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SUSTAINABLE DEVELOPMENT OF VIETNAM'S TOURISM POST-COVID ERA

Nguyen Duc Duong¹, Vu Thi Thao², Nguyen Thi Thu Huong³, & Ho Thi Ly⁴

¹ East Asia University of Technology, Vietnam

^{2,3.&}Hanoi University of Natural Resources and Environment, Hanoi, Vietnam

Corresponding Author: Nguyen Duc Duong

Corresponding Author Email: duongnd@eaut.edu.vn

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ABSTRACT

The tourism industry has been one of the most heavily impacted sectors worldwide, including in Vietnam, due to the COVID-19 pandemic. Financial and credit policies are two key macroeconomic economic policies, directly managed by the Ministry of Finance and the State Bank of Vietnam, that play a crucial role in realizing the country's economic and social development goals. During the COVID-19 pandemic, which disrupted global travel and tourism activities, these two economic policies became even more pivotal in supporting the tourism sector in overcoming its challenges. Furthermore, these policies contribute to the successful implementation of the tourism and travel services development strategy, a key sector for the country in the current period and looking forward to 2025 and beyond.

Keywords: Policies, Tourism and Travel, Challenges.

INTRODUCTION

Looking back on over 30 years of comprehensive economic and social reforms in the country and more than 20 years of state-owned enterprise restructuring, the majority of tourism and travel businesses in Vietnam are now privately owned. Some state-owned tourism and travel companies have been privatized, with the government holding less than 50% of their charter capital. Furthermore, in recent times, with policy adjustments related to finance and currency management for private enterprises, the tourism and travel industry, like other economic components, has shown rapid and leading growth in Vietnam.

Tourism and travel have become a pivotal sector in Vietnam in recent years. With an average annual growth of 20% in both domestic and international tourist numbers, the revenue generated from tourism and travel has also grown by an average of over 20% per year over the past decade, providing significant income for various sectors directly related to tourism and travel. These include travel agencies, transportation services such as airlines and tourist buses, cruise ships, accommodations such as hotels and resorts, tourist attractions, entertainment venues, and finally, various retail establishments catering to tourists. Managing the tourism and travel business during the COVID-19 pandemic, particularly addressing financial and credit-related challenges, is of utmost importance to overcome the pressing difficulties faced by this industry in Vietnam today. This research article, using qualitative methods, literature reviews, and secondary data analysis from relevant government agencies, aims to shed light on the current situation, provide observations, assessments, and make related recommendations.

CONTENT

The Role of Tourism and Travel Industry in the Face of COVID-19

Impact The tourism and travel industry creates a significant amount of employment, both directly and indirectly, for workers involved in various aspects such as producing goods for tourists, providing services to tourists, producing food for tourists, and managing tourist destinations. Financially, the tourism and travel industry, along with its related sectors, relies heavily on credit capital for investments in transportation vehicles, construction, and operation of accommodation facilities. Tourists and travel-related entities use various payment methods, especially electronic payments, international credit cards, and foreign currency transactions. At all levels of the state budget, revenue is collected through fees, charges, visa fees, entry-exit fees, and, most importantly, various taxes ranging from corporate taxes to personal income taxes, from different positions within the aviation, airport, hotel, travel company, and tour operator segments. The tourism and travel industry has been severely affected due to the COVID-19 pandemic.

As of September 27, 2020, there were over 33 million COVID-19 cases and more than 998,000 deaths worldwide. The United States and Brazil had the highest numbers of infections and deaths. The U.S. alone recorded nearly 7.824 million infections and over 209,155,000 deaths from COVID-19 since the outbreak. The COVID-19 situation in India is also complex, with over 6 million infections and 94,000 deaths. Brazil, the third-largest outbreak in the world, had a total of 141,406 deaths and 4,717,991 infections. There are concerns of a second wave of COVID-19 outbreaks in many European countries. Global tourism, travel, and logistics activities have been disrupted and severely affected (Ministry of Health, 2020).

