Impact of COVID-19 on Sri Lanka’s Tourism Industry

Hasna M.H.F.¹ & Thavaprabha Sachithanantham²
Department of Geography, Eastern University, Sri Lanka

Correspondence: hazi.fathima6156@gmail.com¹ & thavaprabas@esn.ac.lk²

Abstract

The tourism sector contributes significantly to the national economy of Sri Lanka. From ancient time to now Sri Lanka has been a high-value destination that provides remarkable experiences with its natural beauty and cultural heritage and brings economic benefits to the country. The civil war existed for nearly 30 years ended in 2009 and there was a massive increase in tourist arrivals. Unfortunately in 2019 Easter Attacks became a significant setback for the country's tourist industry. Following the incidence, COVID 19 pandemic has triggered the biggest downturn in the sector. Considering the fact, this is a qualitative study conducted with the main objective to determine the impact of the COVID-19 outbreak on the Sri Lankan tourism industry. It is clear from the study that total arrivals, revenues, gross domestic production and other indicators have all dropped dramatically. This has resulted in unemployment, socioeconomic issues, and a negative influence on associated industries and budgetary balances. To determine the appropriate course of action for strengthening Sri Lanka’s tourist industry, we must develop strategies and plans to create a Post COVID tourism market.

Keywords: Tourism, Sri Lanka, COVID, impact

1. Introduction

Tourism is the act and practice of spending time away from home in search of entertainment, relaxation, and pleasure while utilizing commercial services (Walton, 2012). From the beginning, it has been a worldwide sensation. For both developed and developing countries, tourism is a significant source of revenue and jobs. Because some developing countries are heavily reliant on tourism, a global decline in tourism arrivals might have disastrous economic effects. Tourism accounts for more than 50% of the Gross Domestic Production (GDP) in some nations, such as numerous Small Island Developing States (SIDS) (UNCTA, 2020). It is the world's third-largest export sector (after fuels and chemicals), accounting for 7% of global commerce in 2019 (UNWTO, 2021). In 2019, the tourism industry accounted for 29% of global services exports and 300 million employment worldwide (UNCTAD, 2020).

Several elements that have a favorable or negative impact on the tourist sector and, in turn, have a negative or positive impact on the global economy in the long or short term. Culture, peace, security, the world's developed infrastructure, visa facilities, natural beauty, people's attitudes, tourist numbers, quarantine, world population, education, income level, price level of different commodities in the world, different languages, and hotel fare, to name a few, are well-known factors that have a positive or negative impact on the tourism industry (Naushad Khan et al., 2020). Similarly, on the one hand, these variables influence the tourist sector favorably and adversely in the short and long term, while on the other hand, they influence the global economy's growth negatively and positively.
For a long time, Sri Lanka has been a popular tourist destination and tourist magnet. The introduction of open economic policies in 1977 marked a remarkable success in the industry until 1982. 1978-1982 can be considered as a relatively prosperous period in the early history of Sri Lanka, when the first tourist boom was recorded. Unfortunately, it has ended with the eruption of well-known ethnic riots in July 1983 and the escalation of the separatist war in the North and East. The civil war existed for nearly 30 years ended in 2009 and there was a massive increase in tourist arrivals. The overall number of tourists arriving in 2009 was 447,890, which climbed to 654,476 in 2010 (BBC, 2019). The total number of tourists that visited in 2018 was 2,333,796. The Easter Sunday suicide bombings in Sri Lanka in 2019 killed more than 250 people and threatened to devastate the country's tourism sector. 42 foreign nationals were among those murdered in the suicide attacks. Tourist arrivals plummeted by much to 70% in the weeks that followed (BBC, 2019). Currently, the COVID-19 epidemic is having a significant, hitherto unheard-of economic impact on the business. In December 2020, Sri Lanka’s tourism revenue totaled $682 million, up from $4 billion the previous year (CEIC, 2021). The pandemic threatens the largest foreign exchange earner of the economy. So, it should be studied and habituate the challenge. Therefore, the study addresses on the following key research question: (i) what are the impacts of COVID-19 on Sri Lankan tourism sector? And the main objective of this study is to determine the impact of the COVID-19 outbreak on the Sri Lankan tourism industry.

