

Original Paper

An Appraisal of the Potential Impacts of Covid-19 on Tourism in Nigeria

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Received: April 17, 2020

Accepted: April 23, 2020

Online Published: April 27, 2020

doi:10.22158/jetr.v1n1p32

URL: <http://dx.doi.org/10.22158/jetr.v1n1p32>

Abstract

The outbreak and spread of covid-19 disease has resulted in countries of the world placing travel restrictions and closure of their borders to movements to and from other countries. The tourism industry is one of the sectors that would be greatly affected. Data for the study was generated from desk review of secondary materials, online blogs and interview through social media chat. Findings of the study reveal that the outbreak and spread of covid-19 disease led to rapid shutdowns in cities and states across the country, which greatly affected the tourism industry. Industries in the tourism sector such as airlines, hotels, entertainment and hospitality industries are facing declining demand and patronage with travel crashes and cancellations expected to continue. The increased cancellations of hotels and travel bookings resulted in billions of dollars in revenue loss and hundreds of thousands of job loss in the country. The findings of the study reveal that covid-19 is already worsening the unemployment situations in the country, resulting in loss of substantial revenue to the government, increasing incidence of poverty among others. Based on the findings, the study recommends the need for diversification priorities to alternative sectors such as tourism and agriculture and compensation to business operators in the tourism and other critical sector.

Keywords

Covid-19, Coronavirus, hospitality, travel tour, tourism

1. Introduction

The global community wake up in December 2019 to an outbreak of a disease named Coronavirus disease 2019 (abbreviated as COVID-19). The disease was described as an infectious disease that is caused by severe acute respiratory syndrome coronavirus. The COVID-19 disease has spread to about 196 countries and territories in every continent across the globe. Since then, there has been concerted effort to curtail the further spread of the infection which is believed to be transmitted by human-to-human. The disease has greatly slowed down economic activities across the world, with many countries coming under partial or total lockdown.

The Covid-19 pandemic has resulted in mass production shutdowns and supply chain disruptions causing global ripple effects across all economic sectors in a manner that was never expected. It is projected that the spread of the disease will have serious humanitarian challenges to the countries of the world and especially Africa and Nigeria in particular. Economically, the effects have already been felt as demand for Africa's raw materials and commodities in global market has declined and Africa's access to industrial components and manufactured goods from other regions of the world has been hampered. This is causing further uncertainty in a continent already grappling with widespread geopolitical and economic instability (Morné *et al.*, 2020).

Some of the measures put in place by the Nigerian government in its effort to curtail the further spread of covid-19 include social distancing and staying at home policy in which workers are expected to work from their individual houses and public gatherings of all kind were banned. This policy imposed limitations in spending and declining consumptions. Many factories have responded by shutting down or cutting down production and output, while in other instances, staff work from home to limit physical contact. This has the potential of worsening the poverty and unemployment challenges in Nigeria. The last unemployment report released by the National Bureau of Statistics (NBS) ranks Nigeria 21st among 181 countries with an unemployment rate of about 23.1%. The country has also been rated as the poverty capital of the world with an estimated 87 million people living on less than \$2 a day threshold (CSEA, 2020).

The tourism industry was affected as the travel opportunities for Chinese tourists, who usually spend billions annually, were severely curtailed. There were increased flight cancellations, cancelled hotel bookings and cancelled local and international events worth over \$200billion. The flow of goods through Global supply chains vastly reduced significantly given that China was the world's largest manufacturer and exporter, and the Chinese government ordered the closure of major factories (Ozili & Arun, 2020).

The tourism industry is fast becoming a major source of employment contributing greatly to the GDPs of many countries of the world. Although Nigeria has not taking advantage of the great potentials in the tourism industry over the years, the sector is gradually contributing to the country's GDP and economic development in recent times. For example, Nigeria recorded a total of 5 million tourists in 2016,

ranking 59th in the world in absolute terms with revenue of 1.98 billion USD in the same year, accounting for 0.50 percent of the gross national product (WorldData Info, ND).

