

THE SOCIO-ECONOMIC EFFECTS OF COVID-19 PANDEMIC TOWARD HOTEL PERFORMANCE

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Abstract

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Iringa Municipality taking hotel's businesses as a case study. The study intended to examine the social and

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Keywords: *Socio-Economic; Covid-19 Pandemic; Hotel Performance*

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Introduction

The hotel business is arguably the largest and fastest growing business sectors in the world. With an annual average growth of 4.6% as of 2017, this sector outpaced global economic growth (3%) for the past seven years in a row (Sofronov, 2018). In 2018, the World Travel and Tourism Council (WTTC) reported further that, hotel business supported 1 in every 10 jobs globally while they accounted for 1 in 5 of all jobs created across the world over the past five years.

The global pandemic of coronavirus disease (COVID-19) resulted to a standstill of all socio-economic structures of the world and challenged global operations of business (Radhakrishna, 2020). The COVID-19 outbreak resulted in many governments imposing restrictions on travel within and outside their borders especially to regions affected by the virus. This brought an indefinite suspension of tourist travels which contributes immensely to the flourishing of hotel business (Ozili & Arun, 2020). Airports and the transport sectors were shut down and therefore hindering any form of travel. The 'stay at home' and 'social distancing' policies restricted even domestic movements, and this led to rapid shutdown of many cities and resorts which in turn flung many hotels into a sudden shock (Dash, 2020).

In Africa, hotel business lost to a tune of 8.5 percent (equivalent to \$194.2 billion) of the income (WTTC, 2020). COVID-19 pandemic deteriorated hotel business in Africa as inbound and outbound travellers dried out (Dash, 2020). Mitigation measures imposed such as the restriction of national, regional and international, travels, as countries closed their borders and grounded their airlines, affected the business negatively (Dash, 2020). This

brought hotel business, nearly everywhere, to a standstill and caused a collapse of the economy. Lockdown regulations imposed by several countries in Africa were not favourable to hotel business growth since they rely on the movement of people within and across borders (Hung *et al.*, 2020). The pandemic paralysed hotel business and led to a decline of 20% of its turnover due to a lapse of tourist arrivals, affecting hotel occupancies and revenues (Napierała *et al.*, 2020).

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Literature Review

the effects of COVID-19 to the hotels' business performance in Iringa Municipality by involving hotel owners and The COVID-19 pandemic posed a huge risk and severely impacted the socio-economic condition and livelihood of people (Morton, 2020).

The study by Davies *et al.* (2020) showed that, the coronavirus continue spreading and it is difficult to predict when it will be completely confined To some extent coronavirus threatened human lives, weakened health facilities, lead to poor social protection systems, limited access to water and sanitation, and inadequate living space, and above all it led to poor hospitality performance (Golam *et al.*, 2021). To contain the spread of the virus, South Asian countries imposed stringent lockdowns, which have consequently affected the livelihoods of millions of people in the region, whom their economic gain depend on hospitality industries.

The unprecedented effects posed by the COVID-19 pandemic calls for very urgent and vital actions to ensure that people's lives are saved, livelihoods are protected and the economies are recovered so as to improve hotel business in the worldwide (Morton, 2020).

The social effects of the changes resulting from the COVID-19 pandemic crisis are yet well known. We know that due to the implementation of social distance policy, many of the usual activities of society in the economic, social and political spheres closed or suspended (Buzz *et al.*, 2020). As a result, many people in areas such as business, family relationships, and education have experienced the changes and effects of this policy. Many sectors were forced to adjust their workforce and increase the number of unemployed to reduce costs (Saladino *et al.*, 2020). The rapid closures of hospitality services due to COVID-19 epidemic increased social-economic burden and unemployment hence resulted anxiety thoughts to the people and ultimately an increase in crimes such as theft, strife, domestic disputes and fraud (Saladino *et al.*, 2020).

The hotel business as essential to the global economy it reportedly contributed almost 10% of the global GDP in 2018; more than 70 million vacancies were expected to be occupied in the tourism and hotel business during the

coming ten years (Mahamoud & Alaa, 2021). One of the major factors affecting hotel business success is delivering quality service to guests, with the best quality environment, warmth and empathy. The outbreak of COVID-19 increased vulnerability and affected hospitality sector the most affected and the last to recover (Villace-Molinero *et al.*, 2021). A careful mapping of the literature shows that several papers have reported supporting evidence for COVID-19's adverse effects on the performance of hotel business and the impacts hit various nations socially and economically (ILO, 2020a).

Study by Ozili and Arunm (2020) elaborated that hotel industry is highly integrated with global economy and interdependent through the global supply chains. it was profoundly affected by the COVID-19 pandemic. The dramatic spread of COVID-19 threatened human lives, disrupted livelihoods, and affected trades, economy and businesses across the globe. The global economy showed major disruptions and is heading toward a severe recession with an unprecedented economic crisis (Ozili and Arun 2020).

