Research Note / Short Communication

Implications of COVID-19 on Tourism Businesses in Malaysia: Evidence from a Preliminary Industry Survey

Mohd Hafiz Hanafiah  
*Tourism Educators Association of Malaysia (TEAM)*  
*Universiti Teknologi MARA, Malaysia*

Ann Selvaranee Balasingam  
*Tourism Educators Association of Malaysia (TEAM)*  
*Nilai University, Malaysia*

Vikneswaran Nair  
*Tourism Educators Association of Malaysia (TEAM)*  
*University of The Bahamas, The Bahamas*

Mohd Raziff Jamaluddin and Mohd Salehuddin Mohd Zahari  
*Tourism Educators Association of Malaysia (TEAM)*  
*Universiti Teknologi MARA, Malaysia*

© The Author(s) 2021. This article is published with open access by Taylor's Press.

**Abstract:** The Movement Control Order (MCO) and travel restrictions to contain the COVID-19 pandemic have taken a toll on Malaysian tourism and hospitality businesses. Notably, the tourism business’s disruption is likely to continue for many months to come or beyond, causing unrest to the Malaysian economic sustainability. This study aims to comprehend the current tourism business trends, the impacts, and the needs arising from the COVID-19 pandemic. Consequently, this study gauges the tourism industry’s resilience and readiness amid the Malaysian government fiscal policies and Central Bank financial support. The pandemic’s impact has been immediate, as respondents for this study reported a decrease in their tourism sales and revenue. Most respondents reacted positively to the government’s support. However, they are still uncertain of the industry’s future outlook. This study recommends that the Malaysian government provide industry players with additional and tailor-made financial measures to support the tourism industry efficiently.

**Keywords:** COVID-19, tourism industry, Malaysia, economic impacts

Correspondence: Mohd Hafiz Hanafiah, Universiti Teknologi MARA, Malaysia.  
Email: hafizhanafiah@uitm.edu.my
Introduction

The tourism industry is a significant income contributor to the Malaysian economy. Tourist receipts in 2019 reached MYR 86.1 billion compared to MYR 83.1 billion for the same period in 2018 (Tourism Malaysia, 2020). Despite its steady and promising growth, the travel and tourism industry is quite sensitive to crises, including terrorist attacks, natural disasters, and outbreaks of diseases. Recently, the industry's bullish run was disrupted by the outbreak of the COVID-19 pandemic, which has and continues to affect the Malaysian economy adversely. The pandemic is taking a toll on almost all economic sectors, and the tourism industry is no exception. According to Malaysian Prime Minister, Tan Seri Muhyiddin Yassin, the outbreak of COVID-19 cost the nation’s tourism sector an approximate MYR 3.37 billion within the first two months of the year (“Malaysia’s PM Muhyiddin”, 2020). Consequently, the Visit Malaysia Year 2020 (VM2020) campaign was shelved due to the global pandemic (Rahim, 2020). Further, the Malaysian Association of Hotels (MAH) mentioned that as of March 16 (before the movement control order was imposed), a total of 170,085 hotel room bookings valued at MYR 68 million had been cancelled, and the losses are expected to double by the end of the year (Kaur, 2020). MAH also foresaw that 30% of 4,888 hotels registered under the Ministry of Tourism, Arts and Culture (MOTAC) is expected to close down (Ahmad, 2020).

