months.

## Importance of tourism sector

Expenditure by visiting tourists creates significant backward and forward effects on the economy. Although tourism activities come under the service sector, they also contribute positively to the primary and secondary sectors. According to Sharma (2014), the income multiplier effect of tourism activities in India is estimated to be 3.2, that is, for every one rupee spent by visiting tourists, more than three rupees of income are created in India. More than 70% of such income multiplier effects are captured by local final demand. The tourism industry is also the third-largest foreign exchange earner (US\$240 billion in 2018) in India. It is also highly

Kshitiz Sharma. 2014. *Introduction to tourism management*. McGraw Hill Education (India) Private Limited.

International Labour Organization. 2009.  
*Towards an employment strategy for India.*

labour intensive and provides significant scope for local employment. According to the International Labour Organization (2009), the employment elasticity of tourism sector (1.8) is far greater than that of the manufacturing sector (0.57), mining and quarrying (0.45), and construction (1.14).

## Tourism sector of Tamil Nadu

The tourism industry in Tamil Nadu is the largest in India. The Tamil Nadu Tourism Development Corporation's (TTDC) 'Enchanting Tamil Nadu—Experience Yourself' campaign, launched in 2003, yielded significant positive results, making the state, since 2014, the most popular destination for domestic and foreign tourists in India. In 2018, close to one-fourth (over 385 million) of India's domestic tourists and one-fifth (over 6 million) of foreign tourists visited Tamil Nadu. Considering the importance of the sector, the Tamil Nadu government's

ICRA Management Consulting Services.  
2012, March. *Vision Tamil Nadu 2023: Strategic plan for infrastructure development in Tamil Nadu.* Government of Tamil Nadu and Asian Development Bank.

*Vision 2023* put significant thrust on it, estimating ₹100 billion investment requirement by 2023 (on public-private partnership [PPP] basis) for the development and renovation of amusement parks, sports complexes, science museums, training institutes, and infrastructure.

## Pre- and post-Covid-19 scenarios

Table 1 reveals that there was barely any growth in tourist arrivals in Tamil Nadu in 2019. The slowdown of the domestic economy and the nationwide stir—against the Citizenship Amendment Act and the National Register of Citizens—caused a

Manu Kaushik. 2019, December 26.  
*Economic slowdown and CAA stir hit holiday plans.* *India Today.*

Narayanan V. 2019, September 14.  
*Now, slowdown bug bites tourism sector.*  
*The Hindu Business Line.*

significant decline in domestic tourist flows in 2019 (Kaushik, 2019). The major reason for tepid growth in tourist arrivals in the state is the overall decline in foreign tourist arrivals in India in 2019 (9.6 million) as compared to 2018 (10.56 million). The major causes of deceleration of foreign tourist arrivals in 2019 were India-Pakistan border tensions in early 2019, travel advisories issued by the European Union

(EU) and the United States over the abrogation of Article 370 and Article 35A of the Indian Constitution, Government of India advisories for tourists visiting undivided Jammu & Kashmir (J&K) after the stripping of special status of J&K, overall recessionary fears in the EU and the United States, and Brexit (Narayanan, 2019). The spread of Covid-19 virus in China from late-November 2019, which triggered travel and visa restrictions by the Government of India, too contributed to the deceleration in foreign tourist arrivals.

**Table 1****Tourist Footfall in Tamil Nadu (2015–2019)**

Year	Tourist arrivals (in lakh)			Growth in tourist arrivals (in %)		
	Domestic	International	Total	Domestic	International	Total
2015	3,334.6	46.9	3,384.2	N. A.	N. A.	N. A.
2016	3,438.1	47.2	3,485.3	3.10	0.64	2.99
2017	3,450.6	48.6	3,499.2	0.36	2.97	0.40
2018	3,859.1	60.7	3,919.8	11.84	24.90	12.02
2019 (provisional)	3,900	61	3961	1.06	0.49	1.5

Source: Ministry of Tourism. 2019. *India tourism statistics at glance 2019*. Government of India; Yogesh Kabirdoss & V. Ayyappan. 2020, May 15. *For the tourism business, it's time to think local*. *The Times of India*.