Although all countries faced difficulties due to COVID-19, Villace-Molinero, (2021) reviewed the overall economic impacts of the pandemic on hotel business in China and he found that the business witnessed a sharp decline in hotel occupancy rates and a loss of over US\$9 billion in revenue since the emergency of pandemic.

Furthermore, Asgary *et al.* (2020) showed that South Asian countries in particular experienced the economic impacts and decided to deal with challenging situation. The pandemic resulted to high poverty rates, COVID-19 became a global systemic economic risk as it has affected almost all the economies of the world, no matter how small or large they are. Due to high globalization, economic integration and interconnectedness among the different sectors of economy, a change in any part of the economy affecting other sectors of the economy including hotel business (Asgary *et al.*, 2020).

Importantly, COVID-19 also created collateral damage that harmed employment and let to poor performance of hotel industries (Davies *et al.*, 2020). Various literature such as Jung *et al.* (2021) and Morton, (2020) suggest several possible additional factors behind the poor performance of the hotel business that might delay future recovery such as spread of deceitful news and delaying of restrictions posed by governments.

Methodology

The study focused on the social and economic effects of COVID-19 pandemic toward hotel performance in Tanzania. Employing a mixed methods approach, the research utilized a cross sectional study design with probability sampling, specifically, simple random sampling technique used to select respondent from the selected hotels. Furthermore, purposive sampling was used under the study to select key informants who provided useful information concerning the performance of hotel business such as hotel owner and managers, department of tourism (Iringa Municipality) and government officials from Tanzania Revenue Authority (TRA). The research gathered

primary data through questionnaire and semi-structured interviews and supplemented by secondary data from various sources. Qualitative data summarized, coded and analysed through thematic content analysis. The data was presented, interpreted and organized based on the conceptual description of ideas that was expressed by respondents during data collection. On the other hand, Statistical Package for Social Sciences (SPSS) was used to analyse quantitative data. This included percentages, frequencies and statistical means that were determined through descriptive statistics. Ethical considerations included obtaining permission and informed consent from participants, ensuring anonymity, confidentiality, and the right to withdraw from the study.

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Current Status of Hotel Business Performance in Iringa Municipality

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| Parameter | Frequency | Percent |
|---------------------|-----------|--------------|
| Less than Two years | 16 | 21.3 |
| Two Years | 23 | 30.7 |
| More than Two years | 36 | 48.0 |
| Total | 75 | 100.0 |

Source: Research Findings, (2022)

consumed by local clients (26.6%) and international clients (73.3%). Consumption of services is an indication of

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| Parameter | Frequency | Percent |
|-----------------------|-----------|--------------|
| Local Clients | 20 | 26.6 |
| International Clients | 55 | 73.3 |
| Total | 75 | 100.0 |

Source: Research Findings, (2022)

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e of value to the hotel performance and according to O'Neill & Belfrage, (2005) it comprises an important influence

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| Demands of hotel before pandemic | Frequency | Percent |
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|--|------------------|----------------|
| Low demand | 7 | 9.3 |
| Moderate | 2 | 2.7 |
| High demand | 54 | 72.0 |
| Depended on the season | 12 | 16.0 |
| Total | 75 | 100.0 |
| Demands of hotel after pandemic | Frequency | Percent |
| Low Demand | 45 | 60 |
| Moderate | 19 | 25.3 |
| High Demand | 6 | 8 |
| Depended on the season | 5 | 6.7 |
| Total | 75 | 100.0 |

Source: Research Findings, (2022)

Various study such as Wuest et al. (1996) and O'Neill & Belfrage, (2005) elaborated that a vital components that mportant in creating an intangible asset of value to a hotel and according to O'Neill & Belfrage, (2005) comprises

Social and Economic Effects of COVID-19 toward Hotel Performance

Closed ended questionnaire were prepared with the intention of addressing this objective. The results presented in table 9 reflect the responses of the respondents that asked if the outbreak of COVID-19 led to devastating impact including income loss and health concern. The finding showed that 68 (90.7%) respondents agreed that the pandemic affected their economic status while only 7 (9.3%) did not detect any such effects of the pandemic.

