

The Impact of COVID-19 on Tourism Businesses in South Sulawesi

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Abstract—The COVID-19 virus spreads massively and rapidly so that it is categorized as a pandemic. The Indonesia government then implemented several ways to limit mobility such as social distancing, quarantine, and Isolation (PSBB) as a way to overcome the spread of COVID-19. This limitation of mobility has subsequently become a disruption in the social, economic, and political fields and tourism is the first and most impactful sector area. This research aims how the spread of COVID-19 affect businesses in the tourism industry in South Sulawesi. The research method uses descriptive qualitative approach by adapting and modifying Financial Impact dan Non-Financial Impact from Business Impact Analysis parameter. The research focused on 2 travel agency and 2 local governments. We grouped and compared each unit then looked at the impact of the spread of COVID-19 on these units. The travel agency units were selected by looking at scope and business model from and the 2 local governments were selected by looking at national and local ranking of destinations. The results of the study concluded that the COVID-19 pandemic had a bad impact on South Sulawesi's businesses tourism both financially and non-financially.

Keywords—COVID-19, tourism, business impact

I. INTRODUCTION

Sars CoV-2 virus found in 2019 (COVID-19) in Wuhan, China, is a virus that is becoming a pandemic around the world today. According to WHO records as of March 29, 2020 there were 575,444 confirmed cases, 26,654 deaths, spread across 201 countries, with Italy with the most confirmed cases with 86,498 cases and Indonesia with 1046 cases [1]. This pandemic certainly has a big effect in all areas including business. This pandemic has turned into an economic and labor market disruption, which impacts not only on supply (production of goods and services) but also demand (consumption and investment) [2]. In preventing the massive and rapid spread of COVID-19, several world health bodies provide measures that can be taken by individuals and communities to avoid COVID-19. The CDC [3] recommends measures such as social distancing, quarantine, and isolation that most countries in the world follow.

On March 2, 2020, the Government of Indonesia officially announced patients 1 and 2 were COVID-19 positive. This announcement marks the first spread of COVID-19 in

Indonesia, which a few days later was announced by WHO as a pandemic. On March 15, Indonesia announced 117 confirmed cases and President Joko Widodo called on Indonesians to take social restriction measures, while some regional leaders in Jakarta, Banten and West Java have closed schools and public places. For the Indonesian government, social distancing, quarantine, and isolation as a way to overcome the spread of COVID-19.

These restrictions on mobility become disruptions in the social, economic, and political fields and tourism becomes the first and most impactful sector [4]. The United Nations of World Tourism Organization (UNWTO) [5] reports that the current tourism sector (March 13, 2020) is one of the hardest hits by the spread of COVID-19, with an impact on travel supply and demand. This adds to the downside risks of weaker world economic contexts, geopolitical, social and trade tensions, as well as uneven performance among key markets of tourism travel. According to Damuri [6] as of March, about the impact of COVID-19 on the Indonesian economy, one of the first and most impactful sectors of the spread of COVID-19 is the tourism industry. For South Sulawesi province, BPS data shows in 2019 [7] local tourist visits exceed target, tourist visits in the archipelago always exceeded the target set over the last 4 years, although in 2018 decreased compared to 2017. Tourist destinations are still in Makassar city even though there is tourism potential also in Maros, Tana Toraja, Bulukumba, and Selayar. Tourism potential becomes the attraction of foreign tourists. Cultural, historical, maritime and culinary tourism become the attraction of foreign tourists to visit to South Sulawesi. South Sulawesi has several tourist icons, one of the only Tana Toraja. The number of foreign tourists is still dominated from Malaysia. This is the basis of our research, how an effect of a pandemic changes the tourism sector in South Sulawesi, which initially exceeded the target.

This study aims to answer how the spread of Covid-19 affect the tourism Businesses in South Sulawesi. The purpose of this research will be achieved by describing Financial Impact dan Non-Financial Impact of the tourism businesses.

II. RESEARCH METHODS

The research method uses descriptive qualitative approach by adapting and modifying Financial Impact dan Non-Financial Impact from Business Impact Analysis (BIA) parameter model (table 1) [8] and was held in sept-oct 2020. We are using analysis from Modified BIA. As a method, we don't use all part of the BIA, like Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) and scoring as details as the BIA. We only used the potential business impact to identify the impact of the disaster or pandemic and classified score it or the critical level as low critical, medium critical, high critical as the general impact and the relation for the sustainability of the organization. Data Collected by interview, observation, and documents.