According to the United Nations World Tourism Organization (UNWTO, 2020), international tourist arrivals could decline by 60%–80% due to the Covid-19 crisis, and the resultant revenue loss would be anything between US\$910 billion to US\$1.2 trillion. Asia and Pacific regions, especially India, could experience the steepest fall in international tourist arrivals (UNWTO, 2020).

United Nations World Tourism Organization. 2020. *International tourist numbers could fall 60–80% in 2020*.

Tourist arrivals in 2020 and the near future will register a significant decline due to the Covid-19 pandemic and the subsequent lockdown. The extent of the decline in tourism activities after the nationwide lockdown can be gauged by comparing the figures of all-India tourism revenue earned in December 2019 (US\$3.2 billion) versus March 2020 (US\$0.785 billion) (CEIC, 2020). Also, foreign tourist arrivals in India from January to March 2020 registered a 23% decline compared to the same period in 2019, due to the spread of Covid-19 in China and Europe and subsequent restrictions on foreign travellers by the Government of India (Ministry of Tourism, 2020). Four countries—China, Germany, United States, and United Kingdom—that contribute up to 65% of foreign tourist arrivals in India are also significantly affected by the Covid-19 pandemic (Ministry of Tourism, 2019).

CEIC. 2020. *India tourism revenue*. *CEIC Data base*.

Ministry of Tourism. 2020. *eNewsletter January–March 2020*. Government of India.

Ministry of Tourism. 2019. *India tourism statistics at a glance 2019*. Government of India.

Tamil Nadu, which attracts one-fourth of foreign tourist arrivals in India is the second worst-affected state, after Maharashtra, by the Covid-19 virus (as per the update on 6 July 2020 by Government of India). Therefore, the crisis in the tourism and allied sectors in the state is acute.

## Impact of lockdown on tourism sector in Tamil Nadu

According to a report by the Federation of Indian Chambers of Commerce & Industry (FICCI) and Grant Thornton (2020), India is staring at an overall income loss of US\$17 billion and a loss of 40 million jobs from the travel and tourism sector in 2020 alone. The report also highlighted that the cancellation of over 90% of bookings of hotels and flights from March–May 2020 caused a loss of US\$1.2 billion to the hotel, aviation, and travel sectors. The report also mentions that, according to the Indian Association of Tour Operators, average losses in the income of tour operators and travel agents would be in the range of 50%–80% of the previous year's income.

FICCI & Grant Thornton. 2020, June.  
*Travel and tourism: Survive, revive and thrive  
in times of COVID-19.*

State-wise estimates on income and job losses in the tourism sector, due to the lockdown, are absent. The derived income loss of the tourism sector in Tamil Nadu would be over US\$4 billion and a loss of around 10 million jobs (direct and indirect). The state has suffered a significant decline in arrivals of both domestic and foreign tourists and a considerable contraction of the sector. According to the Nilgiri Hotel and Restaurant Association, close to 1 lakh people have lost jobs in hotels and restaurants in The Nilgiris District alone during the lockdown period. Since the lockdown period coincided with the peak season (April to June) of tourism in the district, hotel and restaurant owners were unable to pay salaries to the staff (Premkumar, 2020). Without cash flows, the liquidity crisis in the sector will be severe, and as a result, bankruptcies, business closures, and job losses would

Rohan Premkumar. 2020, May 28.  
*Hospitality sector in the Nilgiris may see  
70% slide in revenue. The Hindu.*

be unavoidable. Taxis, private bus and tour operators, small business owners, and street vendors who depended on tourism activities have suffered significant income losses.

Since the state is home to 60% (around 33,000 temples alone) of all places of worship, the lockdown and ban on religious gatherings have caused livelihood loss for priests, workers, flower sellers, and small eateries in pilgrimage centres. Similarly, the closure of beaches, hill stations, botanical gardens, and zoos have adversely affected local hotels, restaurants, and street vendors.

## Short-term measures (less than 1 year)

### Need for immediate fiscal support

The amount of immediate fiscal and financial support as derived from the estimates of the FICCI and Thornton (2020) report, to the aviation sector, hoteliers, tour operators, travel agents, taxi drivers, and workers in hotels and restaurants,

FICCI & Grant Thornton. 2020, June.  
*Travel and tourism: Survive, revive and thrive  
in times of COVID-19.*

would not be less than US\$5 billion (₹375 billion). Fiscal support is required to meet some of the pandemic-inflicted losses of the sector and to repair the broken financial health of the businesses. Since the ongoing lockdown has paralysed the sector, a portion of the ₹100 billion investment proposed in *Vision 2023* should be earmarked for immediate relief and support to the sector. The immediate need is the survival of the sector. Revival can follow the lifting of the lockdown.

