

Implications of COVID-19 pandemic on tourism businesses in Malaysia: Evidence from a longitudinal industry perception survey

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Abstract

The COVID-19 pandemic, with its series of infection waves, has significantly crippled the global tourism industry, including Malaysia. Since the first movement control order (MCO) in March 2020, the tourism and hospitality businesses have continuously been disrupted multiple times, resulting in unprecedented uncertainty for the future of the Malaysian tourism industry. This longitudinal study aims to comprehend and compare the perception of tourism businesses on tourism business trends, the impacts, and the needs arising from the COVID-19 pandemic based on two timelines (between March 2020, T1; and current August 2021, T2) stage of COVID-19. Data was collected online among the tourism and hospitality industry players in Malaysia. The advent of multiple MCOs and standard health protocols have resulted in an immediate decrease in tourism sales and revenue. This study offers insight and recommendations on the industry's future outlook. The study findings should be food for thought to policymakers in making an informed COVID-19 related decision that can impact the sustainability of the tourism and hospitality industry.

Keywords: COVID-19; *Tourism businesses; Malaysia; Longitude industry survey*

1. INTRODUCTION

The COVID-19 pandemic has infected 179 million people globally and contributed to 3.9 million deaths (UNCTAD as cited in WHO, 2021). Since March 2020, the fall in international tourism arrivals is 84% (UNCTAD as cited in WHO, 2021). The Malaysian tourism industry was the country's second-highest foreign exchange earner, next to the manufacturing sector (World Economic Forum [WEF], 2019). As the country's second largest foreign exchange earner, tourism arrivals in 2020 took a plunge after more than 10 years of steady incline in GDP, tourist arrivals, employment, and tourist receipts. The tourists' arrivals alone dipped to 4.33 million arrivals, which accounts for a decline of 96% after March 2020 due to travel restrictions, visa controls, and quarantines (Tourism Malaysia, 2021). See Table 1.

Table 1. Key Performance Indicators of the Malaysian Tourism Industry, 2008 – 2020

| Key Statistics | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------|-------|-------|-------|-------|-------|-------|------|-------|------|-------|------|-------|
| Contribution to GDP (%) | 11.2 | 12.7 | 12.6 | 12.4 | 12.5 | 13.1 | 14.9 | 14.4 | 13.7 | 14.6 | 15.2 | 15.9 | n.a. |
| Tourist Arrivals (Million) | 22.5 | 23.65 | 24.58 | 24.71 | 25.03 | 25.72 | 27.44 | 25.7 | 26.75 | 25.9 | 25.83 | 26.1 | 4.33 |
| % of Tourism employment to total employment | 15.7 | 16.1 | 15.6 | 16.4 | 16.4 | 13.6 | 13.0 | 20.6 | 22.5 | 22.9 | 23.5 | 23.6 | n.a. |
| Tourism receipts (RM billion) | 49.6 | 53.4 | 56.5 | 58.3 | 60.6 | 65.4 | 72 | 69.1 | 82.1 | 82.1 | 84.1 | 86.1 | 12.68 |

Adapted from Department of Statistic Malaysia, 2014, 2015, 2020; Economic Planning Unit [EPU], 2013; The Sun Daily, 2016; World Travel and Tourism Council, 2015, 2017; MOTAC, 2015, 2021

The survival of tourism businesses throughout the conventional tourism ecosystem is at risk without continued government support and tourism businesses adaptability (Novelli et al., 2018; Rosselló et al., 2017). Besides, in the absence of a preventive vaccine, movement control measures such as social distancing and lockdown were applied to contain the spread of Covid-19 (Abu & Rosbi, 2020; Li et al., 2020; Tang, 2020). Consequently, the Malaysian government announced a total lockdown known due to the rapid increase in import cases (Karim et al., 2020). Tourism businesses as the non-essential sector were ordered to shut their operations. These policies cause Malaysian tourism and hospitality businesses to suffer; they are losing nearly a year's worth of revenue and lay off labourers. Subsequently, the tourism unemployment level has risen forcefully (Foo et al., 2020). Hence, this paper conducts a longitudinal study to comprehend and compare the perception of tourism businesses on tourism business trends, the impacts, and the needs arising from the COVID-19 pandemic based on two timelines (between March 2020, T1 and current, August 2021, T2) stage of COVID-19).