TABLE I. FINANCIAL AND NON-FINANCIAL IMPACT BIA

| Financial Impact | |
|---|--|
| <i>Profit and / or Cash Flow</i> | Potential for decreased profit and / or deficiency in cash flow this time |
| <i>Loss of Existing and / or new business</i> | Potential losses due to cessation of existing businesses and / or lost new business opportunities (assessed based on gross principal amount) |
| <i>Compensation Payment</i> | The potential amount of compensation that must be paid to customers because of the distraction |
| <i>Contractual Penalties</i> | The potential number of fines that must be paid when incurred interference based on the clause stated in the contract |
| <i>Lost productivity</i> | Potential losses in cost savings on planned activities due to inefficient use of costs |
| <i>Additional / Extraordinary Expenses.</i> | Additional or extraordinary amount of fees / expenses will arise due to the disturbance |
| Non-Financial Impact | |
| <i>Customer Service</i> | Potential loss of existing customers due to inability to provide services to them |
| <i>Reputation</i> | Potential impact on reputation on the external environment |
| <i>Customer Confidence</i> | The potential for loss of trust in potential customers |
| <i>Legal & Contractual Violations</i> | Potential legal action taken due breach of contract |
| <i>Regulatory Requirement</i> | Potential failure to comply with laws, policies or requirements set by relevant regulatory bodies (Regulatory) |
| <i>Stakeholders Reaction</i> | Potential negative actions that can be taken by stakeholders |
| <i>Staff Morale</i> | Potential for decline in morale among staff |

III. FINDINGS AND DISCUSSION

The research focused on 2 travel agency and 2 local governments. We grouped and compared each unit then looked at the impact of the spread of COVID-19 on these units. The travel agency units were selected by looking at scope and business model from and the 2 local governments were selected by looking at national and local ranking of destinations.

In general, from BPS preliminary data [7], domestic tourist visits in 2019 exceeded the target. Domestic tourist visits have always exceeded the target set for the last 4 years, although in 2018 it decreased compared to 2017. Tourist destinations are still in Makassar City even though there are tourism potentials in Maros, Tana Toraja, Bulukumba, and Selayar. However, in 2020, BPS data shows that since April 2020 there have been no household visits in South Sulawesi. Government policy on stopping all domestic and international flights as an effort to prevent the spread of the corona virus (COVID-19) has led to visits of domestic (local) and foreign (international) tourists to South Sulawesi fell sharply. In fact, since April 2020 there have been no more visits to South Sulawesi.

A. Financial Impact

1) *Profit and / or cashflow (PAD)*: For local governments, we include profit and cashflow indicators as part of the decline in revenue. The impact of Covid19 has had an impact on the lack of Regional PAD revenue. For example, the amount of income / retribution from tourism to the Maros Regional Government, the target of PAD 2020 Tourism is 7 billion rupiah, at the time of the pandemic, it lost approximately up to 3 billion rupiah. As for the Government of Gowa, from the tourism industry, the ratio of PAD in 2019 exceeded the target of 99.96%, and because in the March-May 2020 period there was no income at all, tourism PAD until October 2020 only reached 26.96% of the 2020 PAD target. Even with the policy of refocusing the budget of up to 50%, the tourism offices in these two districts have made efficiency in several budget items, thus providing limited space in managing tourist attractions.

In our interviews with travel agents and event organizers, as a result of this pandemic, the decline in profits and / or shortages in cash flow from the two travel agents was very pronounced, if not non-existent. Revenue is not according to the desired target, one of the most felt is the tour and ticketing business line. The closure of tourist trips for four months resulted in very little income. Percentage reduction in profit of up to 85% -95%. During the March-August pandemic, no tour and EO activities at all. Domestic ticketing fell to 60% due to rapid and swab tests, passengers were reluctant to travel, and tickets were opened at high prices. This is due to the uncertain flight schedule. If previously the daily flight schedule, currently only 3 times a week. The agent where the ticket was purchased must refund the canceled but already issued flight tickets, so that the ticket income does not exist. The decrease in profit also affects the amount of staff / employee income. For

Limbanan, office operational hours have changed and there are rolling employees. Lack of revenue Companies effect to the determination of the work so that staff income is reduced. Bonuses and transport fees were eliminated, wages were cut by up to 50%. For Global Kece, because the concept is an event organizer, there are no permanent staff. It is flexible, when the event is held, at that time it is looking for men power so when a pandemic occurs which results in the event being stopped, Global Kece does not receive benefits and does not pay staff. Problem in both these businesses. This is because the owners do not owe the creditors or the bank.

