# The Effectiveness of Governmental Assistance Policies for the Tourism Industry in the Context of Pandemic

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**Abstract.** Based on the far-reaching Consequences of the COVID-19 outbreak on the global tourism sector and the urgent need for government assistance policies, this study primarily focuses on the tourism industry in China. Employing methods such as historical data analysis, evaluation of government policies, and future trend forecasting, this paper provides a comprehensive exposition and analysis of the Consequences of the viral outbreak on the tourism industry, necessity and effectiveness of government relief policies, and the future outlook for the tourism sector. Through the utilization of econometric models and multiple indicators, the research findings indicate a significant decline in tourism industry revenue and its contribution to GDP as a direct consequence of the pandemic. Moreover, the positive effects of government relief policies and encouraging signs of recovery in the tourism industry are observed. Based on these findings, this study concludes that the tourism industry is poised for a robust recovery post-pandemic and highlights the practical implications for governments and businesses in terms of facilitating recovery and fostering future growth. However, it is important to acknowledge certain limitations such as data scope, methodological constraints, and regional disparities. Therefore, this research proposes future research directions and potential enhancements to provide more precise and in-depth insights and recommendations for governments, businesses, and the academic community.

**Keywords:** Assistance policies, tourism industry, pandemic.

## 1. Introduction

### 1.1. Overview of the Impact of the Pandemic on the Global Tourism Industry

Since the outbreak of the COVID-19 pandemic, the imposition of international travel limitations and isolation protocols has had a substantial impact on the global tourism sector [1]. International flight cancellations, border closures, and heightened concerns over health and safety have led to a significant decline in travel demand. This has not only restricted people's freedom to travel but has also caused substantial disruptions to the revenue and employment within the tourism sector.

The travel sector fulfills a crucial function in the economies of many regions, particularly those heavily reliant on tourism for their development. The stagnation of the industry due to the pandemic has resulted in substantial economic losses [2]. According to estimates by the World Tourism Organization, the global tourism industry may face revenue losses exceeding $1.3 trillion.

While the widespread distribution of vaccines and the gradual reopening of certain regions have brought hope for the industry's recovery, it is anticipated that the pandemic will have lasting effects on tourism. New patterns of tourism and changes in consumer behavior have emerged as a result of the crisis. Virtual tourism and local travel experiences have gained popularity and may continue to shape the industry's future.

As the world adapts to the "new normal," the tourism industry faces numerous challenges and uncertainties. The ability of businesses and destinations to adapt to changing consumer preferences, implement robust health and safety measures, and rebuild traveler confidence will be crucial in navigating the path to recovery. Governments, industry stakeholders, and tourism organizations must work together to devise strategies and Strategies aimed at facilitating the resurgence and fortitude of the travel sector following the viral outbreak.

### 1.2. The Necessity and Objectives of Government Assistance Policies

Government assistance policies are crucial in preventing the bankruptcy of tourism-related businesses and protecting employment [3]. Many tourism enterprises face the risk of insolvency due to a drastic reduction in revenue, and financial support from the government can help them overcome these challenges.

The primary objectives of government assistance policies are to stabilize the economy and prepare for future recovery. By providing loan guarantees, tax relief, and direct financial support, Approaches designed to accelerate the rebound and robustness of the tourism industry in the aftermath of the pandemic and devise a strategy for prospective expansion This paper will delve into the impact of the COVID-19 pandemic on the global tourism industry, analyze the necessity and objectives of government assistance policies, and provide an outlook for the future of the tourism industry.

## 2. Literature Review

### 2.1. Performance of the Tourism Industry in Historical Pandemics

In accordance with the theory of risk perception, Wang et al. studied the risk perception mechanism of potential tourists in the COVID-19, and the influence of hazard awareness on prospective travelers' affinity for destinations and intent to visit. The research results show that Perception of risk in the travel sector exerts a notable adverse impact on potential tourists' place attachment and travel interest [4]. Rutynskyi and Kushniruk studied and analyzed the sectoral losses of the tourism industry during the isolation period of Lvov due to the COVID-19, and estimated the economic losses of Lvov's tourism industry under the long-term isolation condition using the extrapolation method. It is suggested that the municipal government cancel certain municipal levies and charges on the tourism industry to restore its potential as soon as possible [5]. Riadil aims to investigate the perspectives of Indonesian tourism industry employees working in the tourism and hotel industries, in order to understand the impact of their work careers. The empirical findings indicate that the epidemic has had a negative impact on Indonesia's tourism and hotel industries [6].