### Liquidity crisis and credit support

To address the liquidity crisis of hotels, restaurants, small business shops, and tour operators, owing to the Covid-19 pandemic and lockdown, banks should come forward to extend credit facility to help them remain functional. Apart from credit support, an urgent need is for banks to not restructure the outstanding loans (or to not treat them as non-performing assets) extended to the aviation sector, hospitality sector, hoteliers, and travel agents. Once the sector revives after the lifting of the lockdown, banks can recover their dues. FICCI and Grant Thornton (2020) also

FICCI & Grant Thornton. 2020, June.  
*Travel and tourism: Survive, revive and thrive  
in times of COVID-19.*

suggested to the Government of India a minimum 12 months' moratorium on all working capital, principal, interest payments, loans, and overdrafts.

### Need for waiver of taxes and establishment charges

Apart from the support of bank loans, the government should also waive all kinds of property taxes, trade license fees, renewal fees, and other establishment charges, like power tariffs and water charges for hotels, restaurants, accommodation service providers, small business owners, and tour operators. The amount saved on account of such waivers may not be huge but would give them a cushion to overcome the immediate liquidity crisis. Also, there is a need for the deferment of all previous goods and services tax dues, at least until the pandemic ends. Any new compliance that involves payment of fees should be exempted. Such waivers would

Vivek Agarwal. 2020.  
*Covid-19 and tourism (blog post). KPMG.*

minimise the outflow of liquidity and strengthen their working capital position (Agarwal, 2020).

### Strategy to increase footfall

Owners of hotels, guest houses, recreational clubs, and restaurants should offer packages of discounts and staycations to woo tourists and visitors once the restrictions are eased and the lockdown is lifted. Government support alone cannot solve their crisis. The immediate objective of private firms engaged in the hospitality sector should be to increase footfall to reduce their liquidity crisis. Free cancellations or reschedule facilities, and no advance deposits, would gain the confidence of customers. Similarly, all air carriers should allow the rescheduling of itineraries without any charges until the lockdown persists.

## Need for improvement in basic services

Tamil Nadu has been the most attractive destination for domestic and foreign tourists, but lack of basic, hygienic and sanitation facilities in tourist spots is a serious concern, especially because of the Covid-19 crisis. For example, the famous Meenakshi Temple in Madurai, which attracts thousands of visitors every month, does not have good quality washrooms and drinking water facilities in the vicinity. Maximum efforts from the government would be required for provisioning and

<sup>1</sup> Since most tourists would prefer to avoid public transportation and instead travel by private vehicles during post-Covid-19 period, there will be a steep increase in the demand for parking facilities.

maintenance of such basic and essential services and facilities to woo the tourists. Upgradation of basic infrastructure facilities, like parking facilities for cars,<sup>1</sup> hygienic rest rooms, hand sanitisers, face masks, and clean drinking water facility will help to protect tourists from getting infected by the virus.

Similarly, the government should ensure that private tour operators, hotels, restaurants, and accommodation facilities are fully equipped to follow the norms that would minimise the spread of Covid-19.

## How to recreate tourism demand

To recreate the demand for tourism, the first step is to create a few models of tourism activities in a few important sites, where all forms of safety, hygiene, and social distancing norms are practised. Standard operating procedures where direct human contacts are minimised should be in place for the visitors and should be shared via social media. Such practices would generate confidence among tourists. Tour operators or the tourism agencies should create customised videos and pictures of the model tourist sites where ideal safety, hygiene, and social distancing norms are adopted. Social media platforms should be used to tap the targeted audience. The second step is to encourage domestic tourism at the local level. Since

FICCI & Grant Thornton. 2020, June.  
*Travel and tourism: Survive, revive and thrive in times of COVID-19.*

domestic tourists contribute 83% of the total tourism expenditures (FICCI & Thornton, 2020), the government should use this leverage to promote more intra-state (inter- and intra-district) tourism activities. Since the resumption of

international flights would take time and the government will put restrictions on international tourists, it is desirable to focus more on domestic and local tourism activities. To encourage domestic and local tourism, resumption of public transport with proper care is required. Therefore, wherever possible, the government should resume public transport services, especially in the districts where Covid-19 cases are very few or nil.