The Malaysian Association of Tour and Travel Agents (MATTA) also reported that their revenue during the March 2020 school holiday period dropped by MYR 150 million compared to the previous year (Malek, 2020). Travel agents also faced a potential liability of around MYR 500 million from customers seeking compensation, regardless of the cancellation and refund policies of various service providers (Aiman, 2020). MATTA also forecasted that the country’s tourism sector is expected to take up to 10 months or the earliest by June 2021 to recover and stabilise once the outbreak is over (Chin, 2020). Nonetheless, the real impact on the global tourism industry is still unknown. While the downward trend in tourist arrivals can be attributed to travel restrictions, it is quite clear that COVID-19 had instilled fear in tourists, which affected their travelling habits (Gani & Singh, 2019). A recent study by Rosselló, Becken, and Santana-Gallego (2020) found that COVID-19 is a global phenomenon; the pandemic affected tourists’ immediate behaviour as they were more reluctant to travel for safety reasons and inflicted an adverse multiplier effect on various tourism businesses.
In regard to previous pandemics, the World Bank estimated the cost to the global economy due to the Severe Acute Respiratory Syndrome (SARS) outbreak at around USD54 billion while the “flu pandemic” caused over USD3 trillion loss in the global Gross Domestic Product (GDP) in 2013 (Karabulut, Bilgin, Demir, & Doker, 2020). Similarly, as the spread of coronavirus widened, world tourism experienced a myriad of global economic challenges. As history has shown, pandemics pose an immediate impact, namely on hotels and restaurants, and airlines, due to international travel restrictions and individual government measures (Liu, Pennington-Gray, & Krieger, 2016; Liu, Moss, & Zhang, 2011; Monerrubio, 2010; Page, Song, & Wu, 2012; Rosselló et al., 2020). Notably, the international and inbound tourism industry has become “lifeless” as hotel occupancy rates plummeted, business trips and vacations were cancelled, and workers were laid off industry-wide (Maliszewska, Mattoo, & Van Der Mensbrugghe, 2020).

While many researchers claim that the tourism industry embodies resistance and resilience, its post-crisis recovery does need unique strategies to cope with long-term impacts. Various tourism researchers have emphasised the importance of crisis management planning (Avraham, 2018; Hosie & Pforr, 2016; Laws & Prideaux, 2017a; Prayag, 2018) and the benefits of a strategic tourism communications plan (Avraham & Ketter, 2017; Çakar, 2018; Laws & Prideaux, 2017b; Park, Kim, & Choi, 2019). As an example, the 9/11 terrorism tragedy and the SARS pandemic affected the world tourism industry and brought demand-driven changes to the tourism sector (Laws & Prideaux, 2017a; Laws & Prideaux, 2017b). However, different crises cause different effects on tourism and the rate of recovery. For crises involving public health safety, the key management issue is to review the crisis impacts on businesses. When the crisis includes a perception of risk, especially health, more comprehensive business strategies appear necessary (Gani & Singh, 2019; Mair, Ritchie, & Walters, 2016; Zahari, Hanafiah, & Dusi, 2016). Thus, to understand the impacts of the COVID-19 pandemic towards the Malaysian tourism industry, it is essential to account for how the industry players perceive and adjust to the crisis. Besides, it is necessary to understand what they expect from the crisis triggered by the COVID-19 pandemic.

Methodology

A quantitative approach and a cross-sectional study with a self-administered survey questionnaire were 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. The survey collected a wide range of information from the respondents, including 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. A pilot test was carried out to confirm the survey instrument’s validity and reliability before the actual data collection. The 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%. 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. The survey data were coded in Microsoft Excel and analysed using SPSS Statistics V22.

Findings

Business Profiles

A total of 233 Malaysian tourism and hospitality businesses provided their feedback on their business performance, the impact of COVID-19 and their perceptions towards the government’s monetary assistance. The data captured included qualitative and quantitative information specifically related to their business model, strategy, performance, risks and expectations. Table 1 presents the demographic profile of the respondents.