Severe Acute Respiratory Syndrome Corona Virus 2 (SARS-CoV-2), which is widely known as COVID-19 was firstly reported in Sri Lanka in 2020. 01.27 after a 44-year-old Chinese woman from Hubei, China, was admitted to the IDH (Infectious Disease Hospital) in Angoda, Sri Lanka (Colombo Page, 2020). As per Epidemiology Unit, Ministry of Health (2021) up to 20.09.2021, 504,491 positive cases has been reported in Sri Lanka. Total number of 433,093 patients has recovered and country’s death toll rose to 12,125. The COVID-19 outbreak had a big impact on Sri Lanka, as it did on a lot of other countries. When the first domestic instances of COVID-19 were discovered in March 2020, the authorities rapidly scaled up containment measures. Tourist arrivals were prohibited and an island-wide curfew was enforced from mid-March until June 2020. These methods, which were reinforced with comprehensive case detection, contact tracing, quarantine and isolation, were successful in containing the initial wave. Only 3,380 cases and 13 deaths had been reported until September 30, 2020 (World Bank, 2021). However, the country saw a second wave of diseases and a rapid spike in cases in the fourth quarter of 2020. This time, instead of island-wide curfews, the authorities utilized targeted lockdowns to limit the impact on economic activities. Since October 2020, the overall number of COVID-19 cases and mortality rates has increased significantly, with 69,348 cases and 356 fatalities reported as of February 8, 2021. In barely over four months, there has been an increase of 65,969 recorded cases of illness and 343 fatalities (Luwie Ganeshathasan, 2021). The second wave, which began in August 2020, resulted in broad clusters that were mostly confined by local isolations. However, once limits were lifted during an April customary vacation, the tendency was reversed. In Sri Lanka, the current wave of delta-variant driven covid-19 pandemic is spreading at an unprecedented rate (Economy next, 2021).

“Tourism has been hit hard, with millions of jobs at risk in one of the most labor-intensive sectors of the economy” (UNWTO, 2020). It has identified tourism as one of the sectors most affected by the Covid-19 pandemic, impacting economies, livelihoods, public services and opportunities on all continents. According to UNWTO’s first projections, the globe will lose 67 million foreign arrivals and around USD 80 billion in revenues. According to the UNWTO (2020), Asia and the Pacific is the region most at danger, with a loss of 33 million visitors. The COVID-19 epidemic affected Sri Lanka severely as an Asian destination.
According to UNWTO (2021), Tourism export revenues are anticipated to plummet by $910 billion to $1.2 trillion in 2020, reducing global GDP by 1.5 percent to 2.8 percent. Furthermore, they have said that 100 million direct tourist jobs are in jeopardy, in addition to 144 million employees employed in tourism-related businesses such as labor-intensive housing and food services. Small companies, which account for 80% of worldwide tourism, are especially susceptible. Women, who make up 54% of the tourist workforce, as well as youth and those in the informal economy, are among the most vulnerable groups. The destinations most reliant on tourism for jobs and economic growth are the ones most likely to be affected: Least Developed Countries (LDCs) and African countries. In Africa, the sector represented 10% of all exports in 2019.

According to Rajeev Singh Chandel et al., (2021) Travel and tourism are among the worst-affected businesses, with global demand dropping as a result of global travel restrictions, which include the closing of many borders to combat the outbreak. When compared to the same time previous year, international tourist arrivals (overnight tourists) declined by 72 percent in January-December 2020. Tourism is also said to be declining in the pandemic, owing to poor virus containment, low visitor trust, and severe travel restrictions still in place, among other factors. It is also stated that the loss in the tourist business in 2009 as a result of the global economic crisis was more than ten times greater. Furthermore it has stated that arrivals in Asia and the Pacific decreased by 82 percent between January and December 2020 and the Middle East had a 73 percent drop while Africa saw a 69 percent drop over this ten-month period. Moreover in both Europe and the Americas, international arrivals dropped by 68 percent, and foreign arrivals are anticipated to drop by 70 percent to 75 percent for the entire year of 2020.

According to Twining Ward et al., (2020) COVID-19 has an impact on roughly 47.7 million travels and tourism employment in South Asia, with many of these occupations held by women and disadvantaged groups in the informal sector. The travel and tourism sector alone is estimated to lose more than 50 billion dollars in GDP in the area as a result of the crisis.

2. Methodology

Secondary data is used in this study as the prime data source. At the initial stage of the study a research question and objective was formed. And a literature review was conducted using relevant source materials such as Journal articles, reviews, web page articles etc. To address the objective and research question statistical data gathered from the reports were analyzed. Descriptive analysis of available data was carried out by depicting various types of charts and plots designed with Microsoft Excel. Also the descriptive study has identified the practices of Sri Lankan government to promote post-COVID tourism.