This situation has led to mutual indebtedness among tourism, travel, accommodation, food service, transportation service, and aviation businesses. It also poses risks of bad debts, overdue bank credit, decreased bank payment transactions, tax arrears, and social insurance debts, all of which are on the rise. Workers in this industry are losing their jobs, facing unemployment benefits, or having no income, greatly affecting economic development, social welfare, and fiscal balance. Therefore, a feasible and effective financial and monetary solution is urgently needed to facilitate the recovery of this sector post-COVID-19, which is essential for Vietnam's economy.

Current Challenges in the Tourism and Travel Industry

Amid the COVID-19 pandemic since February 2020, both international and domestic tourism activities came to a halt. From early June 2020 to mid-July 2020, the situation in Vietnam was under control, and domestic tourism was slowly recovering. However, from late July 2020, COVID-19 resurged in Vietnam, significantly impacting tourism activities nationwide. Due to the complex developments of COVID-19, tourism and travel activities across the country were once again suspended from late July 2020 to mid-September 2020. Fueled by fear, many tourists postponed or canceled their trips, requested full refunds for pre-booked services, and sought 100% refunds.

After gradually recovering and showing positive signs following three months of suspension due to COVID-19, the tourism and travel industry faced numerous challenges when the second wave of the pandemic hit the community. Starting from July 25, 2020, the first community-transmitted COVID-19 cases were detected in Da Nang after 99 days without any local transmissions. The anxiety led to many tourists canceling not only trips to affected areas but also those to regions without outbreaks. Several localities across the country had to issue emergency closures of tourist attractions, recreational facilities, and entertainment venues to ensure the safety of tourists and residents. Some areas stopped organizing tours and prohibited officials, civil servants, and workers from traveling to outbreak areas or other provinces. It can be said that tourism businesses, already facing difficulties, are now facing even greater challenges.

Currently, the number of canceled tours has reached 95-100% in July and August 2020, which are the two peak months for domestic tourism. Airlines, hotels, and tourism service investors, after enduring a tough period, now have the opportunity to partially resume their services but have fallen back into a crisis. Tour operators are also heavily affected due to the widespread tour cancellations and requests for refunds by tourists. As of the end of September 2020, despite the successful containment of the disease in Vietnam, international tourism remains halted, and domestic tourism has not fully recovered. This reality has created numerous difficulties for both tourism service providers and users (Vietnam National Administration of Tourism, 2020).

Domestic tourists have not yet registered for domestic tours as they did in June 2020. Some domestic flights to Da Nang have slowly resumed with low frequencies. Tourism and travel activities in Da Nang, Hoi An, Ly Son Island, Binh Dinh, Phu Yen, and many other regions have almost come to a complete halt for the past two months. By the end of September 2020, some international routes have resumed operation, but mainly for one-way transportation from Vietnam to Japan, South Korea, and Taiwan. International tourists coming to Vietnam are primarily experts and their numbers are very low, and they still have to undergo quarantine (Vietnam National Administration of Tourism, 2020).

Due to the impact of COVID-19, from February 2020 to the end of September 2020, tourism transport businesses were almost closed because of a lack of customers; 95% of travel companies ceased operations, with 10% applying for the revocation of their travel service business licenses, terminating their activities. The room occupancy rate at hotels, resorts, and accommodations in Hanoi and Ho Chi Minh City only reached 10%; areas with outbreaks like Danang, Quang Nam, and Quang Ngai hardly had any visitors, except for some specialists and quarantine guests (Vietnam National Administration of Tourism, 2020).

Many tourism businesses did not generate revenue, making it impossible for them to repay loans. Commercial banks implemented Circular 01/2020 of the State Bank of Vietnam, reducing interest rates for loans by 1% - 2%, restructuring debt, extending repayment periods, and postponing repayment for customers affected by COVID-19 and eligible for restructuring. However, there was no policy to defer loan interest payments. Due to a lack of collateral, many tourism, travel, accommodation, food, and transportation businesses found it challenging to access favorable bank loans. Furthermore, the tourism industry was considered a high-risk sector with limited capacity to repay debts since the number of tourists was still low, yet businesses had to cover operational costs. Consequently, commercial banks were reluctant to provide new loans for business projects (State Bank of Vietnam, 2020).