Table 1. Demographic profile of respondents

<table>
<thead>
<tr>
<th>Demographic Profile</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel and Tourism Agency</td>
<td>127</td>
<td>56.4</td>
</tr>
<tr>
<td>Budget Hotel</td>
<td>36</td>
<td>16.0</td>
</tr>
<tr>
<td>Hotel (Star-rated)</td>
<td>28</td>
<td>12.4</td>
</tr>
<tr>
<td>Recreation (Theme park etc.)</td>
<td>15</td>
<td>6.7</td>
</tr>
<tr>
<td>Spa &amp; Wellness</td>
<td>9</td>
<td>4.0</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>5</td>
<td>2.2</td>
</tr>
<tr>
<td>Resort</td>
<td>4</td>
<td>1.8</td>
</tr>
<tr>
<td>MICE</td>
<td>1</td>
<td>0.4</td>
</tr>
</tbody>
</table>
Based on Table 1, 56.4% of the respondents represented travel agencies, 16% budget hotels, 12.4% 3-star hotels, 6.7% theme parks, 4% spa and wellness centres, and 2.2% food and beverage service providers. A majority of the respondents were managing directors or directors of hospitality and tourism businesses. In addition, 87.6% of the companies had 50 or fewer employees, and most of them were located in Wilayah Persekutuan or Selangor, Malaysia.

**Business Performance**

The respondents were probed on how their business sales turnover, profit, staff number, and investment changed within the past three months for business performance. Figure 1 illustrates their feedback.
The widespread adverse impact of the COVID-19 pandemic on business turnover was felt right from the early stages. The majority of the respondents claimed that the COVID-19 pandemic inflicted a significant adverse shock on their businesses. For the past three months, most businesses reported much-reduced sales turnover, profit and investments while having retained most of their employees. The majority of them also admitted that their sales turnover and profits were far below the normal range, affecting their business investments. Next, the feedback on their expectations for sales turnover, profit, staff number and investment in the subsequent three months will be discussed. Figure 2 presents these results.
As expected, many expressed frustration with what they foresaw as their short-term earnings performance. More than 80% of them expected their sales, profit and investments to decrease, as well as a reduction of employees within the next three months. For the tourism industry, the primary factor impacting their businesses was the decrease in international and domestic demand due to movement control order (MCO) and national borders closing. These also resulted in several challenges, including onsite operations, processing of accounting tasks, and an overall decline in productivity due to remote working. As a result, they expected that the number or composition of staff would be structurally altered. Besides, future investments in the form of asset replacement and acquisition will be drastically affected.

COVID-19’s Impact on the Tourism Industry

A company’s commitment to its guiding principles is often most critically tested when facing unexpected external incidences or a challenging environment. In this regard, the COVID-19 pandemic had impacted tourism businesses in many ways. Figure 3 illustrates how respondents expected COVID-19 would affect their business sustainability.

With the rapid spread of COVID-19 globally, most industry players doubted that sales would pick up in the following three months, thus anticipating continued high losses. Notably, 64% of respondents expected their business to be affected, and they need to change their business operating model. One of the major reasons why the pandemic is perceived as a threat is that the lockdown has resulted in a substantial rapid travel demand loss. Consequently, customers cancel their travel bookings, claim refunds and withhold payments. On the contrary, 43% of the respondents opined...
that COVID-19 presents an opportunity for them to drive innovation. However, 65% did not perceive that this situation would lead to collaboration opportunities amongst the industry players. The full impact of the COVID-19 pandemic on employment can only be determined over time, as employment tends to be a lagging economic indicator. Nevertheless, human resources are essential as a service industry as online services cannot match up to face-to-face services or are not feasible. The respondents were also queried on their expectations concerning changes in workforce size due to the pandemic. Figure 4 reports the findings.