3. Discussion and Results

Since the end of civil war in the country, Sri Lanka has emerged as one of the most preferred tourist destination in the world. The natural beauty, cultural heritage and political stability of the country increased the number of tourist arrivals. It has experienced an unprecedented growth after 2009, ranking from the fifth-largest foreign exchange earner in 2010 to the third-largest source by 2018. In 2018 foreign exchange earnings from tourism was 712 billion rupees with 19.0 percent increase compared to previous year. Similarly, tourist arrivals increased from 2.12 million in 2017 to 2.33 million in 2018 an addition of
10.3 percent increase (Knoema, -). And employment opportunities in tourism increased from 359,000 in 2017 to 388 thousands in 2018 with an addition of 8.1 per cent increase (SLTDA, 2020). Here in this study the tourism based statistics are compared with 2018 because 2019 is considered to be an exceptional year because of Easter attacks. Also it is notable that, although there was a slow revival after 2019 April, the tourist arrival was back to normal after few months.

Even though a COVID-19 epidemic has been detected internationally from the fourth quarter of 2019, Sri Lanka has permitted visitors to visit due to health safety measures. From January to March 2020, 507,311 tourists arrived (SLTDA, 2020). The first COVID-19 case in a Sri Lankan citizen, a 52-year-old tour guide working with a group of Italians, was reported on March 10th (daily mirror, 2020). Following the incident, cases started to report and to contain the spread of COVID-19, the government suspended all passenger arrivals from all countries on March 22 (Colombo Gazette, 2020). A drastic fall can be seen in tourist arrivals after the incidence.

Prior to the country's official opening, the administration organized a trial initiative to invite a group of Ukrainian tourists. Following that, the first visitors after Covid-19's shutdown arrived at Mattala Airport in December 28 as part of a so-called trial project operated by Ukraine's SkyUp Airlines. The trial initiative was expected to finish in January 19th, and the government expected to bring in around 2,500 visitors from Russia, Ukraine, and other nations in the area as part of it (Dinitha Rathnayake, 2021).

<table>
<thead>
<tr>
<th>Month</th>
<th>Tourist Arrivals</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>238,924</td>
<td>244,239</td>
</tr>
<tr>
<td>February</td>
<td>235,618</td>
<td>252,033</td>
</tr>
<tr>
<td>March</td>
<td>233,382</td>
<td>244,328</td>
</tr>
<tr>
<td>April</td>
<td>180,429</td>
<td>166,975</td>
</tr>
<tr>
<td>May</td>
<td>129,466</td>
<td>37,802</td>
</tr>
<tr>
<td>June</td>
<td>146,828</td>
<td>63,072</td>
</tr>
<tr>
<td>July</td>
<td>217,829</td>
<td>115,701</td>
</tr>
<tr>
<td>August</td>
<td>200,359</td>
<td>143,587</td>
</tr>
<tr>
<td>September</td>
<td>149,087</td>
<td>108,575</td>
</tr>
<tr>
<td>October</td>
<td>153,123</td>
<td>118,743</td>
</tr>
<tr>
<td>November</td>
<td>195,582</td>
<td>176,984</td>
</tr>
<tr>
<td>December</td>
<td>253,169</td>
<td>241,663</td>
</tr>
<tr>
<td>Total</td>
<td>2,333,796</td>
<td>1,913,702</td>
</tr>
</tbody>
</table>

According to Table 1, it is clear that annually there’s a rapid increase has been recorded in monthly tourist arrivals. Also it is notable that a slight fall can be seen from 2019 April- June. The prime cause behind the scene is Easter Sunday Attacks. Back in 2019 monthly arrivals increased to 115, 701, an increase of 52, 629 compared to June 2019, and then it continued. Due to the prevalence of COVID 19 cases in community, in March 2020 an island wide lockdown was imposed and following that airports in the island were closed. As a result, March to November 2020 no tourist arrivals were recorded. Back in 2020 December 393 arrivals were recorded and it’s the result of pilot project implemented. Following that a slender rise can be observed in tourist arrivals.
India was the top tourist source market in 2020, followed by the Russian Federation and the United Kingdom. Sri Lanka was visited by about 98 percent of visitors who arrived by plane. In March 2020, Europe overtook Asia as the leading source of tourist travel to Sri Lanka, accounting for 60% of overall traffic. Asia and the Pacific accounted for 34% of overall traffic, followed by the Americas (4.6%), the Middle East (0.9%), and Africa (0.5%). In contrast to March of previous year, the Middle East area had the largest drop of 85.7 percent, while the Americas saw a drop of 83.4 percent. Africa had a 77.9% drop, while Asia and the Pacific experienced a 75.4 percent drop. Europe had a drop of 64.3 percent (Samarathunga, 2021). The impact of the COVID-19 epidemic is obvious, since all nations have seen a decrease in immigration. It is worth noting, however, that arrivals from Kazakhstan have increased by 79.7 percent. Despite the outbreak of COVID-19, China, which had slipped out of Sri Lanka’s top 10 tourist producing markets in February, has risen to ninth place among the top ten markets.