2. METHODOLOGY

A quantitative approach and a cross-sectional study with a self-administered survey questionnaire opted for this study. The target population was the Malaysian tourism and hospitality industry, including travel and tourism agencies, accommodation providers, recreation and theme parks, spa and wellness establishments, food and beverage businesses, and meeting, incentive, conference, and exhibition operators. A non-probability sampling technique, specifically the purposive sampling method, was adopted. Information collected through the survey included demographics, business performance, the impact of COVID-19 and their perceptions towards the government's monetary assistance.

The survey instrument was adapted from World Bank's survey (2020) on COVID-19's impact on business firms. The survey instrument was modified to suit the local tourism setting and was validated via face validity. The first survey was conducted for 14 days, from 15 March 2020 until 30 March 2020, immediately after the Malaysian government announced the stimulus packages for enterprises impacted by the COVID-19 pandemic. The data were collected using the online survey modality to ease the survey process during the lockdown (movement control order) period. The final sample comprised 233 respondents with a valid response rate of 100%. The second survey was conducted from 1st August to 18th August 2021. The final sample was 17 respondents

with a valid response rate of 100%. The data collection is still ongoing . No missing data were found as the researchers had configured every item as compulsory using Google Forms. Hence, the respondents were not able to proceed to the next question without a valid response.

3. FINDINGS

3.1 Business Profiles

A total of 17 Malaysian tourism and hospitality businesses responded to the surveys. Table 2 presents the demographic profile of the respondents. Based on Table 2, in 2020 most of the respondents were from the travel and tourism agencies, followed by budget hotels and star-rated hotels. In 2021, most of the respondents were star-rated hotel, followed by travel and tourism agencies and budget hotels. In 2020 and 2021, the majority of the respondents were managing directors and directors of the business. In 2020, the majority of respondents had up to 50 employees, but in the second round, most had up to 25 employees indicating smaller businesses.

Table 2. Demographic Profile of Respondents

| Demographic Profile | 2020 | | 2021 | |
|---|------|------|------|------|
| | N | % | N | % |
| Type of business | | | | |
| Travel and Tourism Agency | 127 | 56.4 | 5 | 29.4 |
| Budget Hotels | 36 | 16.0 | 3 | 23.5 |
| Star-rated Hotels | 28 | 12.4 | 1 | 35.3 |
| Recreation | 15 | 6.7 | | |
| Spa and Wellness | 9 | 4.0 | 1 | 5.9 |
| Food and Beverage | 5 | 2.2 | | |
| Resorts | 4 | 1.8 | | |
| MICE | 1 | 0.4 | | |
| Education | | | 1 | 5.9 |
| Role of respondents | | | | |
| Managing Director/ CEO | 139 | 61.8 | 6 | 35 |
| Director/ General Manager/ Regional Manager | 68 | 30.2 | 5 | 29 |
| Head of Business Unit/ Department | | | | |
| Senior Manager | 14 | 6.2 | 4 | 24 |
| Business Advisor | 4 | 1.8 | 1 | 6 |
| | | | 1 | 6 |
| Size of Business | | | | |
| Up to 25 employees | | | 11 | 64.7 |
| 26 to 50 employees | 197 | 87.9 | 2 | 11.8 |
| 51 to 100 employees | 9 | 4.0 | 4 | 23.5 |
| 101 to 200 employees | 10 | 4.4 | | |
| 201 to 300 employees | 3 | 1.3 | | |
| More than 300 employees | 6 | 2.7 | | |

3.2 Business Performance

The respondents were questioned on the sales turnover, profit, number of staff and investments made in the two years. In 2021, the sales and profit results indicate similar trends as in 2020 (see Fig. 1 and Fig. 2). However, in 2021 there was a significant change in response to the number of staff (see Fig. 3 and Fig. 4) and investments in comparison to 2020. In 2020, there was a reduction. However, in 2021, the responses have significantly reduced, indicating the impact of retrenchment and reduction in investments that may have been previously planned.



