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## **The Movement Control Order (MCO) for COVID-19 Crisis and its Impact on Tourism and Hospitality Sector in Malaysia**

Wasiul Karim<sup>1</sup>  
Ahasanul Haque\*<sup>2</sup>  
Zohurul Anis<sup>3</sup>

Mohammad Arije Ulfy<sup>4</sup>

Department of Business Administration<sup>1,2,4</sup>

International Islamic University Malaysia (IIUM), Malaysia<sup>1,2,4</sup>

Department of Management Studies<sup>3</sup>

University of Rajshahi, Bangladesh<sup>3</sup>

### **Abstract**

The recent outbreak of Novel Coronavirus COVID-19 has led to a global panic due to its fatal nature. Malaysia is currently being aware of this pandemic disease and the government has imposed Movement Control Order (MCO) for preventing the spread of this disease. The ongoing Visit Malaysia 2020 campaign has been cancelled and all the guests who are currently staying in Malaysia have been told to remain in their room during the MCO. Therefore, the aim of this study is to examine the future impact of tourism and hospitality industry due to restricted movement control order for novel COVID-19. The conceptual methodology technique is used for this study to imply secondary information from various government published sources. The major findings are indicated about the flight operations as minimized and employees from different hotels as well as resorts were asked for unpaid leave. Moreover, results is also highlighted about negatively impact on Malaysian tourism and hospitality industry due to seriously pandemic disease spreading worldwide. Although, this sector is considered as the world's fastest-growing economy. In conclusion, this conceptual study will further help the authority to take precautions and best policy to be implemented in future.

**Keywords:** COVID-19 Crisis, MCO, Tourism and Hospitality Sector, Malaysia

\*Corresponding author: Ahasanul Haque E-mail: [ahasanul@iium.edu.my](mailto:ahasanul@iium.edu.my)

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### **Introduction**

The COVID-19 outbreak in Malaysia has been critically evaluated by Malaysian government as the World Health Organization set the procedure which has to be followed in order to prevent the spread from spreading widely. Malaysian tourism sector is emerging by providing tremendous facilities to its visitors. One of the reasons to select Malaysia as a

destination choice among foreign tourists is mainly because of their warm hospitality and communication system. The outbreak of COVID-19 has had a devastating effect on Malaysia's economy, particularly the travel and tourism sector. The government of Malaysia has recorded losses of as much as RM 3.37 billion within first two month of the year of 2020 (Dzulkifly, 2020). It is also reported that travel and tour packages are cancelled which affects mostly the hotels and airlines (Aldaihani & Ali, 2018). The most obvious effect of the outbreak is the decline of inbound international tourists to the most frequented destinations in Malaysia. It is estimated by Malaysian government that the GDP of the county deteriorated by 0.8 percent to 1.2 percent (RM 10.8 billion to RM 17.3 billion). Malaysia however, imposed an entry bans on travelers from mostly affected countries such as Italy, Iran, South Korea.

In view of the Covid-19 pandemic, the Ministry of Tourism, Arts and Culture has cancelled the ongoing Visit Malaysia Year 2020 (VMY2020) campaign. It might impact the government's target to achieve 30 million arrivals during the campaign of visit Malaysia 2020 (MSN, 2020) As movement control order (MCO) has been imposed from 18<sup>th</sup> March, 2020, all the activities of tourism licensing division are announced to remain freeze during the period of MCO (Rahim , 2020). All the tourists are said to remain in their room for quarantine period but permitted to order food through room service. However, discount vouchers are said to be offered during the pandemic with of RM 100 (US\$22) per person because government has allocated US\$113 million to support the tourism industry. In order to promote the Malaysian tourism sector government will be give out 30 million Ringgit to its countries tourism board (Medina , 2020). Based on above discussion is to explore the movement control order for COVID-19 outbreak towards tourism and hospitality sector in Malaysia. The following sections is highlighted the Malaysian tourism, tourist arrivals by country of origin, impact of the COVID-19 on hotel and airlines industry, methodology and finally conclusion and implications.

### **Malaysian Tourism**

One of the primary industries and service sectors in Malaysia are tourism. The tourism industry has seen tremendous growth in Malaysia and is one of the fast-growing sectors (Ahmad, et al., 2019). Tourism has an important economic role to play in generating income for the country. In addition to its contribution to the economic development of the country, tourism also generates substantial foreign exchange earnings and job opportunities (Mosbah, et al., 2014). Although Malaysia has offered tourists various tourism products, a range of niche markets, including cultural and heritage tourism, medical tourism (Sarwar, 2013), educational tourism (Ojo, et al., 2013) and Halal tourism (Haque et al., 2019) are among the product categories that have gained popularity over the last decade except Halal tourism which is growing tremendously.

Malaysia welcomed a massive 13.35 million foreign tourists and reported a rise of 6.8 percent in tourist receipts a year ago thus Contributing RM41.69 billion to the revenues of the nation during the first half of 2019. Tourism Malaysia reported that average length of stay among tourists climbed by 0.4 nights to 6.2 nights. According to the statement, for the first half of 2019 the top 10 international tourist arrivals were from Singapore (5,381,566), Indonesia (1,857,864), China (1,558,782), Thailand (990,565), Brunei (627,112), India (354,486), South Korea (323,952), the Philippines (210,974), Vietnam (200,314) and Japan (196,561).