### 2.2. Government Assistance Policies in Historical Pandemics

Hsiang et al. evaluated the impact of these anti-infectious policies on infection growth rates. Research has shown that anti infectious policies have greatly slowed down this growth, and the package of policies deployed to reduce transmission rates has achieved significant, beneficial, and measurable health outcomes [7]. Capano G and others have a deep understanding of the response measures to COVID-19 across various global jurisdictions and the conditions for forming these measures, showing the capacity and potential of individual governmental bodies to assimilate lessons from antecedent pandemics, as well as their ability to implement the standard policy measures deployed to respond to the crisis and build political support [8].

This study provides a historical background for understanding the tourism industry under the COVID-19 pandemic by examining the impact of historical epidemics on the tourism industry and the effectiveness of government aid policies. Compared with existing research, the main feature or marginal contribution of this study lies in a more comprehensive analysis of the necessity and purpose of government aid policies, as well as possible trends and challenges in the future of the tourism industry.

## 3. Tourism Industry and Governmental Assistance in China

This investigation revolves around the consequences of the global COVID-19 crisis as it pertains to the worldwide tourism industry, particularly in China's tourism sector. It primarily applies historical data analysis, evaluation of government policies, and future trend forecasting methods.

### 3.1. Evaluation of the Governmental Assistance

Econometric models such as regression analysis are used to quantify the impact of policies on the tourism industry. The indicators include tourism revenue, tourist arrivals, profitability of tourism enterprises, employment situation, and other relevant measures. Common data sources for this study include online surveys and data collection methods. These citations can yield significant viewpoints concerning the effects of the SARS-CoV-2 outbreak on the global travel market.

#### 3.1.1 Preliminary results

The SARS-CoV-2 pandemic has caused a significant and systematic disruption to the global tourism industry, particularly in China, where tourism is a crucial component of the national economy. The core objective of this study is to utilize macroeconomics and industry analysis methods to deeply explore the effects of the pandemic on China's hospitality and tourism domain and assess the effectiveness of government relief and support measures.

In 2020, domestic tourism revenue in China declined by 61% to 2.2 trillion RMB, and it further contracted to 2 trillion RMB in 2022. The share of tourism revenue in GDP dropped from 6.7% in 2019 to 1.7% in 2022. This decline reflects the reduced demand and supply constraints experienced by the tourism domain in the midst of the pandemic crisis

The preliminary results obtained through data analysis highlight the severe negative impact of the COVID-19 pandemic on China's tourism industry. The investigation goals to offer insights into the effects of the pandemic, evaluate the efficacy of government assistance policies, and contribute to the analysis of the benefits derived from these relief and support measures.

#### 3.1.2 Implementation of government relief policies

The government has issued the "Several Policies to Promote the Recovery and Development of Troubled Industries in the Service Sector" to alleviate liquidity constraints and operational pressures in the tourism industry. These policies include support measures such as the temporary refund of tourism service quality assurance deposits for travel agencies and strengthening cooperation between banks and enterprises, demonstrating proactive government intervention in the industry.

#### 3.1.3 Analysis of the effectiveness

Support for travel agencies: The policies provide liquidity support, easing the financial pressure on travel agencies. Deferred payment of unemployment insurance and work-related injury insurance: The flexibility of the policies helps alleviate fixed cost burdens for businesses. The policies encourage banks and financial institutions to increase credit supply, expanding the financing channels for tourism enterprises. Government procurement and cooperation: Government collaboration with tourism enterprises creates more business opportunities, promoting recovery on the demand side.

Although the pandemic has severely impacted the tourism industry, with the promotion of vaccines and control of the virus, the industry is expected to experience a strong recovery. Signs of recovery have already been observed during the 2023 Spring Festival period in terms of passenger transportation and film box office consumption, reflecting the gradual restoration of consumer confidence.

### 3.2. Application and Results

#### 3.2.1 Government measures and the effects

To alleviate the financial pressure on the tourism industry, the government has introduced a series of loan guarantee programs. In particular, travel agencies and hotels are provided with loan guarantees of up to 80%. This policy effectively alleviates short-term liquidity issues for businesses, enabling them to maintain operations and pay employee salaries [9].