2) *Loss / of existing / new business:* Loss / of existing / new business in the context of local government is about the presence or absence of new tourist attractions from the local government that are not ready or not yet open to the public. For Maros district, there are about 20 tourist attractions managed by tourism-conscious groups which are expected to be a driving force for tourism in their respective villages and have become local tourism destinations, but during the pandemic it had a big impact, along with the escalation of the pandemic, and calls from the government of 20 places. these tours have not opened at all, although there are many unofficial visits from local tourists. To Gowa, the number of places just to destinations tour consists of 20 places are scattered in 18 districts. Points travel New This is where travel long that renovated and completely new place. As a result of the pandemic that occurred, this new tourist spot was also completely closed.

As a result of the Covid 19 pandemic, the business in Limbanan did not completely close, only on the tour and overseas and domestic sub-businesses stopped, domestic ticketing was still running, as well as local vehicle rental, but with a decrease in profits of up to 85%, the profits from the running sub-business could not. Meet operational costs, so that facilities such as air conditioning cannot be used, and there are still some obligations that must be paid such as taxes and so on. Global Kece meanwhile has completely stopped business for the first 4 months of the pandemic. Limbanan has no planned new business opportunities that cannot be continued due to the pandemic, while global kece has plans for business expansion to livestock and agriculture which will be combined in tourist areas.

3) *Compensation payment:* Compensation payment for local governments is compensation payments to the community as customers as a result of closing or not operating tourist attractions. For Maros and Gowa districts, no compensation is paid to the community, this is because the local government is not obliged to pay compensation to the community as customers as a result of the closure of tourist attractions as a result of the COVID-19 pandemic.

For both types of business, no amount of compensation or penalties is paid. However, the tour agenda or tour planned during the pandemic that has been paid for by the client, travel and EO makes a full return in accordance with the contract

value, even though the client does not object if the return is not made at that very moment. In Limbanan, there was a reduction in staff (some resigned), and some were sent home. Compensation for employees who are laid off is not as big as those who are currently working below 50% of the current salary, while globally there are no reductions in staff and no compensation is paid.

4) *Contractual penalties:* Contractual Penalties for local governments are the payment of penalties / fines by the local government which is the manager of tourist attractions that collaborates with third parties as a result of breaches of contracts as a result of the COVID-19 pandemic. From our findings, the government district of Gowa and Maros did Cooperation with third parties only on the scope of the renovation and infrastructure rehabilitation location of tourism. However, from the interview statement, the third party did not object when the closure policy was implemented, and the local government did not pay the fine.

Cooperation contracts are essential for business. However, during the pandemic, some contracts with regular clients for these two businesses were canceled. For global kece, there are still 2 pending contracts, the down payment has been paid, so the conditions are still waiting to implement the cooperation. On cancellation of the existing contract, the travel agent and EO do not pay the fines to the client in the event of a pandemic disturbance based on the clause stated in the contract. This is because this pandemic is categorized as a force majeure. This pandemic is a health pandemic, and withdrawal action is not default. The client understands and agrees that the travel agent and EO do not pay the penalty in the cooperation clause. The travel agent and EO simply return the value of the contract that has been paid.

5) *Additional / extraordinary expenses:* For local governments are additional or extraordinary amounts of costs / expenses incurred by local governments for tourism arising from a pandemic disturbance. For the district of Gowa and Maros, there is no expenses that extraordinary issues issued by the local government. This is because costs outside the maintenance and honorarium for freelance workers have been previously budgeted.

In the findings of the researchers, there were no additional or extraordinary costs / expenses arising from pandemic disruption to the two businesses. What exists is that in the Limbanan business, there is efficiency due to lost profits and covering costs of office operations. Meanwhile, for the Global Kece business, because the EO business process is flexible and there is no office, and the ownership is only two people, so there are no additional expenses.