Fig. 1. Business performance in 2020



Fig. 2. Business performance in 2021

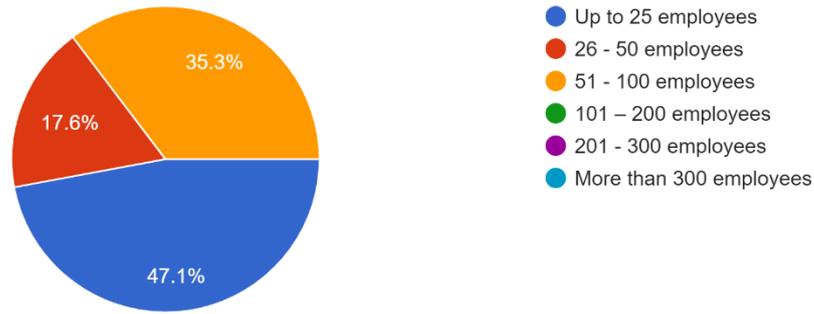


Fig. 3. Number of Permanent Employees in 2020

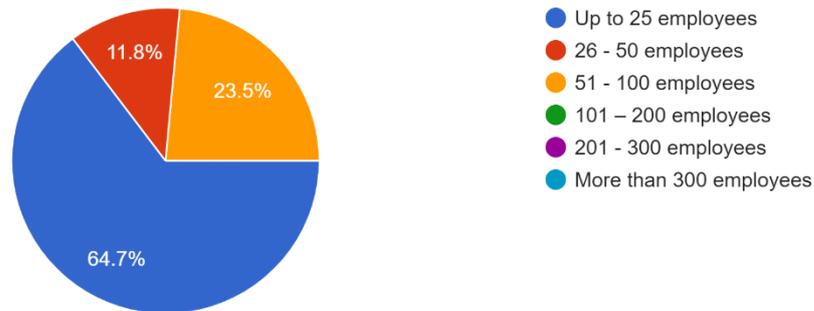


Fig. 4. Number of Permanent Employees in 2021

In terms of revenue losses, most of the respondents indicated that losses amounted to between RM50,000 to RM 250,000 (See Figure 5). Malaysian Association of Hotel (MAH) reported that the hotel industry alone anticipates an estimated loss of RM300 million for every 2 weeks of closure if the situation persists. In addition, 30% of the hotels have been forced to close due to low occupancy, comprising 120 well-known local and international brands that have been around for more than 40 years in Malaysia (Prestige Online.com, 2021). The remaining 70% exists as quarantine centres and accommodate medical and oil, and gas industry workers (Chin, 2021).

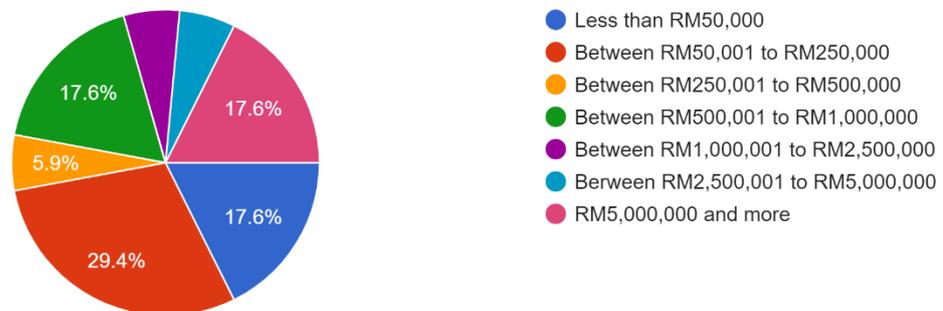


Fig. 5. Revenue Losses.

3.3 COVID-19’s Impact on the Tourism Industry

In 2021, when questioned on the main concerns the survey respondents had about COVID-19 was the potential for global recession, followed by effects on the workforce, a new wave of COVID-19 infections, and finally financial impacts and decrease in tourist confidence (See Fig. 6). Similar to the results in 2020, the respondents expected negative impact from the pandemic and the need to change the operating model (Hanafiah et al. 2021). However, there was a lukewarm response, with 79 out of 233 respondents disagreeing that the pandemic presented an opportunity to drive innovation. In 2021, there was a change in terms of respondents agreeing that there are opportunities to drive innovation in the business and the significant change from mostly unfavourable to favourable response for COVID-19 to present collaboration opportunities (See Fig.7).