International tourism revenues are payments to national carriers for foreign transportation made by international incoming visitors. Any additional payments for goods or services received in the destination country is included in these receipts (Knoma, -). Parallel to tourist arrivals an increase can be seen in tourist receipts too. According to figure 1 a rapid growth in official tourist receipts can be seen from 2009-2018, a slight fall in 2019 and a drastic fall in 2020.

**Figure 1: Official Tourist Receipts 2009-2020 (in rupees)**

Source: SLTDA, (2020)

The tourism and hospitality sectors provide a variety of job possibilities in areas such as lodging, transportation, and tourist locations. As a result, the availability of qualified and trained labor is a critical component of any tourist development strategy or program’s success (Aynalem et al., 2016). According to International Labor Organization (2020), as of 2017, the tourism sector of Sri Lanka contributes 11 percent to total employment, and it was projected to grow sustainably per annum.

In published national income accounts or labor market data, the percentage of Travel & Tourism spending or employment in the corresponding economy-wide notion. Exports of all products and services are compared to visitor exports. Spending on domestic travel and tourism is compared to GDP. Individual government travel and tourism expenditures are compared to overall government expenditures. Internal consumption of travel and tourism is compared to overall internal consumption (i.e. total domestic spending plus total export), the contribution of leisure travel and tourism to GDP is compared to total GDP. The contribution of business travel and tourism to GDP is compared to total GDP. Capital investment spending in travel and tourism is compared to total fixed investment spending.
In that perspective, in 2019 the contribution of travel and tourism to GDP (% of GDP) for Sri Lanka was 12.6%. Contribution of travel and tourism to GDP (% of GDP) of Sri Lanka increased from 6% in 2000 to 12.6% in 2019 growing at an average annual rate of 4.28% (Knoema, -). According to Figure 2 it is evident that direct and indirect total employments have been continuously increased from 2009 to 2019.

According to a survey conducted by the Sri Lanka Tourism Development Authority (SLTDA) in 2018, there are 3,926 establishments catering to tourism employing a total of 169,903 people, with indirect employment in the value chain such as handicraft trade, gems and jewelry shops, liquor shops, laundries, etc. estimated at 219,484, bringing the total to 388,487 (Gunawardene, 2020). In 2020 total employment opportunities have been decreased. Although a pandemic and its impacts have been observed in 2020 a slight increase in direct employment is marked and a fall in indirect employments can also be seen. This is a wrench into a promising sector of economy.

According to International Labor Organization, (2020) as the effect of the COVID-19 epidemic worsens, almost 450,000 tourism workers in Sri Lanka have lost their employment. There are 180,000 direct employment losses, with the rest coming from tangentially connected businesses. Furthermore they have stated in their report that, many temporary and contract employees in the tourism sector have been required to labor for a minimum monthly pay of 13,000 rupees and workers at tourist guesthouses are frequently compelled to perform numerous duties for reduced pay. Almost 1,900 workers, including drivers, bus assistants and a similar number of supporting staff, had lost their livelihoods and were desperate to find work as day laborers or farmers (ILO, 2020). Jetwing Hotels, one of Sri Lanka’s major hotel companies, is seeking a 10% to 50% pay decrease to "buffer the financial impact of the epidemic" (Daily FT, 2020).

Figure 2: Total Employments 2009-2020

According to World Bank’s Report on Economic and Poverty Impact of COVID-19 (2021), The COVID-19 crisis resulted in massive job losses and a considerable increase in poverty. The significant economic slowdown is expected to have raised the $3.20 poverty rate from 9.2 percent in 2019 to 11.7 percent in 2020, resulting in an extra 500,000 individuals living in poverty. The pandemic’s economic
impact is likely to be widespread. The pandemic had a disproportionately big impact on individuals working in more urbanized regions, such as the Western province, presumably due to the enormous impact on industry, and locations with a high number of impoverished people prior to the epidemic, such as the Northern, Eastern, Uva and Sabaragamuwa provinces.