6) *Loss productivity:* Loss productivity for local governments is the inefficient use of costs in the tourism sector due to a pandemic. For the districts of Gowa and Maros, there is no inefficient use of costs, even from the results of the interview, the tourism offices of the Gowa and Maros Regencies made efficiency due to the budget refocusing policy

of 50%. In the two businesses, there is no potential loss due to the inefficient use of costs caused by the pandemic. The findings of researchers, on the contrary, the use of costs incurred by this pandemic requires businesses to be as efficient as possible.

B. Non-Financial Impact

1) *Customer service:* Customer service in the context of local government as manager is whether the tourist attraction loses existing regular customers due to the inability to provide services to consumers due to the pandemic. From the results of interviews with the two agencies, the local government stated that the tourism objects in Maros and Gowa Regency did not lose customers, this was because after the tourist objects were reopened, it turned out that the occupancy rate was slowly increasing. The travel and EO businesses do not lose existing regular customers due to the inability to provide services to consumers due to the pandemic. Businesses lose regular customers due to travel restrictions, travel-related businesses such as flight interruptions, and the risk of a pandemic or health epidemic that must be faced.

2) *Reputation:* Reputation is the reputation of local governments in managing tourist objects in the external environment after a pandemic. From the results of the interviews, the reputation of the local government still has the trust of the community. This can be seen from the ways the government has handled the pandemic in bridging the interests of tourism business actors with other communities. Ways of service in promoting the objects travel are up to date appreciated by the public.

For a business, the company's reputation is the main thing. The reputation of these two businesses is still highly trusted by clients and society. This can be seen from the high demand for travel after the PSBB Makassar was stopped. Limbunan also gives confidence by continuing to open offices during this pandemic even though with limited operating hours, high demand or asking for events in March-August at Global Kece. And when the PSBB Makassar validity period was revoked, Global Kece immediately received an offer for an event.

3) *Customer confident:* Customer confident is the decrease in tourist visits compared to before and after. As an example of data. In general, data from the Bantimurung occupancy, there was a 50% increase in visitors in the January - March 2020 period compared to visits in 2019 in the same period. Before the pandemic visitors on weekdays there are 200-250 visitors, after a pandemic rose 250-400 visitors per day, while the end of the week, before the pandemic, the occupancy rate there is a range of 5000-7000 people, but at the time of the pandemic the range of 1500-3,000 people. From the two businesses, this also affect the customer confident through the risk health for the traveling.

4) *Legal and contractual violations:* From our findings, there is no legal action taken by stakeholders against the local

government and businesses for breach of Cooperation contracts due to the pandemic. This happens because of the mutual understanding that closing tourist objects is part of preventing disease outbreaks that can endanger a person's life. The understanding between business owners and third parties about the consequences of this pandemic, minimizes the risk of violating laws and contracts.

5) *Regulatory requirements:* In the initial understanding, regulatory requirements are the potential to violate rules / laws, policies or requirements set by relevant regulatory bodies due to a pandemic. However, it is due to both the manager and the regulator, so the potential for violations is minimal. This can be proven. When in Maros and Gowa regencies a regulation on temporary closure of tourist objects for 3 months was issued, the regulation was obeyed, whereas on the one hand it eliminates the potential for huge revenue from PAD. Both businesses have the potential to violate rules / laws, policies or requirements set by relevant regulatory agencies due to a pandemic, for example violating PSBB due to decreased income which can affect the operations and welfare of staff. Neither of these businesses, however, did that, in fact it complied well. This is due to the awareness that this pandemic is a health pandemic that can threaten a person's life. In fact, this business does not operate during a time that has been set with the consequences financially very large.

6) *Stakeholder reaction:* Stakeholder reaction is a third-party reaction to local government actions or policies in the context of tourism in the face of the Covid pandemic19. In general, in both districts, there are pros and cons from the community in handling the closure of tourist objects during the pandemic. On the one hand, people who are involved as business actors want existing tourist objects to be opened immediately because there is no income for them, while on the other hand, ordinary people want tourist objects not to be opened first, because they usually become new clusters for the spread of the Covid19 virus. In Maros district, the most affected by this pandemic are business actors who depend on tourism activities for their livelihoods. Especially in Bantimurung, there are approximately 300 business actors consisting of food and beverage sellers, then souvenir traders, hawkers, and mat rental. In Rammang-Rammang, there are also approximately 300 business actors including boat rental services, eating, and drinking, providing homestay facilities.