As of the end of August 2020, in Ho Chi Minh City, approximately 90 - 95% of travel companies had suspended their operations. The number of canceled tours exceeded 35,000, with Vietravel alone experiencing more than 22,000 canceled bookings, resulting in estimated losses of around 102 billion VND. In the second quarter of 2020, Vietravel's revenue only reached 206 billion VND, equivalent to 9% of the revenue in the same period in 2019, and its post-tax profit was negative 38 billion VND, a 283% decrease compared to the same period the previous year. For the first six months of 2020, Vietravel's revenue decreased by 72% compared to the same period in 2018, reaching only 996 billion VND, with a net loss of 80 billion VND. Another large tourism company in Ho Chi Minh City, Saigontourist, also faced significant losses in the first six months of 2020, exceeding 180 billion VND, a substantial decrease compared to the over 512 billion VND profit in the same period in 2019 (Ho Chi Minh City Department of Tourism, 2020).

Apart from dealing with severe economic losses, current tourism and travel businesses are also struggling to retain high-quality human resources. Many skilled workers in the tourism industry have shifted to other sectors due to job losses. It is estimated that the number of tourism industry workers has decreased by 61% compared to the same period, with 87.4% of workers on unpaid leave and 12.6% having terminated their labor contracts. Many have transitioned to other fields such as real estate brokerage, tourism brokerage, consulting, or even accepted temporary jobs with income rather than remaining unemployed at home, where expenses are high but income is nonexistent. Meanwhile, the 16 trillion VND government support package for businesses, including travel and tourism companies, to obtain interest-free loans for paying employees' salaries has not yet been disbursed (Vietnam National Administration of Tourism, 2020).

According to the State Bank of Vietnam, so far, only one company in the country has met the conditions to be approved by the provincial People's Committee to access the 16 trillion VND credit package. However, this company managed to balance its employee salaries without needing to access this package. Therefore, the 16 trillion VND package has not yet been disbursed to any

businesses. The main reason is the strict disbursement conditions that make it difficult for businesses to access this support. These conditions require businesses to prove that they have no revenue, or they must have between 20% - 30% of their employees participating in compulsory social insurance and have stopped work continuously for at least one month. They must also have paid at least 50% of the salaries for employees who stopped working from April 1 to June 30, 2020. These are requirements that many businesses find challenging to meet.

Tourism businesses are the backbone of the tourism industry. Travel, accommodation, transportation, and service providers in tourism have a close symbiotic relationship, contributing to the overall performance of the tourism sector. Currently, they are weakened, and there is a risk of breaking any link in this chain, which greatly affects the overall operation of the tourism industry, impacting the financial and monetary aspects of the economy. Many companies in the tourism sector are in dire need of continued debt restructuring, extended debt repayment terms, and freezing of debt and interest payments for tourism businesses, at least until the end of December 2020, while awaiting the recovery of tourism from the beginning of 2021.

Demand for Support Measures and Some Measures to Alleviate Difficulties in the Tourism Industry

Immediate measures to alleviate difficulties for businesses include postponing, changing, refunding, and canceling airline tickets and other related tourism services in a spirit of cooperation, sharing, and standing together with businesses and tourists. At the same time, various coping and recovery plans for the tourism industry are being implemented, with a focus on connecting and coordinating across sectors to support and overcome the current challenging period.

There is a pressing need for a government financial package to support tourism businesses in handling tour cancellations instead of proceeding with tour cancellations. This financial package would support businesses in issuing "tour purchase vouchers" with a validity period of 12 - 18 months, equivalent in value to the tours booked by customers who cannot travel due to the pandemic or other unforeseeable circumstances.

For small and medium-sized enterprises and homestay hosts with accommodations for tourists, as well as workers who have lost their jobs in tourism accommodations, it is essential to include these groups in the support scheme of the 62 trillion VND package to assist people facing difficulties due to the COVID-19 pandemic. This could involve providing new, renewed, or reissued licenses for international and domestic travel businesses and tourist guide cards in 2020 (Vietnam National Administration of Tourism, 2020).