The majority of the respondents (82%) expressed that human interaction is an essential attribute for their business sustainability. More than three-quarters of the respondents (78%) claimed that remote working was not a feasible option as their employees need to travel to conduct businesses. Moreover, since schools and childcare facilities were closed, it was challenging to have an ideal working environment at home with children being taken care of at the same time. Staggeringly, 31% of the respondents admitted the necessity to make an immediate workforce adjustment in order to cope with the pandemic, which may culminate as a new norm for all businesses to operate. The pandemic’s impact has been immediate as respondents had reported a decrease in their business sales and profit. Although many acknowledged that it would be premature to measure the full effects, most believed that this would have long-term implications on their company and the whole supply chain as they expect this disruption to last for at least six months. This study further surveyed their business strategies for absorbing the impact of COVID-19, and Figure 5 presents their responses.
Figure 5. Business strategies to absorb the impact of COVID-19

Most industry players intended to review and revise their business plan and trim down their planned investment. They also planned to explore new markets and businesses to stay afloat and reduce operational costs. They have also considered changing their business operation model, opportunities to drive innovation and possibly venture into collaborative opportunities, like mergers and acquisitions. Startlingly, most of the respondents also claimed that they would take no action, as they are expecting the COVID-19 issues to ease off within the next few months. This response could be due to the confusion caused by the Malaysian government’s inability to confirm the MCO’s length, which understandably is a challenge for any government globally.

Government Assistance

The paper also evaluated the impact of various policy interventions. The Malaysian government had to resort to drastic measures to prevent and control the COVID-19 pandemic at all levels. In term of business survivability, the Malaysian government has provided a lot of support to SMEs and large businesses, self-employed workers to prevent businesses from going bust and individuals losing their livelihood. Besides, such initiatives are intended to protect workers from becoming unemployed and ensuring that tourism and hospitality businesses remain financially viable once the lockdown is lifted. At the onset of the national lockdown, the government quickly announced an allocation of MYR100 billion under the PRIHATIN Rakyat Economic Stimulus Package to support businesses. Further, Bank Negara Malaysia (BNM) announced a 6-month blanket moratorium where businesses were given deferment on all loan/financing repayments for six months to soften any financial loss incurred.
In addition, the allocation for the Special Relief Facility (SRF) was raised from MYR 2 billion to MYR 5 billion, to provide relief assistance to more SMEs, who were the most affected by the COVID-19 pandemic. SMEs can also avail themselves with three other facilities under the Fund, namely the All Economic Sectors (AES) Facility, Automation and Digitalisation Facility (ADF), Agrofood Facility (AF) and Micro Enterprises Facility (MEF) (Bank Negara Malaysia, 2020). Moreover, the government also subsidised electricity bills and postponed tax instalment payments to affected businesses in the tourism sector for up to six months.

Most respondents reacted positively to the government’s support thus far, with almost three quarters saying that it was helpful. Many of the respondents declared that they had pursued the many financial mechanisms made available, with 63% applying the governments’ financial aid schemes. When probed whether the financial measures are sufficient, most of them were unsure (46.7%), while 35.6% claimed that they were not enough. In short, while the government assistance offered to the businesses are well received, it may still be insufficient. Some have also voiced their concerns about the lack of clarity of these aid schemes. Besides, most of them highlighted their concern on the lack of industry-specific advice on whether they should remain open or close and the difficulty of applying for financial support. For a more in-depth understanding, the study further investigated the type of support businesses needed to mitigate the pandemic’s impact. Figure 6 depicts the types of support tourism businesses require in addition to the government assistance thus far.

Figure 6. Additional support needed by the tourism and hospitality businesses
Although the government has provided financial support to businesses most affected by the pandemic, more could be done as reflected by the responses received. The impact of the COVID-19 crisis on small and medium-sized enterprises revealed by business surveys shows that small businesses are severely disturbed and proprietors are worried. Business owners or managers requested support in terms of business grants, wage subsidies, tax reliefs, extended moratorium period, business advice in terms of risk management and strategic planning, technological expertise, and training and human capital development. This will facilitate access to liquidity support and short-term financial relief, allowing tourism companies to retain employees while providing basic income support or paid vacation.