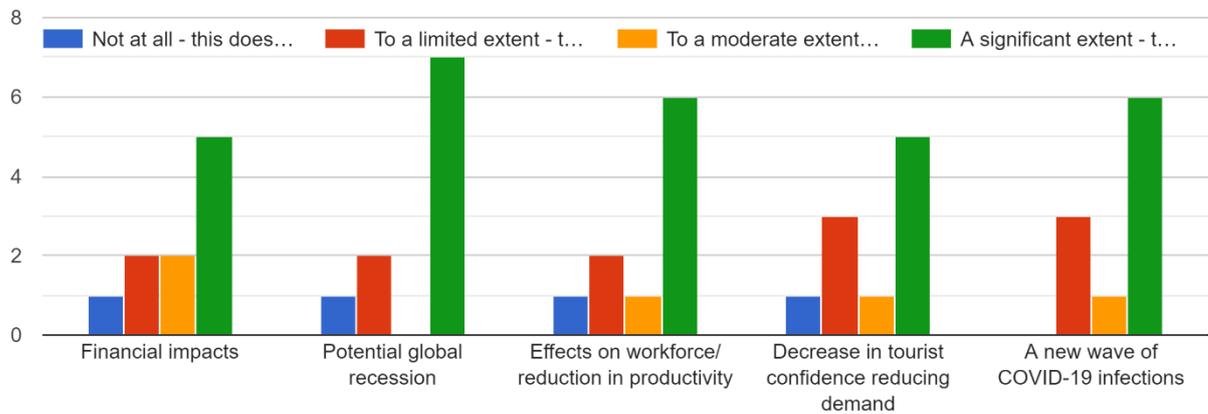


Fig. 6. Concerns about COVID-19.

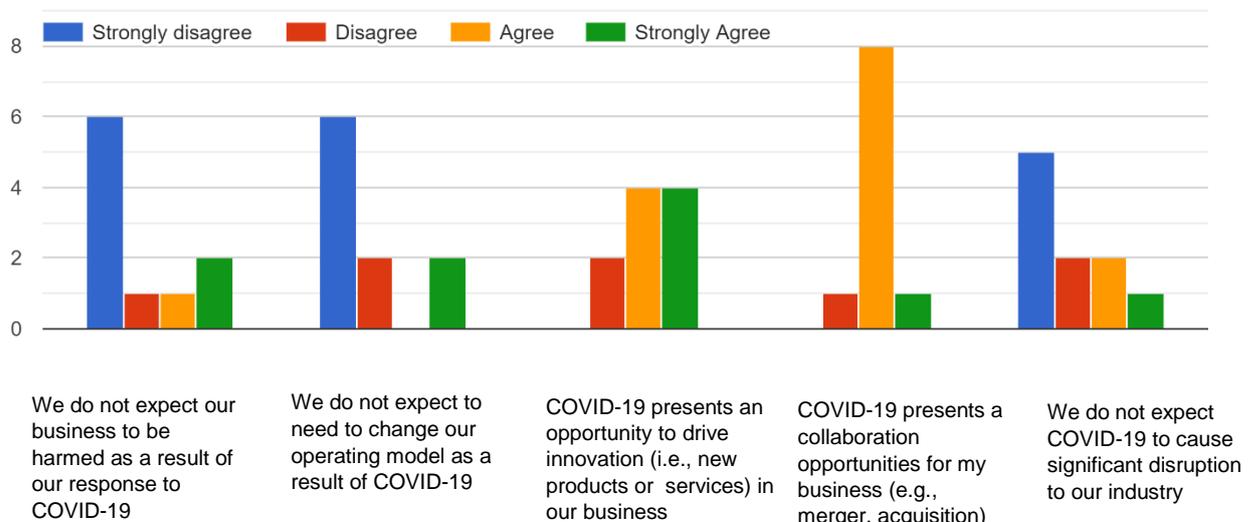


Fig. 7. Business expectations of COVID-19.