In addition to policy proposals to support businesses, training facilities, and workers in the industry, the tourism and travel sector is considering specific solutions for three scenarios related to the COVID-19 pandemic. In the scenario where Vietnam announces the end of the pandemic, the industry will focus on stimulating the domestic tourism market through time-limited discounts and reductions in service prices (such as air travel, accommodation, entrance fees, etc.). It will also target the segment of business-combined tourists who travel for work and meetings (MICE), and launch a communication campaign titled "Safe Travel in Vietnam" (Vietnam National Administration of Tourism, 2020).

Since the beginning of 2020, the State Bank of Vietnam has directed commercial banks to reduce payment fees for businesses in the tourism and travel industry, including airlines, and for

customers in general. Commercial banks have reduced all types of fees during the peak pandemic periods. The State Bank of Vietnam has also implemented two adjustments to reduce open market operation (OMO) interest rates, re-lending rates, and various other interest rates, creating conditions for commercial banks to lower interest rates for loans to businesses, organizations, and units directly and indirectly related to tourism and travel, without affecting the inflation control objective. Commercial banks have restructured debts for businesses to prevent an increase in bad debts, overdue debts, and the emergence of new bad debts in sectors directly affected by COVID-19, such as tourism, services, travel, and those impacted by the COVID-19 pandemic. Commercial banks continue to provide new loans for tourism service projects, travel services with favorable interest rates, or low-interest rates to cover staff salaries through the credit program implemented by the Social Policy Bank (State Bank of Vietnam, 2020).

Commercial banks are implementing credit support packages for businesses investing in tourism and service sectors, including restaurants, hotels, travel service businesses, tourism transportation, tourism areas, and entertainment. These measures align with Circular 01 issued by the State Bank of Vietnam. Under this circular, commercial banks are extending debt terms and adjusting debt repayment schedules for businesses facing financial difficulties due to the disrupted revenue caused by the COVID-19 pandemic (State Bank of Vietnam, 2020).

Currently, there are outstanding debts between businesses and airlines, and many Vietnamese airlines are facing significant difficulties. Both sides have cited objective reasons due to the COVID-19 pandemic as the cause for not making payments. In terms of legal matters and practicality, the State Bank of Vietnam and the network of branches of commercial banks in various localities cannot act as intermediaries for businesses to receive the funds that have been transferred to airlines. This is a matter that travel companies and airlines must address directly, persuading each other in a spirit of goodwill for long-term cooperation. Commercial banks can only act as intermediaries for meetings, exchanges, cooperation, and sharing of difficulties among relevant parties, as this serves the long-term interests when the COVID-19 pandemic is controlled. It also provides the basis for restructuring debt for entities with bank loans (State Bank of Vietnam, 2020).

RECOMMENDATIONS

For the Tourism Industry

In scenarios where Vietnam and some other countries announce the end of the pandemic (with expectations of early recovery in certain Asian regions), the tourism industry should intensify its communication efforts and launch a program called "Vietnam NOW - Safety and Smiling." This program aims to affirm that Vietnam has successfully managed to control COVID-19, making it a safe and appealing destination for tourists to return to. It also involves reviving tourism businesses and promoting special packages and services. Additionally, the tourism industry needs to restructure the international tourism market to focus on attracting visitors from regions that have effectively controlled the pandemic, particularly the MICE (Meetings, Incentives, Conferences, and Exhibitions) segment.

The tourism sector should proactively access the government's support packages. For insurance-related matters, businesses should directly benefit from these packages to avoid complications for their employees. It is recommended to allow tourism businesses and workers to delay social

insurance payments for 2019 and 2020. Furthermore, there should be adjustments to unemployment insurance benefits.