**Implications and Conclusion**

Despite the government’s sizeable stimulus packages, the future of the tourism and hospitality industry in Malaysia looks bleak. After the first MCO, some industries have gradually opened up. However, the required Standard Operating Procedures (SOPs) such as social distancing rules and MCO continue to hamper the tourism industry’s swift recovery. Even with the initial stimulus packages, the financial situation of tourism business players has worsened. As a result, the Malaysian government issued a second round of stimulus plan valued at MYR 250 billion ringgits to support the enterprises, especially the SMEs. However, as experts claimed that the tourism industry would only recover in 2022, the government must find a way to continue supporting businesses and ensuring that the tourism and hospitality business supply chain will thrive once the lockdown is lifted. Since opening the industry is more challenging than closing its industry, a balanced and prudent approach is needed from the government by providing continuous guidance and support for the recovery and rebound of the tourism sector.

As the spread of COVID-19 widens and more nations begin limiting travel facilities and abilities, this crisis could pose a long-term impact on the tourism industry. Thus, special attention needs to be paid especially by tourism-dependent destinations, including those that rely heavily on international supply markets. The study believes that the tourism sector needs to keep an eye on the future, remain optimistic and be ready when restrictions are lifted and demand for travel and vacations returns. Promisingly, people will travel again, but their travel behaviour would change. This crisis provides an opportunity to rethink the tourism system to create a more sustainable and resilient future. Thus, tourism businesses need to learn and re-learn fast to prepare for a sharp increase in holidaymakers post COVID-19. Notably, new tourism norms are being formed, and tourism businesses must be ready to innovate and change their operations accordingly.

With the heightened levels of travel anxiety and concerns, COVID-19 would affect future travel behaviour, preferences, and willingness to travel. Thus, the Ministry of
Tourism, Arts and Culture (MOTAC) and the Tourism Promotion Board of Malaysia (Tourism Malaysia) need to understand post-COVID-19 tourist behaviours and how they will influence future travel preferences and willingness to travel. Accordingly, understanding the effects of COVID-19 on tourist behaviours and willingness to travel would provide essential insights and guidance for tourism policymakers and practitioners to maintain business continuity within the tourism ecosystem and ensure tourism resilience in any future crises. Besides, tourism operators and destinations need to adapt their products accordingly to the modified travel behaviour. Thus, this is an excellent time to redesign our strategies and engage the stakeholders, including hoteliers, tour operators, food and beverages outlet owners and the media. The policymakers and stakeholders should perhaps work urgently on at least immediate short-range solutions before more permanent solutions can take their place. It would be useful for policymakers (MOTAC) to regulate and modify relevant tourism policies and stimulus packages or incentives to support and inspire local industry players such as transport providers, accommodation operators, licensed travel agents, tour guides, tourism product operators, food outlets, and handicraft/souvenirs suppliers to be more aggressive in promoting domestic tourism, especially in the COVID-19 recovery period. In return, this would help to regenerate the local economy.

This crisis provides an opportunity for us to rethink and innovate. Even though the Visit Malaysia 2020 campaign was cancelled, the spirit of tourism should continue. The researchers believed that the most practical short-term strategy is to rebrand Cuti-Cuti Malaysia as the premier tourism driver with necessary adjustments in light of the MCO and other measures to curtail the deadly coronavirus. By fine-tuning the Cuti-Cuti Malaysia marketing plan and communication strategy, the country may have a better chance of rejuvenating the tourism industry, a significant income generator. The idea is not too far-fetched nor implausible, or even bizarre, considering that domestic tourism offers the prospects of keeping hotels, homestays and resorts open for guests, visitors and family groups. Notably, COVID-19 showed that hospitality and tourism players need to be flexible amid the pandemic and economic uncertainties. Besides, a recurrence of similar COVID-19-style outbreaks in the future is possible. This unprecedented (or maybe a future norm) event has changed the way industry players operate their businesses and craft future strategies.

Open Access: This article is distributed under the terms of the Creative Commons Attribution License (CC-BY 4.0) which permits any use, distribution and reproduction in any medium, provided the original author(s) and the source are credited.

References