3.4 Business Decisions

In 2020, the main business strategy was employee retrenchment (Hanafiah et al. 2021). Still, in 2021 cutting down investments, putting expansion plans on hold and reviewing business plans has become a priority. The reduction of operating costs is also an important priority for tourism businesses. In the first survey, many respondents stated that no action would be taken in anticipation of the recovery to be short-termed, but in this survey, only a fraction resorted to no action. It is clear that the severity of the pandemic is forcing the industry to shift directions (See Fig. 8).

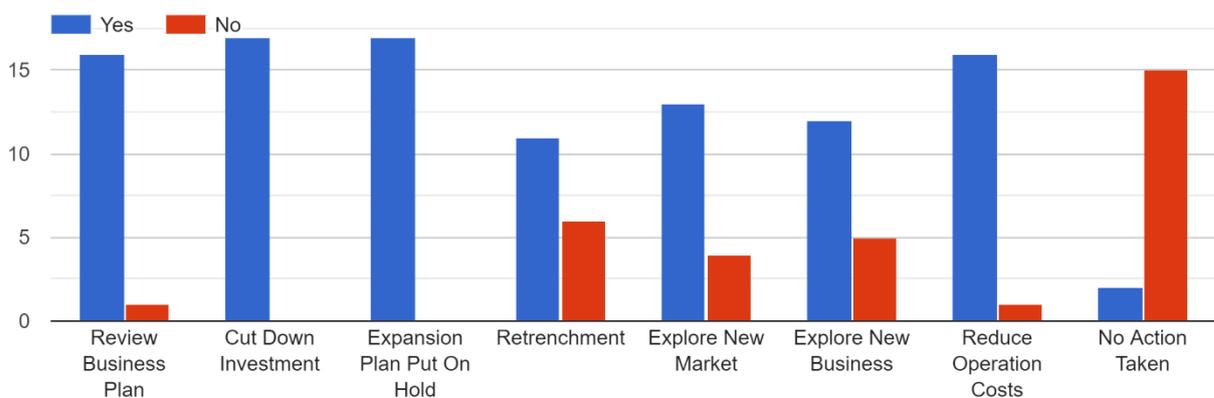


Fig. 8. Business strategies to absorb the impact of COVID-19.

3.5 Government Assistance

Since the beginning of the pandemic, policy interventions have been evident. The Special Relief Funds have been available to all tourism operators, and it is evident from the respondents that most have applied for the Special Relief Funds, followed by the Special PRIHATIN grant and Micro-credit scheme (See Fig. 9). In 2020, policy interventions were mainly concerned about the extension of the moratorium (Hanafiah et al. 2021), but in 2021, wage subsidy which the most beneficial PRIHATIN Economic Stimulus Package that is most beneficial subsidy for companies (See Fig. 10).

When asked the further assistance that the industry required from the government to counteract the impact of COVID-19, most respondents suggested more relieves to reduce operating and compliance costs, higher wage subsidy and more measures to help retrenched staff through reskilling (See Fig. 11). To further probe on the expectations of the respondent in Budget 2021 in order to sustain domestic consumption, 50% of the respondents preferred to encourage domestic tourism by waiving tourism and service tax. A total of 30% of the respondents expected extended travel digital vouchers in 2021 and to raise the spending cap to RM200 and 20% of the respondents preferred a tax relief for taxable income below RM100,00 (See Fig. 12). As most respondents expected the industry to recover in 2023 and beyond followed by quarter 1, 2022 (See Fig. 13), however, 70.6% were unsure how long they could sustain and 11.8% stating they could last for 2 months and the remaining 11.8% between 1 to 3 months (See Fig. 14).