## Medium-term policy responses for tourism sector (3 to 5 years)

### Potential for pilgrim tourism

Tamil Nadu has immense potential to exploit opportunities from religious (pilgrimage) tourism. The government should promote the tourism potentials in small towns and rural areas by connecting them with proper roads and other infrastructural facilities. This would decongest the already overexploited tourist spots and help small towns and rural areas to gain economically from tourism. The state has four international and three domestic airports, more than 17,000 km of highways, over 200,000 km of the road network, and more than 6,000 km of railway network (Highways and Minor Ports Department, 2017).

Highways and Minor Ports Department.  
2017. *Policy Note 2017–2018 Demand No. 21.*  
Government of Tamil Nadu.

Therefore, the issue is how to connect small towns and lesser-known tourist destinations having immense potentials with the existing infrastructure. Also, Tamil Nadu's tourism agencies should partner with the Indian Railways and state transport agencies of neighbouring and other states to facilitate special trains or bus services to connect famous tourist spots like temples, heritage sites and towns, and hill stations.

### Information dissemination about potential tourist spots

An area where the government should focus more is on providing adequate information about major tourist spots and other potential spots located close to the major ones. At present, tourists visiting the major spots do not have any information about neighbouring tourist attractions. So, providing information to the tourists plays a major role in tourism benefits trickling down to neighbouring areas of the major spots. Information about local or rural tourism sites should be available at major tourist destinations in the form of booklets and handbills in two or three languages. The language barrier is a significant impediment to disseminate tourism-related information to visitors from outside the state. In the age of mobile technology, the TTDC should develop a mobile app that will provide all kinds of information, hospitality services, and logistics support about the existing major tourism sites and the potential ones. In this way, income and employment can be generated at a much-decentralised level.

### Role of the private sector in maintaining tourism infrastructures

Private sector investment should be encouraged for the operation, maintenance, and interior design of government-provided idle tourist infrastructure, like forest bungalows, guest houses, hotels, and restaurants. For example, although the TTDC has been earning a modest profit in recent years, it has been incurring losses from running hotels. Already there has been a spurt in the availability of hotel rooms and

Press Trust of India. 2018, April 2.  
ITDC incurred losses of around Rs 20 cr in  
3 yrs in running 7 hotels.  
*Business Standard.*

restaurants in various tourist spots by the private sector (Press Trust of India, 2018). Therefore, it does not augur well for TTDC to run such high-cost hotels in a highly competitive market and incur losses. The government should either privatise all hotels and restaurants of TTDC, or franchise them out to private operators through open bidding. The process of franchising the loss-making hotels to private operators started in 2010, but it did not gain much momentum due to opposition from employees. Employees can be transferred to other departments or offered a voluntary retirement scheme.

### **Development of modern tourism**

The state has immense potential for the development of modern tourism, like sports tourism and adventure tourism. Considering the investment requirement and marketing strategies, the development of modern tourism activities may be left to the private sector or by PPP. The government can identify the proposed land or the project area for the development of modern tourism sites and give them for long-term lease to private operators. The most competent operator would be identified through proper bidding on the principle of build, own, operate, and share a certain percentage of revenue with the government. After the development of the core projects, provision of other infrastructural facilities and services—like lodging, hotels, and shopping malls—may be left to the private sector. What the government should provide is the supply of water, electricity, and public transport facilities to the core project and surrounding areas.

### **Development of ecotourism**

To promote the sustainability of the tourism sector, the government should promote ecotourism in the state. Ecotourism involves using the local communities in tourism-related activities so that a significant amount of tourism benefits are shared by the local communities. Out of the 25 destinations identified for ecotourism in 2014, only 13 ecotourism sites are operational in the state, that is, half of the potential for ecotourism in the state has not been exploited. Considering the tourism wealth of the state, the government should encourage private sector investment to develop and operate ecotourism sites. The promotion of ecotourism also requires better marketing strategies, which private players generally do better than government agencies.