**Table1: January-June 2019 Tourism Performance**

Description	2019	2018
Tourists Arrivals	13.35 Million	12.73 Million
Tourism Revenue	RM 41.69 Billion	RM 39 Billion

Source: www.malaymail.com

Table 1 shows the tourists arrivals in Malaysia from January-June 2019 and for the same period in 2018. Tourism revenue of RM 41.69 Billion in 2019 which indicates an increase of 6.8% compared to 2018. Top 10 tourist source markets are Singapore, Indonesia, China, Thailand, Brunei, India, South Korea, The Philippines, Vietnam and Japan. (Malay mail, 2019). However, table 2 shows that, Singapore was the country visited Malaysia mostly. Although the number of arrivals among Singaporean in 2019 was declined by 4.3% compared to the arrivals in 2018 but still on top position among the rests.

### Tourists Arrivals by Country of Origin

Based on the data of tourism Malaysia corporate site, Singapore maintained the first position in terms of arrival in Malaysia. The number of Singaporean tourists' arrival in Malaysia from 2015-2019 were way higher than Indonesia and china. In 2018, Singaporeans made up 41 per cent of Malaysia's 25.8 million tourist arrivals (Ching , 2019). Secondly, Indonesian tourists contributed to Malaysian tourism sectors by spending some RM2.83 billion after Singapore (RM6.17 billion) and china (RM3.7 billion). From 2015-2019, Indonesian tourists' arrivals in Malaysia remained in second position. However, Table 2 shows that, Chinese tourists' arrivals in Malaysia from 2015-2019 has been maintaining third position. Since 2012, China has become the third largest tourist source country in Malaysia, after Singapore and Indonesia, dropping Thailand from the top three. Malaysia has welcomed over two million visitors who have been of Chinese nationality every year since 2016, according to the latest available figures. In 2018, the number reached a record high of 2.94 million people. Tourism receipts totaled 5.8% of GDP for the whole of 2018, while China's tourism receipts stood at 0.9% of GDP. Although the Wuhan virus is expected to cause only short- disruptions at this stage, Malaysia's tourism industry is at risk of being hit harder this time (Ying, 2020).

**Table 2: Tourists Arrivals by Country of Nationality**

Country	January-December				
	2019	2018	2017	2016	2015
Singapore	10,163,882	10,615,986	12,441,713	13,272,961	12,930,754
Indonesia	3,623,277	3,277,689	2,796,570	3,049,964	2,788,033
China	3,114,257	2,944,133	2,281,666	2,124,942	1,677,163

Source: mytourismdata.tourism.gov.my, (2019)

### Methodology

Current study is conceptual and data from various sources are gathered to focus the effect of this outbreak on tourism sector especially airlines and hotel industry. Using conceptual analysis as a means of investigating a given area of interest is to improve understanding of how specific concepts are (or might be) used to convey ideas about that area (Furner, 2004). However, Xin et al. (2013) provided a comprehensive review on conceptual tourism studies and argued that conceptual research does not require immediate or detailed empirical evidence to support its claim to expertise, especially in pure conceptual study involving only conceptual analysis. Current study is relied on secondary information which

has been compiled by the authority. The source of secondary data or information collected from various sources. The hotel and airline industry information are taken from newspaper publication mainly. In addition, tourists' arrival data by country of origin retrieved from Tourism Malaysia government official website. For other social research issues, data collected earlier by other researchers or for purposes other than research, such as official statistics and administrative records, are used for further analysis (Hox, et al., 2005).

### **Impact of COVID-19 on Aviation Industry**

Not only the hotel industry, massive changes have been experienced by Malaysian aviation industry as well. Since the outbreak of the novel coronavirus, the aviation industry has been among the hardest affected in terms of revenue and that has prompted airlines to try ways to soften the hits. There is a noticeable week passenger demand across the globe and Malaysian airlines have observed less passenger demand to and from china (Tan, 2020).

When more and more countries place restrictions on travel, Malaysia Airlines reacted quickly to those changes. A source from Malindo Air confirmed that the public is actually afraid of flying and this has resulted in a decline in passengers by around 20 per cent (Tan, 2020). Malaysia Airlines has acknowledged that the company is now in a "serious situation" and urged workers to take unpaid leave voluntarily (AFP, 2020). However, Malaysia Airlines currently operates fewer than 50 flights a day because of the globally imposed travel ban to prevent the spread of the deadly virus (Yusof, 2020).

### **Impact of COVID-19 on Hotel Industry**

Due to the increasing contribution of tourism, hotel industry in Malaysia is on rise (Shamsudin, et al., 2019) that is also in a growing trend in other countries where the customer services for tourists are also getting better (Aldaihani & Ali, 2018). Malaysia is also known for its *Shariah* complaint hotels (SCH) as the number of Muslim travellers from the Middle Eastern countries are rising (Haque, et al., 2019). As of March 2020, the local hotel industry laid off its workers with further unpaid leave and wage cuts as the sector buckles the effects of the covid-19 pandemic. Malaysian Association of Hotels (MAH) has estimated a loss of RM560.72 million revenues for the movement control order (MCO) period.