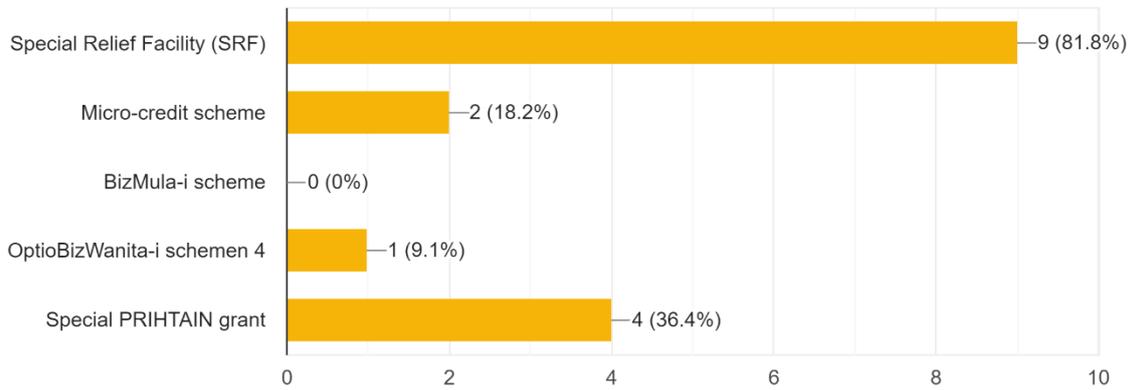


Fig. 9. Government assistance.

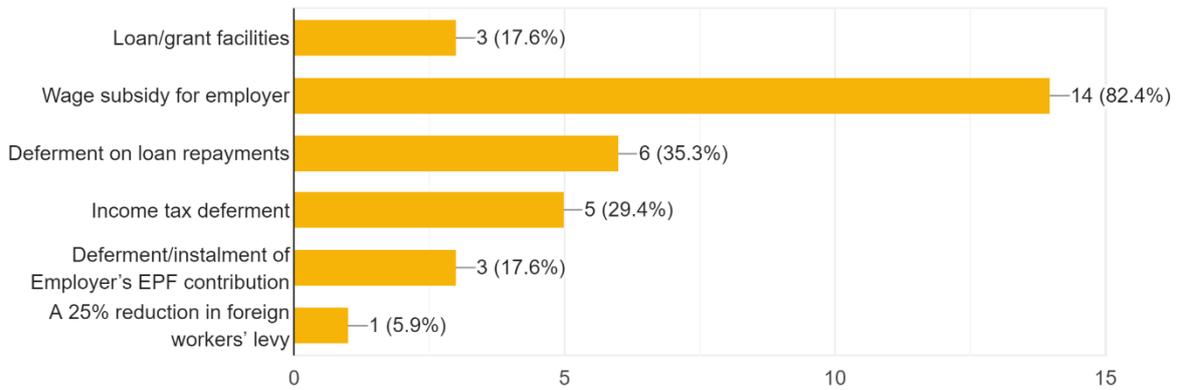


Fig. 10. Beneficial Government Assistance.

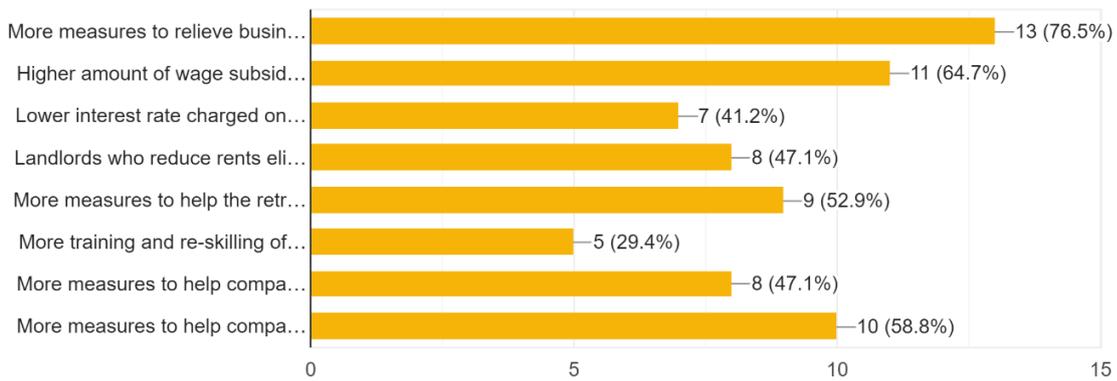


Fig. 11. Further Government Assistance.