The coronavirus triggered a new type of recession that was different from the past triggers of recession (Ozili & Arun, 2020). Ozili and Arun observed that the 2016 recession in Nigeria was caused by the fall in the price of crude oil, balance of payment deficit, adoption of a floating exchange rate regime, an increase in the pump price of petrol, activities of pipeline vandals, and infrastructure weaknesses. Much fear is now being expressed that Nigeria will slide into another recession as a result of this covid-19 disease.

The Nigerian federal budget for the 2020 fiscal year was prepared with significant revenue expectations but with contestable realizations. The approved budget had projected revenue collections at N8.24 Trillion, an increase of about 20% from 2019 figure (CSEA, 2020). This revenue projection is based on anticipated increased global oil demand and stable market with oil price benchmark and oil output respectively at \$57 per barrel and 2.18 Million Barrels Per Day. Thus, Nigeria as a country would be more affected by the present covid-19 pandemic because of its high dependence on crude oil which has witnessed decline in demand in the global market resulting in price crash.

The outbreak and spread of covid-19 will affect the tourism industry most. As countries of the world continue to place travel restrictions and closure of their borders, cruise companies, hotels and hospitality industries are facing declining demand and patronage. For example, in Hungary alone, about 40 to 50% of hotel reservations have been cancelled (CSEA, 2020). Also, the pandemic is placing up to 8 million jobs in the leisure and hospitality sector at risk, with travel crashes and cancellations expected to continue (CSEA, 2020). Already, the National Association of Nigerian Travel Agencies (NANTA) has over 2000 registered members who also have over 35,000 employees that are seriously affected at the moment, with no any other alternative means of livelihood.

Although it is too early to get the overall picture of the effects of covid-19 impact on tourism industry, this study presents an appraisal of the potential impact of the covid-19 pandemic on the tourism sector in Nigeria with the aim of suggesting areas that will require critical intervention as the country struggles with measures of revitalising the economy and mitigating the impact of covid-19 on the Nigerian economy.

1.1 Conceptual Clarification

Tourism is the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created and services provided to cater for their needs (Collins-Kreiner & Wall, 2015). Tourism was defined as people travelling abroad for period of over 24 hours (Vijaya, 2016). It involves the motivations and experiences of the tourists, the expectations of and adjustments made by residents of reception areas and the roles played by the numerous agencies and institutions which intercede between them (Collins-Kreiner & Wall, 2015). Tourism is multifaceted phenomenon which involves movement to and

stay in destination outside the normal place of residence.

Tourism brings in large amounts of income in payment for goods and services available, accounting for appreciable component of the world's exports of goods and services. It also creates significant opportunities for employment in the service sector of the economy associated with tourism. These service industries include transportation services, such as airlines, cruise ships, and taxicabs; hospitality services such as accommodations, restaurants including hotels and resorts; and entertainment venues, such as amusement parks, casinos, shopping malls, music venues, and theatres.

World Tourism Organization (WTO) as cited in Vijaya (2016) defined tourist as a temporary visitor staying for at least 24 hours in a country visited when the purpose of the journey can be classified under one of the following headings:

- i. Leisure - recreation, holiday, health, study of religion and sports or
- ii. Business, family, mission meetings.

According to Tourism Society in Britain, "Tourism is the temporary short-term movement of people to destination outside the place where they normally live and work and their activities during the stay at their destinations, including movement for all purposes, as well as day visit or excursions". Tourism mostly depends on the range and types of accommodation available at the destination. Accommodation is a core of the tourist industry, and plays a distinctive role in the development of this ever-expanding industry. Tourism also tends to give support to local handicrafts and cultural activities; both in urban and rural areas. Expenditure by tourists has a multiplier effect and also generates considerable tax revenue for local economy.

Tourism has become a major and an integral part of economic, social and physical development (Vijaya, 2016). It comprises complete system of nature, the universe, the space and the galaxy which includes the man and his activities, wildlife, mountain and valleys, rivers and waters, forest and trees, social and cultural system, flora and fauna, weather and climate, sun and the sea.

