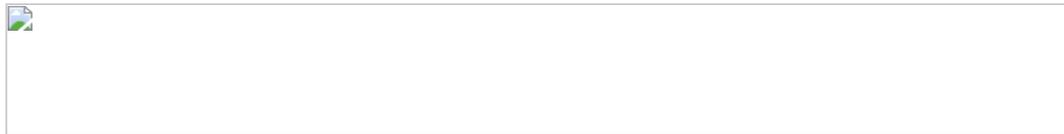


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As many businesses in the travel industry continue to bear the brunt, there are high expectations of interest-free financial support for at least two years to help combat the cash-negative books

Sandeep Dwivedi | February 1, 2021 | Updated 11:01 IST



The travel and tourism industry is undergoing a radical shift due to pandemic imposed restrictions and is expected to have accrued a loss of Rs 90,000 crore. (Photo: PTI/Image for representation)

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A difficult year that was 2020 is behind us but the ramifications faced by the entire travel and tourism sector stay. With the majority of businesses struggling to become cash-positive again, expectations are high from the upcoming budget.

As the seventh largest tourism economy in the world, India recorded 10.89 million FTAs (Foreign Tourist Arrivals) in 2019. In 2020, however, an entirely different, and rather disfigured

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months, many were seen delivering cargo on passenger planes post lockdown.

This year's budget comes as a gleaming ray of hope for many in the industry. We hope the sector's contribution over the years and role in economic activity is noted and some relief is extended to aid the struggling travel and hospitality businesses. That is to say, multiple factors and varied inclusions in the budget are expected to help stabilise turbulent waters and improve the navigational charts of businesses within the sector.

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Taking into account fixed costs incurred by the airports and hotels, some respite in utility payments like power, water and gas bills will likely open doors for cost efficiency. With revenues constantly plunging below expected levels of sustenance for aviation and many in the tourism industry, a discount on taxes, excise fees, security deposits, etc. is quite expected as well.

The suspension of the Insolvency and Bankruptcy Code is scheduled to be lifted on March 31, 2021. The current situation and plunging cashbooks call for an extension of this suspension or credit support for ailing businesses in the upcoming budget.



If we look at industry analysis and estimates, especially for the aviation sector, all hands point towards a distant recovery - the most optimistic estimate suggests full recovery of FY2020 levels for the domestic sector and 65-70% for international, by the fourth quarter of 2021, if consistency in recovery and consumer confidence prevails with gradual lift on travel restrictions currently in place.

But with failing businesses and depleting funds, such estimates may fall flat on the ground in the absence of an immediate impetus by the government, especially for severely ailing businesses.

It is expected that in light of prevailing restrictions on international travel, airlines will likely seek nearly \$1 billion in debt funds.



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by including a rebate in tax or government-aided funds at subsidised interest rates in the upcoming budget, the government will be saving two major economy-boosting industries in the country.

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Additionally, support in the form of financial extensions and tax rebates on advanced technologies for travel and tourism, including innovations under the Atmanirbhar scheme, must be included in the budget this year to bring touchless technologies and frictionless queue management in the system, and augment AI predictability prowess within the sector.

FDI may benefit the entire tourism industry at this time and so would opening international markets especially for facilitating medical, labour, and education tourism.

By introducing tax rebates and discounted costs on FDI, safer international mobility and infrastructure along with export incentive schemes in the budget, the otherwise dormant international travel shall gain the much-needed momentum and subsequently impact presently decelerating economic and employment numbers in the industry through foreign exchange earnings.

Hopes are high for schemes and projects that will accelerate domestic tourism as well, including the smart cities project, suburban air connectivity, tourism promotions, and safety and hygiene practices.

Lastly, to encourage inter-industry collaborations for better, safer offerings to consumers, an extension of subsidies, rebates, and perhaps tax-less, interest-free loans could bring about the much-needed push for the revival of the industry post-pandemic.

Evidently, the travel and tourism industry is undergoing a radical shift due to pandemic imposed restrictions and is expected to have accrued a loss of Rs 90,000 crore according to industry estimates.

As many businesses in the travel industry continue to bear the brunt, there are high expectations of interest-free financial support for at least two years to help combat the cash-negative books.

Further relaxation in GST incurred on essential services purchased by small to medium businesses should ultimately prove beneficial until international travel changes course and books turn cash-positive again.



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