According to the report of The Star Malaysia, a sample size of 56,299 workers in the hotel industry, 2041 staff were laid off, 9,773 (17%) were asked to take unpaid leave and 5054 (9%) got pay cuts. By state however, Kuala Lumpur was the worst hit where, 17,826 employees used to work and of 2,880(16%) received pay cuts, unpaid leave were given to 3,641 employees and 3 are being laid off. MAH further narrated the losses recorded by local hotel industry which was said to be RM 75.69 million from January 22 to March 20. However, Kuala Lumpur has experienced massive number of booking cancellations, with of RM24.91 million losses are resulted from 61,859 booking cancellations during the period. Sabah has experienced the second highest losses right after Kuala Lumpur. With of 33,769 cancellations during the period resulted in a loss of RM11.79 million as at March 20. Third was Selangor, with recorded losses of RM 9.05 million. Penang with fourth position experienced 18,476 booking cancellations and RM8.96 million losses till 20<sup>th</sup> March 2020 (Mahalingham, 2020).

**Table 3: Impact of the Hotel Industry**

State	Total Employees	Pay cut	% of employees	Unpaid leave	% of employees	Lay off	% of employees
Johor	3,215	108	3	202	6	72	2
Kedah	692	0	0	80	12	0	0
Langkawi	4,314	340	8	902	21	92	2
Kelantan	560	76	14	157	28	0	0
Kuala Lumpur	17,826	2,880	16	3,641	20	542	3
Melaka	1,872	65	3	191	10	85	5
Negeri Sembilan	1,452	0	0	179	12	130	9
Pahang	1,464	0	0	150	10	231	16
Penang	5,549	240	4	430	8	84	2
Perak	1,654	91	6	595	36	245	15
Sabah	4,934	893	18	1,075	22	177	4
Sarawak	3,488	175	5	258	7	92	3
Selangor	7,981	134	2	1812	23	238	3
Terengganu	1,298	52	4	101	8	53	4
<b>Total</b>	<b>56,299</b>	<b>5,054</b>	<b>9</b>	<b>9,773</b>	<b>17</b>	<b>2,041</b>	<b>4</b>

Source: www.thestar.com.my, (2020)

### **The Tourism Impact of Virus Outbreak**

There is a negative relationship between epidemic disease and countries tourism sectors. Prior study found the tourism sectors and its long-term and short-term crisis. The 2014-2015 Ebola virus outbreak in countries like Guinea, Liberia and Sierra Leone has had a negative impact on the tourism and hospitality industry, particularly in Sierra Leone (Kongoley-MIH, 2015). In 2003, the outbreak of SARS virus created a huge negative impact on the growth of tourism in China (Zeng, et al., 2005). In 2016, World Health Organization (WHO) declared Zika virus as public health emergency of international concerns. Brazil had experienced this pandemic disease with 1.4 million cases (Jamil, et al., 2016). Tourism sectors are particularly being affected by coronavirus and it may greatly impact on world economy as well. The rise of international tourism has been one of the most important and significant driving forces in the world economy since the 1950s (Deegan, 2020). Sierra Leone a country where Ebola virus had widespread and all the flights to and from Sierra Leone were suspended (Kongoley-MIH, 2015). In addition, it has been highlighted a noticeable shut down of business operations in Sierra Leone and lay-off of employees due to have no income. In 1988, Nipah virus was first identified and it also spread widely in many regions. Kerala is one of the states of India and well known for tourist friendly region however affected by Nipah virus in 2018 so badly (Sirajudeen, et al., 2020). Based on the above discussion, virus disease found to have negative relationship with tourism sectors, and it affect the country's GDP if the tourism sector is a major earing source.

### **Conclusion and Implication**

Overall, this paper shed some light on tourism sector in Malaysia which has experienced devastating situation as Airlines Company pause all their operations to and from Malaysia due to the outbreak of COVID-19. Hotel industry also going through a very difficult time as MCO is imposed. This paper also highlighted the virus outbreak and its impact on these two industries (i.e. Airlines and Hotel). The findings of this current study come up with a



few managerial implications for the Malaysian tourism industry. Firstly, the results highlighted in this study would help the authority of the tourism board to better understand about the best policy to be implemented on tourism activities. Furthermore, the study could help travel agencies to provide suitable products and package to leverage the tourism industry in Malaysia. As airlines and hotel industries have been disrupted by this coronavirus outbreak it is further recommended all those service providers involved in this industry to encourage customers for taking precaution in order to keep themselves safe. As airlines and accommodations are considered as two major elements in tourism industry, they may take initiative to recommend travellers to avoid all nonessential international travel. Airline industries may feature the current situation of COVID-19 crisis and highlights the basic proactive measures such as social distance maintaining, practicing hygiene and washing hand frequently.

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