Tourism is a service industry, consisting of transportation, accommodation and hospitality. The term tourism and travel are often used interchangeably though literally there is a difference. The tourism industry is a major sector of the economy of any nation. The constituents of the tourism industry are varied ranging from small scale businesses operating at local levels to multinationals. More over these different components are closely linked to each other. This linkage is there in spite of the competition within one set of constituents. The tourism industry is made up of the following;

- i. Hotel and hospitality—this includes lodges, resorts, tourist homes, guesthouses, restaurant and eatery among others.
- ii. Transportation services that include air, water, road, rail and foot.
- iii. Entertainment services that is casinos, social halls, churches and mosques.
- iv. Information services that is travel agencies, tour operators etc.

- v. Government agencies for instance the Yankari game reserve, Obudu resorts and various National Parks in Nigeria.
- vi. Attraction services both natural and manmade.
- vii. Education and research, that is tertiary colleges and universities.
- viii. Stakeholders, that is shareholders, local community and the government.

2. Methodology

The study relied substantially on secondary (desk) research to identify existing literature on covid-19 through web-based generic search engines and its impact on global economy and tourism in Nigeria in particular. Relevant online materials, especially newspapers and blogs were used. Interview was also carried out through social media chat with some individual key players in the tourism sector in Nigeria. The data generated were analysed using content analysis.

3. Result

3.1 Impact of Covid-19 on Tourism in Nigeria

Covid-19 affects every aspect of human life across the globe. These ranges from postponement of many social and cultural events, games and sporting events, shutting down of institutions and centres of learning and closing of internal and international borders. Although the severity of the impact of covid-19 varies across different sectors, this study focuses on the impact on the tourism sector in Nigeria.

3.2 Impact on Airline Operation

Air transport is a very important sector of the Nigerian economy. There are more than 400 aircraft registered in Nigeria and 60% of these are used for commercial operations (NOUN, 2017). The covid-19 outbreak led the governments of many countries to impose restrictions on non-essential travel to countries affected by the disease, indefinitely suspending tourism travel, work visas and immigrant visas (Ozili & Arun, 2020). Some countries placed a complete travel ban on all forms of inward or outward travel, shutting down all airports in the country. At the height of the coronavirus pandemic, most airplanes flew almost empty due to mass passenger cancellations. The travel restrictions imposed by governments subsequently led to the reduction in the demand for all forms of travel which forced some airlines to temporarily suspend operations (Ozili & Arun, 2020).

The federal government of Nigeria on the 26th March, 2020 declared closure of airports and its borders to all forms of movement and transportation. The airline operators also cooperated with the Federal government directives and suspended their operations in a bid to protect the lives of its staff and reduce the further spread of the disease. It is believed that the travel restrictions cost the tourism industry alone a loss of over \$200 billion globally, excluding other loss of revenue for tourism travel and were forecast to cost the aviation industry a total loss of \$113billion according to IATA (Ozili & Arun, 2020). Ozili

and Arun further observed that the GTBA reported that the business travel sector would lose \$820 billion in revenue due to the covid-19 pandemic.

Africa's air transport industry's economic contribution is estimated at \$55.8 billion supporting 6.2 million jobs and contributing 2.6 per cent to Gross Domestic Product (GDP). Since the end of January, 2020, thousands of passenger flights have been cancelled in Africa. This is expected to increase exponentially with the implementation of additional measures in different countries (Oyebade, 2020). International bookings in Africa are down roughly by 20 per cent in March and April; domestic bookings have fallen by about 15 per cent in March and 25 per cent in April, according to the latest data. African airlines had lost \$4.4 billion in revenue as at 11th March 2020. Ticket refunds have increased by 75 per cent in 2020 compared to the same period in 2019 (Oyebade, 2020). The International Air Transport Association (IATA) observed that Nigeria is at risk of losing 2.2 million overseas-bound passengers and \$434 million revenue loss, if the coronavirus spread continues to escalate (Oyebade, 2020). Most airlines are already having difficulty with payment of salary for their workers and will require government intervention to remain in business. For example, Arik airline, the largest airline in Nigeria on Thursday, 23rd April 2020 inform its staff that it will cut off salaries of its employees by 80% for the month of April, 2020 while 90% if its staff will proceed on indefinite leave without pay from May 1st, 2020 (Nicholas, 2020).