According to the latest data, this policy has provided loan guarantees to over 2,000 tourism-related enterprises, totaling 5 billion RMB. These funds are primarily used for paying employee salaries, maintaining facilities, and promoting activities.

The government has also implemented a range of tax reduction policies, including deferred payment of business tax and value-added tax, to lighten the burden on businesses. This policy not only reduces the financial pressure on enterprises but also provides more funds for business development and expansion.

According to statistics, tax reduction policies have saved the tourism industry approximately 3 billion RMB in taxes. These saved funds are being utilized for research and development of new products and improving service quality.

The government is providing direct financial support to the most severely affected tourism destinations and enterprises. These funds are primarily used for the recovery and enhancement of tourism infrastructure, such as repairing damaged tourist attractions and improving public transportation facilities [10]. For example, the government has provided 500 million RMB in direct financial support to the tourism industry in Wuhan city. These funds are being used to repair tourist attractions affected by the pandemic and enhance public transportation facilities.

### 3.2.2 New tourism modes

Virtual tourism has emerged as a new trend during the pandemic. This mode allows people to virtually visit tourist destinations worldwide through virtual reality technology. The pandemic has also prompted more people to explore local or nearby tourism resources. This trend is expected to continue, especially in situations where vaccine coverage is incomplete or new outbreaks occur [9]. The pandemic has altered consumer expectations and behavior towards tourism. More people now prioritize health and safety, which will drive tourism businesses to provide more personalized and secure services [10]. According to a survey, over 60% of consumers expressed a preference for tourism products and services that provide health and safety guarantees [5].

As shown in Figure 1, data indicates that the number of domestic tourists among urban residents in China reached 5.54 billion person-times in 2018, accounting for 10.8% of the total domestic tourist population. Due to the impact of the epidemic, the number of urban resident tourists started to decline since 2020, but the proportion of the domestic tourist population saw a recovery in 2022, reaching 22%.

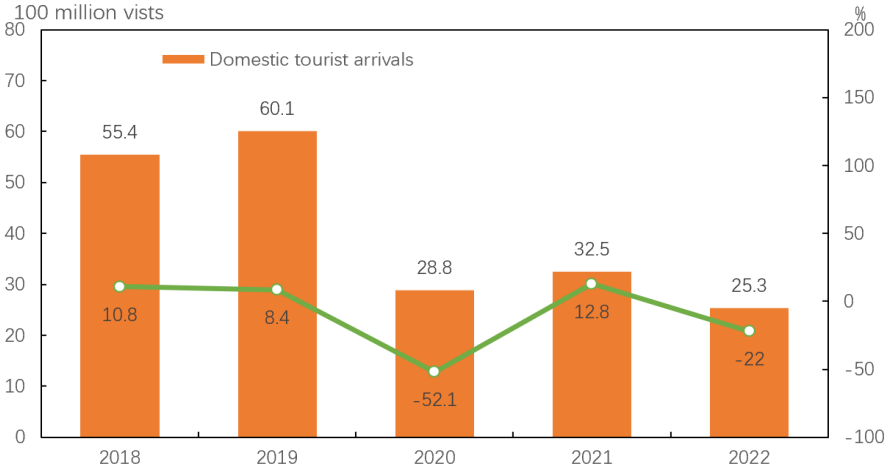



**Figure 1.** Domestic tourist arrivals and the growth rate, 2018-2022 (Photo credit: Original) (Data source: National Bureau of Statistics, Oriental Wealth Securities)

According to Figure 2, the data displays the number and proportion of domestic tourists from 2015 to 2019. It can be observed that over the course of these four years, the number of tourists showed an increasing trend, reaching 6.01 billion people in 2019.

