

THE IMPACT OF COVID-19 AND QUARANTINE RESTRICTIONS ON TOURISM INDUSTRY OF UKRAINE

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Abstract

Tourism is one of the most affected sectors of global economy due to the spread of the COVID-19 pandemic. The introduction of strict quarantine restrictions on visiting destinations has led to a sharp decline in demand for tourism and travel-related services, by having respectively identified the general negative trends in the development of domestic and international tourism. Significant restrictions on business infrastructure functioning in the market of tourism services – entertainment and recreation, public transportation (including international traffic), hospitality and restaurant businesses have affected the dynamics in performance indicators of tourism industry entities by causing great losses. Research on the ways to restore the functioning of tourism industry during the COVID-19 pandemic and after removal of strict quarantine restrictions, as well as looking for the ways out of a systematic crisis, substantiation of mechanisms for regulating tourism activities in new realities of the world community existence are of particular relevance. The study reveals the impact of the COVID-19 pandemic on the state of tourism business in Ukraine. The existing problems of tourism

restrictions are studied. Particular emphasis is placed on the consequences of the COVID-19 pandemic for tourism industry, its adaptation to new realities. The essence of pandemic impacts having not only obvious negative consequences for tourism, but also unexpected new opportunities is described. The factors hindering the development of tourism business in Ukraine are outlined. The main measures aimed at stabilization of tourism industry in Ukraine and at minimization of losses due to the COVID-19 pandemic are revealed according to the results of the study.

Key words: *pandemic, COVID-19, tourism industry, quarantine restrictions, business, tourism sector, domestic tourism.*

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Introduction

Tourism is an important element of every country's infrastructure since tourism businesses and organizations operate in close cooperation with other economic activities providing growth of employment. This, in turn, develops the country's positive image and attractiveness in terms of entrepreneurship and business cooperation, promotes sustainable economic growth in the long-term perspective and contributes to attracting foreign investment in the economy, strengthening revenues of the state budget, improving the country's balance of payments and people's welfare.

The spread of the COVID-19 pandemic on the global scale has had a negative impact on all spheres of human lives, including the successful operation of tourism and hospitality industries. Therefore, the study of theoretical and practical issues of stabilizing the operation of tourism services market, preventing the negative impact of quarantine restrictions and further ensuring the sustainability of tourism enterprises is not merely relevant, multifaceted and comprehensive; it is a priority in today's dynamic changes of economic environment.

Tourism industry all over the world suffers great losses due to the measures taken to counteract the COVID-19 pandemic. At the same time, the current situation should not only be considered as a problem, but also as an opportunity to bring the tourism industry of Ukraine to a qualitatively new level.

Under conditions of the global crisis and pandemic connected with the spread of the COVID-19 virus competition for consumers of tourism products

becomes even tougher. Consequently, tourism entities are compelled to reconsider approaches and tools concerning the quality and content of their tourism services, to find new effective forms and ways in order to attract the tourist's attention to such a tourism service that would be innovative, modern, and competitive, and would comply with today's requirements.

At present, the search for ways out of the crisis, as well as the development of measures to ensure the tourism industry's sustainability and full operation become relevant and require detailed research.

1. Literature review

The issue of tourism industry development is not a new one and has been studied by many scholars, scientists and researchers. But changes in the world economy caused by the pandemic raise the need for conducting a qualitatively new research in tourism industry.

Taking into consideration the information analysis conducted by tourism researchers and presented in different sources, it is worth noting the works by A. Romanova, the tourism development expert, who believes that “now it is the time to understand that tourism industry generates 10.4% of the world gross product and provides every tenth inhabitant of the planet with work. But with regard to Ukraine, its own tourism industry is a bit weak, outbound tourism (import of services) considerably prevails”. She also notes that “the first sector of the economy that suffered from the global COVID-19 pandemic is tourism” [1].

Yu. Pravyk [2] considers the issue of conducting tourism business after the COVID-19 pandemic and describes the further ways of its transformation. In particular, he sets out the marketing approach to overcome the crisis.

Roger Dow, the President and CEO of the US Travel Association notes that some areas of the world tourism industry will be in crisis. First of all, it refers to online booking. At present, many companies are suffering losses from this. The coronavirus will also hit cruise companies [3].

A. Mazaraki, T. Tkachenko, O. Hladkyi [4] analyzed the effects of the COVID-19 pandemic on tourism and outlined the main mechanisms to restore the functioning of tourism industry under different forecast scenarios.

It is also worth mentioning research made by Yu. Demkiv and T. Stukach [5], who assessed the state of tourism industry under the influence of

crisis and substantiated the directions of adaptation measures to support and develop Ukrainian tourism industry in current conditions.