The tourism industry should concentrate on the domestic market to retain local tourists and maintain the workforce. The government should encourage various sectors, levels of government, and companies to participate in the "Vietnamese People Travel in Vietnam" program to rejuvenate the domestic tourism market. Effective local government involvement is crucial in promoting tourism through regional travel triangles, such as the Hanoi - Ninh Binh - Quang Ninh triangle in the north, the Hue - Quang Nam - Da Nang - Dak Lak - Phu Yen - Quy Nhon triangle in the central region, and Ho Chi Minh City with the Mekong Delta in the south.

The government partially reopened certain international flight routes in the latter half of September 2020. However, it is anticipated that tourism in Vietnam may fully resume as early as November 2020 or even at the beginning of January 2021. This could involve welcoming tourists from Northeast Asian markets, including South Korea, Japan, China, Taiwan, Hong Kong (China), and the entire Southeast Asian market. Currently, some related ministries and sectors are actively promoting the conditions and facilities for rapid testing and the reopening of air routes to these markets in early September 2020. Therefore, the tourism sector needs to enhance promotion, attract international tourists, particularly those from regions less affected by the pandemic. Simultaneously, there should be a focus on developing domestic tourism across the country. The Prime Minister directs relevant ministries, departments, and localities to create favorable conditions for international tourists to come to Vietnam after the end of the COVID-19 pandemic, including the possibility of offering free entry visas.

For the Government and Related Ministries and Departments

Tourism businesses, travel agencies, accommodation providers, and transportation services have suffered severe revenue losses during peak seasons, and it may take a considerable amount of time for them to recover. The government should consider reducing corporate income taxes for six months or the entire year 2020. It should instruct the banking sector to support businesses with favorable interest rates, giving them hope for recovery once the pandemic subsides.

The government should consider directing the Ministry of Finance to explore options for allowing tourism businesses, travel agencies, and tour guides to delay value-added tax (VAT), corporate income tax, personal income tax, and social insurance payments for 2019 and 2020 until the end of June 2021. It should also provide unemployment insurance benefits to workers who have lost their jobs due to COVID-19. VAT should be exempted for tourism consumption and reduced by 50% for tourism-related businesses in the fourth quarter of 2020 and the first quarter of 2021. Additionally, environmental costs for tourism businesses should be reduced, and fixed taxes for individual tourism businesses should be decreased in 2020.

When the world declares an end to the pandemic, Vietnam's tourism sector should boost its promotional efforts and utilize information technology for advertising and product development. The entire industry should widely implement stimulus packages for both domestic and international tourism markets. It is recommended that the government consider policies to facilitate the entry of international tourists into Vietnam, such as increased flight frequencies and the opening of new air routes to potential international markets. The government should also consider policies to simplify and reduce visa fees for international tourists.

The government should establish a task force composed of multiple sectors in coordination with local leaders to implement measures to boost tourism development. In the future, the government should implement tourism stimulus policies to ensure the effective participation of the entire tourism industry and related ministries and departments. These entities should develop timely and coordinated policies to support tourism businesses, minimize difficulties and losses, and help them recover and return to normal operations.

The government should issue documents allowing the tourism sector to test the application of electricity prices at the production electricity price rate for hospitality businesses instead of the service price rate for one year. Additionally, the Ministry of Finance should advise the government, National Assembly, provincial and municipal People's Councils, to reduce land taxes and allow tourism businesses to delay land taxes and land use fees for 2019 and 2020 until the end of June 2021 to facilitate business recovery.

The government and Ministry of Transport should consider directing Vietnamese airlines to cooperate with tourism companies to increase flight frequencies and open new air routes to potential international markets. They should also actively participate in domestic and international tourism stimulus programs with localities and businesses after the pandemic. The government should instruct the State Bank, Social Policy Bank, to simplify procedures, processes, regulations, and conditions for loans for payroll expenses for employees under the VND 16,000 billion preferential capital package of the government.

For Related Ministries and Departments

Localities should reduce entrance fees to historical and scenic sites by 50% to attract visitors. They should also help tourism businesses, travel agencies, and transportation services access government financial support packages by directing local departments and sectors to be flexible in reviewing the conditions for support.

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