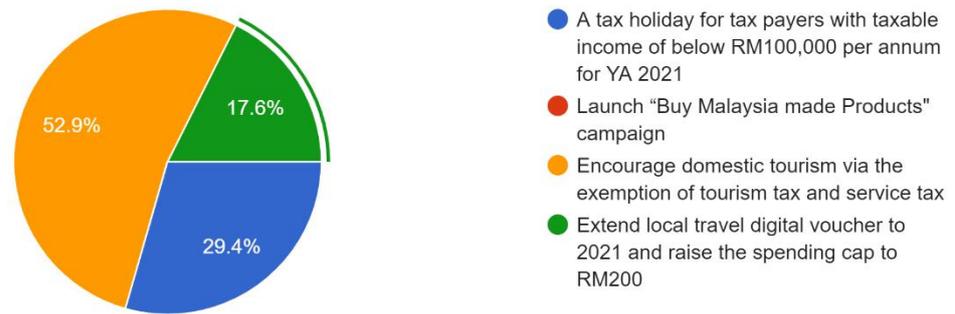


Fig. 12 Further Government Assistance

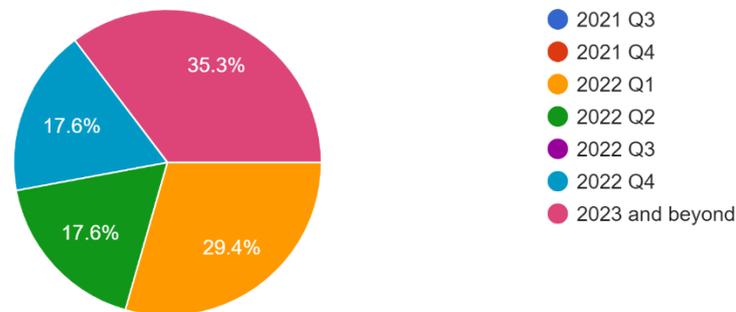


Fig.13 Expected Industry Recovery

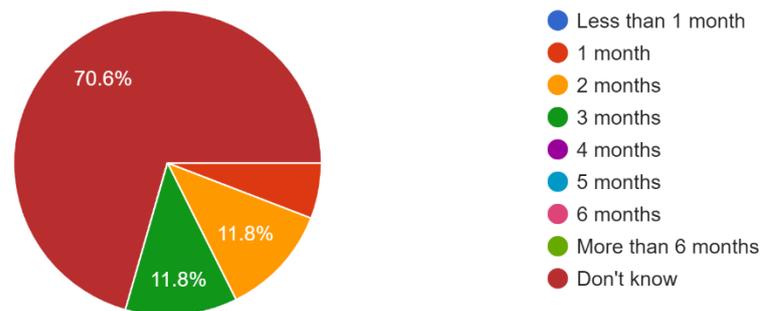


Fig. 14 Industry Survival

4. CONCLUSION AND RECOMMENDATIONS

Since the beginning of the COVID-19 pandemic the tourism industry has been engaging with the government to remain resilient. The industry resilience after one year is wearing-off as travel restrictions are only expected in the beginning of 2022. The industry players have realised

that short-term measures like retrenchment and cost-cutting will not sustain the business, but long-term initiatives coupled with government assistance is needed. The Tourism Recovery Plan, a part of the National Tourism Policy (2020 – 2030) listed nine strategies to be implemented in phases once the herd immunity vaccination is achieved. However, the wait for the country to move to the fourth stage of the Pandemic with 60% of the population being vaccinated by December 2021 may not be able to save the industry from recuperating with all the recuperation plans in store (Chin, 2021).

Policy recommendation for the government in light of the findings is to implement targeted policies to stimulate domestic tourism by state. In addition, these policies include the opening of travel borders at stages beginning from the district level, state, country and regional level to start rebuilding the domestic and international tourism market. All border movement needs to be coupled with a standardised set of public health mitigation measures that are agreed upon. The industry needs to ensure strict policy implementation of the public health measures and take immediate action in the event of any outbreaks. The indicators reported to the world about the state recovery, number of infections needs to be compared against the developed and developing nations to project a well-rounded perspective of the state of the pandemic in the nation. Finally, there is an urgent need to upskill employees to be ready for the digitalisation of the industry.

In conclusion, global and local policies and implementation is useful with awareness and immediate action from industry player and policymakers. The limitation of this study is the poor response rate from the industry during the second collection timeline. Areas for future research is level of implementation of the current policies.

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