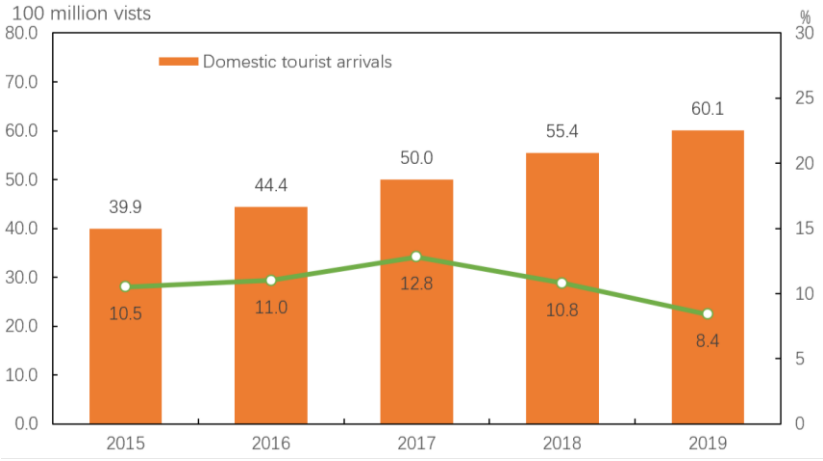



**Figure 2.** Domestic tourist arrivals and the growth rate, 2015-2019 (Photo credit: Original) (Data source: National Bureau of Statistics, Oriental Wealth Securities)

## 4. Limitation and Outlook

### 4.1. Research Limitations

This study primarily relies on data pertaining to domestic tourism revenue and government policies, which may not fully encompass the dynamic global tourism market and diverse influencing factors. In addition, this study primarily adopts quantitative analysis and may not delve deeply into the micro mechanisms within the tourism industry and the complexities of consumer behavior. Due to the evolving nature of the COVID-19 pandemic and rapid adjustments in government policies, some of the conclusions in this study may be limited by timeliness. The tourism market in China exhibits significant regional variations, and this study may not fully consider the impact of regional differences on the tourism industry.

### 4.2. Future Research Directions and Potential Improvements

Future research could consider integrating more international data and diverse influencing factors to provide a more comprehensive analytical perspective. First, more sophisticated qualitative analysis methods could be employed to explore micro-level issues within the tourism industry, such as consumer behavior, business strategies, and market structures. Second, by continuously monitoring changes in the pandemic, government policies, and market responses, dynamic analysis can enhance the timeliness and predictive ability of research. Third, future research could conduct more detailed analyses of the characteristics and demand differences in different regions of the tourism market to provide more targeted policy recommendations and market strategies.

In conclusion, although this research yields significant viewpoints on the consequences of the global COVID-19 crisis as it pertains to the Chinese tourism industry, there are still limitations. Future research can further enrich and improve the understanding and analysis of the tourism industry by expanding data sources, conducting in-depth micro analysis, tracking dynamic changes, and analyzing regional differences. This will contribute to providing more accurate and comprehensive insights and recommendations for governments, businesses, and the academic community.

## 5. Conclusion

### 5.1. Key Findings

This study provides in-depth analysis of the influence of the COVID-19 pandemic on the global tourism marketplace, particularly in China, and reveals the following key findings. The pandemic has had an unprecedented impact on the global tourism industry, resulting in a pronounced drop in

consumer interest for travel and substantial income reductions. Government assistance policies have played a crucial role in preventing the bankruptcy of tourism-related businesses and protecting employment. New tourism modes and changes in consumer behavior may have long-term implications for the tourism industry, such as the rise of virtual tourism and local tourism. These findings not only enhance the understanding of the repercussions of the pandemic on the tourism but also provide targeted policy and strategic recommendations for governments and businesses.

### 5.2. Recommendations

Derived from the analysis of this study, the following recommendations are proposed. Governments should continue to provide financial support and flexible policies to help the tourism industry weather the storm and prepare for future recovery and growth. Encourage tourism enterprises should invest in new technologies and innovations to adapt to evolving consumer demands and market environments. It is reasonable to strengthen global cooperation to collectively promote the recovery of international tourism, particularly in vaccine promotion and health and safety measures. Moreover, tourism businesses and governments should collaborate to enhance consumer confidence by providing safe and hygienic tourism environments.

The impact of the COVID-19 pandemic on the global tourism is complex and far-reaching. This study provides valuable insights into the effects of the pandemic, the effectiveness of government assistance policies, and future trends, offering valuable insights for governments, businesses, and scholars. Although the viral outbreak has engendered numerous obstacles, it has also presented chances for innovation and transformation within the tourism sector. Through sound policies, innovative strategies, and global cooperation, the tourism industry can not only recover from the pandemic but also usher in new growth and prosperity.

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