Impact on Travel Agencies

Travel agencies are business outfits whose functions include ticket sales outlets to book the airlines traffic, promote the business of the airline through intensive campaigns, use of effective media outlets to communicate innovations in the industry to the public and assisting the airline customers with information about desired flight information and reservation (NOUN, 2017). It is important to note that some airlines sponsor these agencies by helping them to do their work of producing simple and pre-printed tickets as the case may be. The airline gives some commission of a certain percentage to these travel agents (NOUN, 2017). Some airlines pay more than the standard in domestic airline industry. IATA also fixes commission schedules for the travel agents. However, since not every airline is a member of IATA, some airlines do dictate the commission they give to their own travel agents. In Nigeria, the activities of Travel Agencies are regulated by the Nigerian Civil Aviation Authority (NCAA). With recent technological development, most of their activities are now automated and they are now required to use Computer Reservation Systems (CRS) in booking and confirming seat reservations to prospective customers.

Thus, the travel agencies are key players in the tourism sector and have been recording decline in ticket sales and reservations for international and continental flights during this period of covid-19 lockdown. Nairametrics had reported that the agencies experienced 50% drop in ticket sales and reservations for international routes, and with a recent statement from the agencies body, financial incentives are needed to survive the challenges brought upon them by the covid-19 pandemic (Olalekan, 2020).

IATA had disclosed that International bookings in Africa are down roughly by 20% in March and April, domestic bookings have fallen by about 15% in March 2020 and 25% in April 2020 (Olalekan, 2020). The National Association of Nigeria Travel Agencies (NANTA) alleged that the country's Aviation Industry has been projected to lose N160.58 billion and 2.2 million jobs in 2020 as a result of the covid-19 pandemic (Olalekan, 2020).

Nigeria has about 6,000 travel agencies with 2000 registered with the National Association of Nigerian Travel Agencies (NANTA) which have over 35,000 employees that are seriously affected at the moment by the covid-19 disease outbreak and lockdown policy with no any other alternative means of livelihood. In 2019, these travel agencies in Nigeria sold approximately ₦335 billion in tickets (Interview, 2020). At the moment, there is drop in sales by 25% and the pandemic is not yet over (Interview, 2020). This will likely pick up by 50% to 60% when normalcy returns.

3.3 Hotel and Hospitality

The hotels and hospitality sector is a major revenue earner, with potential of creating thousands of jobs annually. The hotels and hospital subsector of the tourism industry have also had their own share of the challenges from the covid-19 lockdown policy of the government of Nigeria. With government announcement of "stay-at-home policy" and "social distancing" movement restriction, most restaurant businesses were greatly affected. This led to rapid shutdowns in cities and states to control the spread of the covid-19 disease, which threw many restaurants and hotels across the country into sudden shock. Many hotels have recorded decline in bookings due to the health scare, while restaurants in major towns in the country are now restricted to offering only delivery services. Since most restaurants operate with fresh food products, which are difficult to keep in stock as demand fluctuates, they are bound to incur losses.

Hotels across the world witnessed booking cancellations worth billions of dollars, and the hotel industry sought a \$150bn bailout (Ozili & Arun, 2020). Resorts and hotels that were booked by excited vacationers and corporate conference-goers before the present covid-19 pandemic are receiving calls to postpone plans or cancel entirely their earlier proposed events. This has made most of the hotels and restaurants to embark on temporary suspension of normal operations which puts the estimated loss of jobs to 24.3 million globally, and 3.9 million in the US alone due to the decline in hotel occupancy during the pandemic period (Ozili & Arun, 2020). The economic losses of the covid-19 pandemic on the hotel and hospitality industry was enormous. The impact of Covid-19 will make it extremely difficult for many of the tourism industry's players to continue paying staff with a sharp drop in sales and income, resulting in job loss. Many hotels are already closing down because of low patronage and inability to meet up with payment of worker's salary and electricity bills. Many have already cut down on their workforce, while others slash their workers' salaries by 50 per cent.