The potential for negative action can be taken by the stakeholders, either because of a commitment that has not been carried out or is disappointed with the service that has been stopped due to the pandemic, even to take legal action. However, due to mutual understanding and agreement as a result of this pandemic, this did not happen. One of the actions that occurred was that the client did not pay the cooperation contract bill that had been carried out due to the impact of the pandemic, so that the financial condition was also affected.

This is in tactics by maximizing communication with clients with several conveniences so that the bill can be paid smoothly.

7) *Morale staff*: Staff morale in the context of government is a decrease in enthusiasm or morale towards people involved in managing tourist objects. From existing findings, when the beginning of the Covid19 pandemic there was a decline in morale and enthusiasm, especially after the issuance of regulations on social restrictions which had an impact on the closure of onjek tours. Our finding is that when tourist objects are closed, it does not increase unemployment, this is because on average people who are involved in tourist attractions are informal workers who initially started gardening and farming. So that at the time of the pandemic they returned to their original work. Workers has been given a regular daily fee

(honorarium) that is paid by the government even though it is hit by the pandemic.

No doubt, as a result of this pandemic, there were several Termination of Employment at several companies. The findings of researchers in these two businesses are that in Limbunan, there were no layoffs, but some staff resigned due to insufficient wages due to cuts and some employees being laid off. Meanwhile, for Global Kece, there was no reduction in the number of staff because the business processes being carried out were matrix, flexible, and did not have permanent staff. This pandemic has also greatly lowered the morale of business actors. Very little profit, company sustainability is still a major concern. For staff there are concerns that they will be laid off, piling up installments or even being fired. As Summary, the table 2 shows our finding and discussion.

TABLE II. SUMMARY FINDINGS AND DISCUSSION

| Impact | Potential | Maros | Gowa | Limbunan | Global Kece | Critical Level |
|----------------------|--|--|---|--|--|-----------------|
| Financial | <i>Profit / Cash flow</i> | (PAD) Target 7 M Lost 3M | (PAD) Oct 2020, contribution 26.96% | 85% | 95% | High critical |
| | <i>Loss / Existing Business</i> | 20 new places are not running | 16 new places are not running | Only local ticketing and rental vehicles are running | Travel is not working, Plantation / farm plans are not working | High critical |
| | <i>Compensation Payment</i> | No compensation paid | No compensation paid | The contract value paid in all is refunded | The contract value paid in all is refunded | High critical |
| | <i>Contractual Penalties</i> | No Contractual Penalties | No Contractual Penalties | No Contractual Penalties | No Contractual Penalties | Low critical |
| | <i>Lost Productivity</i> | There is no retribution, but freelance & maintenance fees have been previously budgeted | There is no retribution, but freelance & maintenance fees have been previously budgeted | Big loss | Big loss | High critical |
| | <i>Additional / Extraordinary Expenses</i> | refocusing 50% budget | refocusing 50% budget | efficiency | Personal assets are sold | High critical |
| Non-Financial | <i>Customer Services</i> | Visits have greatly decreased because the community is still worried, not because of lack of service | Visits are greatly reduced because the community is still worried, not because of lack of service | Still have it | Still have it | High critical |
| | <i>Reputation</i> | Still trusted | Still Trusted | Still trusted | Still trusted | Low critical |
| | <i>Customer Confidence</i> | down | down | down | Down | High critical |
| | <i>Legal & Contractual Violations</i> | There is no Legal & Contractual Violations | There is no Legal & Contractual Violations | There is no Legal & Contractual Violations | There is no Legal & Contractual Violations | Low critical |
| | <i>Regulatory Requirements</i> | Obey the Appeal | Obey the local regulations | Obey | Obey | High critical |
| | <i>Stakeholder Reactions</i> | Pros & Cons | Pros & Cons | Understand the situation | Understanding the Situation | Medium critical |
| | <i>Morale Staff</i> | Drop, Business actors complained, increase unemployment | Drop Business actors complained, increase unemployment | Drop, dismissed employees and salary deductions | Drop, ask for certainty to operate again | High critical |

IV. CONCLUSION

The conclusion that can be drawn from this research is that Tourism businesses sector in South Sulawesi worst affected by covid-19, from 13 potential impact, there are 9 high critical, 1 medium critical, 3 low critical. Until the end of 2019, the development of tourism sector in South Sulawesi is still relatively maintained, despite the slowdown. But in early 2020, since the covid-19 pandemic tourism business is among the sectors considered most severely affected. Very sharp decline and most have high critical impact in financial and non-financial potential.

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