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| Responses | Frequency | Percent |
|--------------|-----------|--------------|
| Yes | 68 | 90.7 |
| No | 7 | 9.3 |
| Total | 75 | 100.0 |

Source: Research Findings, (2022)

This findings imply that, COVID-19 pandemic crisis has caused major changes in social and economic activities, such as problems in global trade, the reduction in the global GDP, border closures, as well as a sharp decline in

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As indicated in the previous chapters, the COVID-19 pandemic inflicted substantial social- economic impact around the world. The pandemic caused direct losses of half-billions in various parts of the world. It also worsened the

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| Response | Frequency | Percent |
|--|-----------|--------------|
| Reduced employees desperate as they lacked wages | 9 | 11.7 |
| Downsize of salaries to the employees | 48 | 64.0 |
| Increased rate of unemployment | 18 | 23.7 |
| Total | 75 | 100.0 |

Source: Research Findings, (2023)

Furthermore, these findings are in line with the study by ILO, (2020a) which revealed that COVID-19 affected economic growth due to an increase in the fiscal deficit and monetary burden and reduced income from travel and tourism activities. This increased the risks of economic instability and subsequently led to the dwindling of the performance of hotel business given the interdependence of these sectors.

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Conclusion

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Impact of the pandemic includes financial loss, reduction in customer demand as opined by 60% of the respondent, while 11.7% of the respondents witnessed downsizing of the hotels' workforce following the lack of funds to pay

In response to the roles played by government to minimize the effect of COVID-19, majority of respondents (74.7%) agreed that the government has a responsibility to support hotels to improve their business performance while 25.3% did not accept that the government has such an obligation. With regard to the advice offered by the government to hotels as a recovery strategy after the pandemic, hotels advised to move their businesses to online platforms, to invest in digital media to make it more visible by people from all corners of the world and to offer special offers for cancelled bookings.

Hotel managers are able to sense the environment and react accordingly. Furthermore, in order to respond to the COVID-19 outbreak, hotels implemented various COVID-19 response strategies which categorized as specific crisis response, general crisis response and business recovery.

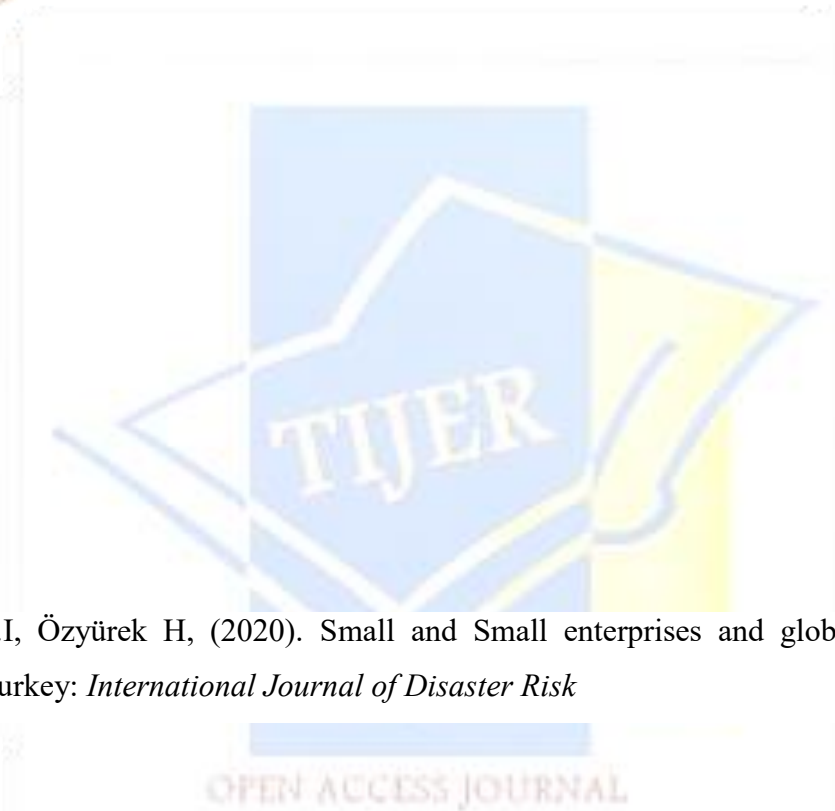
Recommendations

major changes in social and economic activities, such as problems in global trade and reduction in the global GDP.

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The government has obligation to support hotels to improve their business performance. According to this study findings, the government should ensure consistent of social capital variables to navigate and innovate mitigation measures to boost tourism as a catalyst for improved performance of the hotel businesses against the effects of the pandemic. Moreover, the support provided by the government should offer adequate support to the hotel business during and after the eruption of pandemics.

Hotel owners/managers are recommended to focus on vital components that give a response to the pandemic so as to sustain in business's competitive environment such as favorable price, variety of services offered and ensure they provide quality services that meet their customer expectation even after the crisis. Furthermore, the study recommends that policy measures focusing on supporting the hotel business could be an important means to stimulate the Tanzanian economy after the COVID-19 pandemic. Such measures include development of hygienic concepts, improved infrastructure, and advertising to make hotel business in Tanzania attractive for tourists after the pandemic.



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