### **Importance of medical tourism and its relocation**

Tamil Nadu is also a pioneer in medical tourism in the country. Close to 40% of the country's medical tourism takes place in the state due to better facilities and low-cost treatment compared to other states and metro cities. Chennai has emerged as

a health tourism hub. A substantial proportion of patients from abroad come to Chennai for good quality, yet inexpensive, health care facilities. Close to 45% of foreign health tourists and 40% of domestic health tourists visit Chennai for medical care (Asian News International, 2019). However, such a distinct feather has not been unblemished. For example, the city has more than 4,000 hospitals and clinics which generate an estimated 60 tonnes of toxic biomedical waste every day (*The Times of India*, 2019). Such huge biomedical waste would generate serious public health hazards in the coming days. Therefore, the government should not encourage more hospitals and clinics in Chennai. Rather, to exploit the opportunities from medical tourism, the state should incentivise the opening of new hospitals and clinics in other parts of the state, such as Coimbatore, Madurai, Trichy, and Salem, which are well connected by air, railways, and surface transport.

Asian News International. 2019, July 1.  
Chennai: India witnessing influx of  
medical tourists from Arab nations.  
*The Economic Times*.

*The Times of India*. 2019, December 17.  
75% biomedical waste in Chennai  
left to rot in open.

### Private investment in tourism-related logistics and infrastructure

The sector needs a significant amount of investment to upgrade and maintain the existing tourism infrastructures, provide logistics and hospitality services seamlessly to tourists, and create new tourism avenues like adventure tourism and ecotourism. Considering the poor fiscal health, the government expected significant support from the private sector through the second Global Investors' Summit (GIM-II) in 2019. However, the response from the private sector was not impressive. The actual worth of MoUs (Memorandum of Understanding) signed was just ₹6.42 billion (*The Hindu Business Line*, 2019) as compared to the government's expectation of ₹30 billion to ₹40 billion (Mehra, 2018). Though the tourism sector was included, for the first time, in GIM-II, the main foci of GIM in the past were on manufacturing, information technology (IT) and IT-enabled services, real estate, and energy sectors. Therefore, the state's tourism agencies should organise a special investors' summit exclusively for the tourism sector. The tourism department should do the groundwork for identification of tourism sites and required investment, negotiations with investors, and setting up of a single-window clearance system to make the summit effective.

*The Hindu Business Line*. 2019, January 24.  
TN's 3-pronged investment strategy  
pays off.

Pallavi Mehra. 2018, December 17.  
Tamil Nadu aims Rs 4000 cr investment  
in tourism during Investor Summit 2019.  
*Travel Trends Today*.

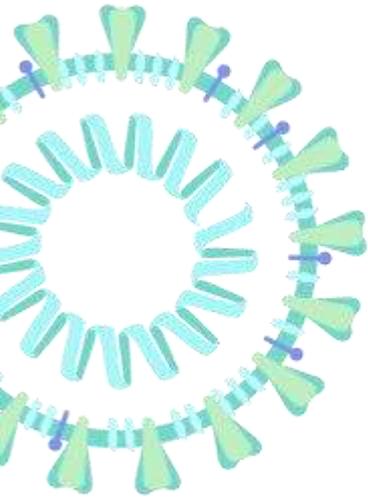
### Need for priority-sector-lending status to the tourism sector

Considering the importance of the tourism sector in generating employment, local demand, foreign exchange earnings, and overall income multiplier effects to the economy, the government should include the tourism sector under priority sector lending (PSL) by banks. The inclusion of the sector under PSL would result in more credit and investment flow required for the upgradation and expansion of the sector.

### Need for reliable databases

One of the major problems of the tourism sector in India in general, and in Tamil Nadu in particular, is the lack of a comprehensive database about the tourists. For example, the absence of databases about the age, gender, and place of residence of tourists, frequency of their visits, preferences for various types of tourism activities, and problems to access logistics facilities and information, significantly constrain the planning, coordination, and marketing activities among various stakeholders. In this regard, private sector participation in the creation and maintenance of **tourists' databases** may be required for better planning and coordination. Private sector participation is also required for the preparation of investment guidelines and marketing strategies for various types of tourism activities and travel-related products and services.

There is also no proper database about the workers, street vendors, small-business owner (of small shops and eateries) who earn their livelihood in the neighbourhoods of temples or beaches or tourist spots. In the absence of such a database, relief and rehabilitation works would be challenging. Therefore, the responsibility to create and maintain the required database may be entrusted either to the local government, the management of the place of worship, or the authority of particular tourist spot. 🌐



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