

Chapter 3

Financial Impacts of COVID-19 on Tourism: Evidence From Some Listed Companies

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ABSTRACT

Tourism is a vulnerable sector to risk-related events such as natural disasters, terrorist attacks, economic crises, or infectious diseases. After the outbreak of COVID-19 being confirmed a pandemic in March 2020, the operations of tourism companies decreased sharply due to the restrictions and measures imposed as the virus was being transmitted easily between people through droplets or particles that float in the air. Therefore, this chapter focuses on the financial impacts of COVID-19 on tourism by examining the financial statements and disclosures of some listed companies. Although there are some studies on the potential effects of the COVID-19 on the economy or the businesses, there are hardly any concerning the financial impact of the pandemic on tourism companies as of the end of pandemic's first year. This study identifies the effect of COVID-19 on the financial position and performance of tourism companies, COVID-19 related risks, the strategies implemented by companies and their possible impact on operations.

INTRODUCTION

After the first coronavirus case being reported in Wuhan in December 2019, the World Health Organization (WHO) confirmed COVID-19 as a pandemic in March 2020 (Li et al., 2020), which caused dramatic losses of human life and a global economic crisis. Although some companies or sectors have not gone through the immediate consequences of the crisis, most companies are expected to face considerable losses in the long run. Being a volatile sector, tourism has been the most affected field regarding the COVID-19 pandemic and the measures taken (Baba et al., 2020). After the virus outbreak in China, national and international traveling for touristic purposes decreased sharply (Georgiana, 2020) due to

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the closed airports, travel restrictions imposed, and suspended activities in the hotel industry (Pavaluc Melinte et al., 2020).

While most of the sectors were seriously affected by the COVID-19 pandemic, they were able to find ways to operate under the restrictions. For instance, the non-food retail industry moved to online sales, some clothing and machinery/equipment companies developed other activities such as producing masks or respirators. However, the tourism industry had no options and was heavily exposed to the measures taken against COVID-19 (Marques Santos et al., 2020). Unlike other activities, since the unused tourism capacity cannot be marketed in the following years, the tourism revenues are lost permanently (Madani et al., 2020).

As tourism has contributed heavily to the spread of the virus (Tran et al., 2020), the COVID-19 pandemic became a tourism demand crisis in addition to being a socio-political and economic crisis (Zenker & Kock, 2020). Based on the UN World Tourism Organization's (UNWTO) latest estimates, in the first ten months of the year 2020, international tourist arrivals decreased by 72%, and this decrease is estimated to result in an economic loss of over US\$ 2 trillion in global GDP (World Tourism Barometer, 2020). COVID-19 pandemic not only impacts the tourism sector in terms of lower profits on the supply side, but it also affects the tourism demand as safety issues are critical for the risk perceptions of tourists and their willingness to travel (Li et al., 2020). Besides, according to the WTTC report, the COVID-19 crisis is estimated to lead to a loss of 174 million jobs by the end of 2020.

Due to COVID-19, the governments provided stimulus packages such as subsidies, tax reliefs, government-backed loans and, on the other hand, intervened in the operations and functioning of the tourism sector (Sigala, 2020). While heavy measures are ongoing regarding the pandemic, the governments consider exit strategies because of the economic pressures (Linka et al., 2020), as tourism is an essential driver for regional development, generating foreign exchange, supporting businesses and employment, and a direct contributor to the GDPs of countries (OECD, 2020a). For this reason, it is crucial to identify the financial impacts of COVID-19 on tourism companies and their performance.

When designating the post-COVID renewal for tourism, in addition to cooperativeness, change in the competitiveness ethics, initiating conscious social change, and applying social innovation to tourism (Haywood, 2020), considering the financial capabilities and needs of the tourism companies are of utmost importance.

In this sense, what is still lacking is the magnitude of the financial impact of COVID-19 on tourism companies. The listed tourism companies in the countries where the COVID-19 total cumulative cases as of the end of year 2020 (WHO Coronavirus Disease (COVID-19) Dashboard, 2021) are the highest (such as the USA, Brazil, Russian Federation, France, UK, and Turkey), are included in this chapter. The financial position and performance of these companies are evaluated based on publicly available financial data. Besides, content analysis is conducted using the disclosures in the notes to the financial statements regarding the effects of COVID-19 on these companies.

In that respect, this chapter can help the authorities develop the post-COVID-19 tourism policies considering the companies' financial capacities. To be able to maintain the financial stability of tourism companies, the extent of financial support, the degree of intervention in the operations of tourism companies, imposed restrictions, and suspended activities should be planned considering the impact of COVID-19 on the financial position and performance of the tourism companies during the pandemic period.

This chapter will provide comparative information about the profitability, liquidity, cash flow adequacy, capital structure of publicly held tourism companies, and the effects of COVID-19 on revenues,

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