The devastating consequences of the COVID-19 pandemic for tourism industry in Ukraine were thoroughly outlined in research by V. Tsaruk, whereas the impact of the pandemic and quarantine restrictions on world and national tourism in the context of force majeure was analyzed by O. Beidyk.

It is obvious that the problems concerning the development of modern tourism industry were touched upon by many Ukrainian and foreign scientists in their research works. In particular, it is worth noting the fundamental works of M. Bojko, M. Bosovs'ka, N. Vedmid', O. Lyubitseva, S. Mel'nychenko, H. Mykhailichenko [8–13] and others. However, the peculiarities of tourism development under conditions of a difficult epidemiological situation in Ukraine and throughout the world as well as the spread of the COVID-19 pandemic have not yet been described in detail in scientific papers. Moreover, the issues of overcoming the negative consequences of the pandemic by tourism businesses remain unresolved and need further research.

2. Research methodology, data and hypotheses

Under conditions of the global pandemic and the necessity of overcoming its consequences, there is a need for finding out the ways, which can be favorable for the development of tourism business in Ukraine during coronavirus crisis. The main hypothesis of the study is to identify the consequences of the COVID-19 pandemic for tourism industry, their adaptation to new realities that may be favorable for the development of tourism business in Ukraine.

In the process of research, we used a number of general and special methods. Methods of theoretical generalization using elements of analysis (to identify trends, internal and external factors in the functioning of tourism industry; comprehensive assessment of its state, analysis of tourism products competitiveness); synthesis and comparison (to determine the essence, content, theoretical approaches to regulating economic development); systematization (to make conclusions) were also applied. The information research base contains official materials of the State Statistics Service of Ukraine, reporting and analytical information on domestic and international organizations; scientific works of Ukrainian authors highlighting the

fundamental provisions for the development of tourism industry, electronic resources presented on the Internet; results of own research works.

3. Results and discussions

The tourism industry of Ukraine was the first to be affected by the consequences of the active quarantine phase. Most hotels remained closed for a long time and couldn't officially receive visitors. Restrictions also affected mass events - festivals, concerts, sports competitions, which usually attract guests from different cities and countries. As a result, tourist, resort, recreational and health facilities (camps, sanatoriums, boarding houses, health complexes), which almost completely terminated their activities suffered the most from quarantine restrictions.

According to various scenarios, in 2021 the volume of international tourism revenues is expected to fall by 58-78% compared to the previous year. According to experts, the recovery of demand to the level of 2019 will take at least two years, while airlines will have to raise prices on average by 43-54% that will reduce the demand for travel [14].

In general, the losses of the tourism industry in Ukraine are estimated at more than US\$1.5 billion [15]. The late start of the resort and recreation season due to the introduction of restrictive measures also created a cumulative effect, which negatively affected the travel and leisure industry as well as related industries - hotel and restaurant business, transport (passenger traffic), retail trade, entertainment industry and cultural establishments. In addition to current and projected losses, this year the tourism business in the Ukrainian Carpathians has already suffered from low demand for mountaineering and skiing due to the abnormally warm winter.

After introduction of an adaptive quarantine phase and the beginning of "a high season" the hoteliers' business affairs improved. Moreover, travel restrictions (closed borders) contribute to the development of domestic tourism - the demand for recreation in Ukraine is growing. It is worth noting that only a small number of foreign tourists visited traditionally Ukrainian resorts, whereas the global pandemic forced Ukrainian vacationers to choose beach resorts in Odessa and Kherson instead of resting in Turkey and Egypt (as of 2018, 88% of Ukrainians went on holiday abroad [16]). Unfortunately, transport restrictions and the psychological factor (fear of catching COVID-19) constrain the existing internal "holiday" migration of the population.

There is a group of Ukrainian regions standing out by some tourism specificity, but a number of unresolved issues hinder the development of domestic tourism.

On average, the share of gross value added (GVA) in Ukraine according to such type of activity as “Temporary Accommodation and Catering” accounts for 0.8% in the total GVA, while in Zakarpattya region it accounts for 1.7%, in Odessa region - 1,6%, in Lviv region - 1.5%, in Chernivtsi, Ivano-Frankivsk regions and in Kyiv - 1.1% [16]. But even with the presence of sufficient capacity (favorable climatic conditions, recreational potential, developed transport network, significant historical, cultural and architectural heritage, etc.), there are factors that, in our opinion, hinder the development of tourism industry:

- unsatisfactory road conditions and access roads towards tourism facilities, insufficient development level and high cost of air flights;
- insufficient development of recreational areas and low level of tourism services, intensive building of coastal strip creating an additional burden on public infrastructure and causing pollution of the Black Sea coast;
- low level of information support of tourism activities, insufficient level of industry management;
- unsatisfactory condition of tourism objects, in particular, architectural heritage;
- lack of systematic state support for the development of tourism industry;
- a significant level of shadow industry, which will complicate the anti-epidemic control, but may act as a certain burden compensator as for official reception of tourists from registered entities;
- diversion of funds from local tourist tax. In 2019, due to changes in approaches to determining the rates of tourist tax, local budgets received UAH 196.2 million, which is 216.3% more than in the previous year [14], however, these funds “dissolve” in the general fund of local budgets.

With regard to the prospects of the industry in conditions of the global COVID-19 pandemic, it is also worth considering the possibility to attract tourists from neighboring countries (in case of the decision to open borders), including Romania, the Republic of Moldova, Poland and Belarus, for which visiting Ukraine has certain advantages: logistical accessibility, absence of the language barrier (it is especially relevant for border regions), established

routes, etc. However, the practical implementation of this demand will depend on the ability to restore tourism and resort infrastructure during anti-epidemic restrictions.

The tourists' tendency to use illegal and semi-legal resort accommodation will depend on the consumers' willingness to accept the risk of possible infection. Therefore, sanitary and hygienic conditions and the possibility of distancing during the stay and recreation will be important factors in competition for the consumer in the 2021 season.

The desire of travel service providers to compensate for the losses of the part of the season by raising prices, reducing the quality of services and spending on recreation facilities arrangement may also impede the attraction of consumers. However, such tactics can only be successful for those businesses that will demonstrate a high level of anti-epidemic protection.

The existing temporary positive trends cannot fully compensate for the losses from "idle business". The adaptive quarantine has not become a panacea for tourism industry. Since many people in the regions do not follow any quarantine restrictions, hotels are becoming centers for the spread of coronavirus. The expected economic recession in Ukraine and the decline in human welfare, which will result in the inability to spend money on recreation, will have an even more destructive effect on the industry.

It is worth noting that the governments of neighboring countries have responded immediately to an urgent need to minimize the economic impact of the COVID-19 pandemic on the tourism industry.

The government of neighboring Poland, for instance, has allocated 5.65 billion euro to support micro-enterprises of the tourism industry by interest-free loans, and the same amount was provided for subsidizing large enterprises by loans or bonds, shares or securities.

The country's budget also provides for 11.3 billion euro to support small and medium-sized businesses related to tourism, which accounts for 12% of Poland's gross domestic product (GDP). Tax holidays have been extended for a period of 6 to 12 months, and the validity period of zero percent loans - up to 12 months [17].

Owners of travel agencies have got the opportunity to discuss the terms of granting loans regardless of the size of their business. Romania and Hungary have prepared advertising and marketing campaigns, developed new products to attract international tourists and support the development of

to 500 million euro per month to help businesses obtain credit [17], as well as financial assistance to retain jobs in the industry. Travel companies have obtained permits to write off the current year's losses. The German government has introduced budget incentives for tourism industry, the revenues of which account for 23% of the country's GDP. In particular, it was allocated 100 billion euro to ensure the companies' solvency, 400 billion euro - to support the liquidity of travel agencies, 100 billion euro - to refinance the industry [17]. Deferral of tax payments and reduction of advance tax payments, corporate taxes and trade taxes have also been introduced.

However, a significant lag in the framework of taking measures to support the tourism sector is observed in Ukraine today, posing a serious threat to competitiveness of the industry in the global market. State support for domestic air and rail transportation and ticket prices with possible subventions, as well as support for domestic tourism through introduction of tourist vouchers and credit lines for this type of tourism are crucial.

Conclusion

It is obvious that there is an urgent need today to intensify processes and measures of overcoming the harmful impact of the pandemic on tourism industry in domestic economy. It should be emphasized that the nationwide realization of all anti-crisis levers, systematization and consistency in the implementation of all measures will facilitate the quickest stabilization in the development of tourism entities and their achievement of appropriate economic efficiency.

The results of the study allow us to outline the main measures to stabilize the tourism industry of Ukraine and minimize losses due to the COVID-19 pandemic: continuation of the policy of abolishing the obligations to pay income tax and value added tax for accommodation, catering; state support and stimulation of domestic air and rail transportation (state subsidies regarding the cost of tickets); gradual introduction of a permit for open terraces, sites for cafes, restaurants (considering compliance to all necessary security measures); intensification of measures as for digital transformation of domestic tourism; development of tourist vouchers for domestic tourism; introduction of a transparent mechanism of using funds obtained by local budgets from the tourist tax exclusively for the development of domestic tourism; conducting an active information campaign to raise interest in

domestic tourism, vacation within domestic natural and recreational destinations.

Ukraine has a significant tourism and recreational potential and opportunities for the development of domestic tourism, promotion and support of which will facilitate improvement of the country's image at the international level, as well as will help attract foreign tourists and minimize losses caused by the COVID-19 pandemic.

The subject for further research may be substantiation of digital transformation in the functioning of tourism industry as one of the ways of its stabilization during the COVID-19 pandemic.

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