3.4 Impact on Tourist Inflow

Although the tourist inflow into Nigeria has reduced in recent times owing to increasing security

challenges in the country such as the Boko Haram insurgency, armed banditry and kidnapping among others. The recent outbreak of covid-19 and lockdown policies that follows has only exacerbated the challenges of reduced tourist inflow into the country. According to IATA as at 23rd April, 2020, it is estimated that because of covid-19, Nigeria will have 4.7 million fewer travellers resulting in US\$0.99 billion revenue loss, risking 125,400 jobs and US\$0.89 billion in contribution to Nigeria's economy (Interview, 2020).

3.5 Impact on Entertainment Industry

Covid-19 pandemic has greatly affected the Nigerian entertainment industry by distorting the Nigerian Film Industry (NFI) 2020 revenue projection beginning with an unprecedented disruption of the global films calendar. The 2020 revenue for the Nigerian Film Industry ("NFI") was projected at USD1 billion (Olaniwun, 2020). The Nigerian Box Office ("NBO"), which is an important part of the NFI, was expected to improve on its 2019 stellar performance and rise by about 10% from its 2019 performance to take its revenue to the region of USD35 million 2020 (Olaniwun, 2020).

Most international film festivals and markets that would have schematically occurred from March 2020 have been cancelled and some local and foreign films already scheduled for release have been rescheduled on account of covid-19 pandemic in Nigeria. This wave of cancellations and rescheduling has a knock-on effect on the NFI, including but not limited to the widening gap between Nigerian filmmakers and the much-needed financing.

The NBO generated about USD30 million in revenue in 2019 with a number of planned investments made around the growing Nigerian cinema culture for the year 2020 (Olaniwun, 2020). However, with the restrictions on movement, including lockdowns as well as the high level of families, worldwide, thrown into bereavement, job loss and the general economic downturn, any expected revenue from theatrical release is also postponed, if not lost (Olaniwun, 2020).

Other aspect of tourism sector that will equally be affected by the covid-19 pandemic is the transport, hospitality and trade sectors. The government policy of social distancing and stay at home restrict movement within the country and most urban centres. This also led to stoppage of interstate and inter-town travels, culminating in loss of revenue to operators in the transport sector for the period of non-operation.

4. Conclusions

This study has examined the potential impact of covid-19 pandemic on tourism development in Nigeria. The findings of the study reveals that Nigeria as a country would be more affected by the present covid-19 pandemic because of its high dependence on crude oil which has witnessed decline in demand in the global market resulting in price crash. This outbreak and spread of covid-19 disease led to rapid shutdowns in cities and states across the country, which greatly affect the tourism industry. Some of the impacts of covid-19 on tourism include increased cancellations of hotels and travel bookings and

increased cancellation and rescheduling of events in the entertainment industry, resulting in billion-dollar revenue loss and millions of job loss. It is feared that the volume of revenue loss may affect the ability of most of the industries and businesses in the tourism sector to return back to normal operations after the covid-19 pandemic without appreciable financial support from the government.

5. Recommendation

Based on the findings of this study, the following recommendations are made:

- i. Basically, the Nigerian government need to undertake economic diversification drive. It is one practicable way to saddle through the current economic uncertainties and instabilities by opening up new opportunities in other sectors especially the tourism sector.
- ii. Compensation should be given to the passengers by way of (i.e., \$50) discount and flexibility in changing tourist schedules to encourage tourists that had booked earlier before the covid-19 lockdown.
- iii. There is need for government intervention by way of palliative measures to assist key players in the tourism and other sectors. Such intervention will include granting loan repayment waiver and moratorium to businesses and soft loans with low interest rate.
- iv. The tourism industry will require government bailout. This is because many Nigerian airlines were in weak financial state which was further exacerbated by the covid-19 pandemic.

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