When a visitor visits a nation, for example, they must pay in the host country’s currency for products and services. As a result, a visitor must exchange his or her native money for the local currency. This type of currency exchange is one of the demand drivers for a certain currency. Lockdowns and curfews were imposed across the country, posing severe risks to economic activity and the banking system. According to World Bank (2021), Fiscal balances deteriorated as a result of the combined impact of the pre-COVID stimulus package and the COVID-19 epidemic. In 2020, revenue collection is expected to fall to 9.1 percent of GDP (from 12.6 percent of GDP in 2019). Due to the 2019 fiscal stimulus package, the economic recession in 2020, and falling imports, value-added, income, and import taxes all fared badly. Meanwhile, due to rising public health expenses and cash transfers, non-interest recurrent expenditures grew, and interest payments are expected to consume 73.4 percent of total government income in 2020. The government's investment was cut, but it wasn't enough to prevent the crisis. Although public investment was cut, it was not enough to keep the budget deficit from rising to 12.6 percent of GDP in 2020 (up from 6.8 percent in 2019).

The ratio of public and publicly guaranteed debt to GDP has risen significantly, and servicing external debt will remain a key issue in the future. Due to the large primary deficit and weak growth, the public and publicly guaranteed debt-to-GDP ratio is expected to rise 15 percentage points to 109.7% in 2020 (up from 94.3 percent in 2019). Foreign currency accounts for around half of the government's debt. Around a third of the foreign currency debt comes due between 2021 and 2023, including four Eurobonds: (i) US$ 1.0 billion in July 2021; (ii) US$ 500 million in January 2022; (iii) US$ 1.0 billion in July 2022; and (iv) US$ 1.25 billion in April 2023. Growing foreign exchange refinancing requirements, shorter maturities, and higher borrowing costs, as well as heightened exchange rate risks, resulted from the rising debt level and previous reliance on foreign-currency based commercial loans (World Bank, 2021).

Tourism associated small enterprises too affected by COVID. According to a survey conducted by the Sri Lanka Tourism Development Authority (SLTDA) in 2018, there are 3,926 establishments catering to tourism employing a total of 169,903 people, with indirect employment in the value chain such as handicraft trade, gems and jewelry shops, liquor shops, laundries, etc. estimated at 219,484, bringing the total to 388,487 (Gunawardene, 2020). The local market for handmade items is small and mostly serves the tourism industry. The peak demand time for handloom and handicrafts items in the local market is from March to May. During this period, entrepreneurs create inventories to cater to the primary festival season, and they generally make profits or recover their losses. They are in a perilous situation as a result of the COVID 19 threat, which began in mid-March 2020. They have no issues with raw materials or sustaining manufacturing, but selling the items will be a significant challenge.

From the points discussed above it is very clear that Sri Lanka's tourism sector has highly influenced by existing COVID pandemic. It is evident that we have experienced a drastic fall in total arrivals, receipts and GDP etc. This has led to unemployment, socio economic problems, impact on related sectors and fiscal balances.

4. Conclusion
It is very clear that tourism is a main source of revenue in Sri Lanka. Any negative impact on tourism might have a negative influence on the Sri Lankan economy. Unfortunately, COVID-19 has had a significant impact on Sri Lanka's tourist economy. To safeguard this industry, it is necessary to take the required steps to overcome the problem. As a result, the tourist industry's future will be more sophisticated and steady. Apart of first pilot project contemporary Sri Lanka too involved in some other strategies to rebuild tourism among them “Bio Bubble” is notable. In this, Sri Lanka would place all tourists in a 14-day bio bubble as per the standards. They can stay in one of 52 hotels designated as Level 1 "Safe and Secure" and visit a limited number of tourist sites. They can also visit places that the authorities have certified as safe as long as they are accompanied by a guide. Each group of visitors will require its own transportation, which will be arranged by the tour operator. They will be limited in their interactions with people outside the bubble. They are unable to interact with other tourist groups. Travellers can leave the bubble and socialize with the residents when the 14-day time is passed and they have passed another COVID exam. This is promoted by SLTDA as “Hello again”. Apart from that several plans to be made in order to create a post COVID market for tourism. For the purpose the following measures can be suggested: introducing investor friendly financial strategic plans, gradually loose the travel bans, taking advantage of appealing and cheap trip packages, such as reduced luxury hotel packages, food festivals, adventure tours etc., implement strong risk management strategies, User friendly auto generated or online systems should also introduce to facilitate tourists at the airport as well as at the visa proceeding (Rajarathne, 2020), thematic based targeting, marketing through various mechanisms like social media marketing and email marketing etc. to comprehend the challenges at hand in order to choose the best course of action for improving Sri Lanka's tourist sector.

5. References


Rajeev Singh Chandel, Shruti Kanga and Suraj Kumar Singh (2021). Impact of COVID-19 on tourism sector: a case study of Rajasthan, India. (Retrieved From:


