



E-ISSN: 2706-9591
P-ISSN: 2706-9583
IJTHM 2020; 2(2): 33-37
Received: 25-09-2020
Accepted: 28-10-2020

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Assessment of COVID-19's impact on hotels in Ghana: Case study of hotels in Accra and Kumasi

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Abstract

The spread of COVID-19, travel restrictions and social distancing continue to affect the hotel industry globally. Using Accra and Kumasi metropolis, the aim of the study is to assess the impact of the COVID-19 on hotels in Ghana. The Survey technique is used. Data was collected from 80 hotel managers using questionnaires. Paired sample t-test was used to compare the average number of employees before COVID-19 and the average number of employees presently at post. Analysis of variance (ANOVA) was used to compare the different levels of impact on the different types of hotels in the country. The major findings are indicated about employees from different hotels on total number of employees before and during COVID-19. Moreover, results also highlighted on the negative impact on Ghana's hotel industry due to this pandemic spread globally. Implications are discussed.

Keywords: COVID-19 pandemic, impact, hotel industry, Accra, Kumasi, Ghana

1. Introduction

World pandemics have threatened the globe and sub-regions for years. Coronavirus known as COVID-19, is an infection that was noticed at the later part of 2019 and has since spread to over 213 countries, with more than 30,373,761 confirmed cases around the globe^[18]. The virus has since spread across the globe since the first case was identified in Wuhan, China hence on the 11th March 2020 the^[18] declared the coronavirus outbreak a pandemic worldwide. COVID-19 outbreak has change the world in all spheres of life^[5]. Globally, countries going into lockdown and the impact on human life, economic growth and businesses are huge in the short and long term. COVID-19 being the recent pandemic has attracted so much attention in academics and research and also among policy makers. "As evident in other pandemics experienced in past and present centuries, COVID-19 has affected the lives of many and gradually dampening the economic spirit of many nations"^[2]. "Global hospitality industry contains a broad group of businesses such as hotel industry, restaurants, theme parks, event planning, and many more that provides services to customer"^[14]. "Factors that were driving the hospitality industry before pandemic COVID-19 include increasing disposable income, new travel trends, increasing online business of travelling due to increased internet penetration and internet banking, web-presence of hotels & tourism directories and many more"^[14]. Tourism industry was one of the major factors driving the growth of the hospitality industry before the outbreak of COVID 19. The number of international tourist arrivals had risen continuously over the past decades. As per the growth projection made by^[17] the number of tourist arrivals across the globe was expected to cross 1.5 billion by 2020. Key factors affecting the market of the hospitality industry includes the decrease in tours and travels, cancellation of flights and foreign visits as well as lock down, these are the major reasons behind the slowing down of hospitality industry. In Africa, According to^[16]. "before COVID-19 in February 2020, the performance and optimism around the South African tourism economy was relatively positive. 40% of responding firms claim they were growing, with a further 32% performing at a constant level. Most firms felt either neutral or positive about the future of their business and tourism in South Africa. After the first 6 weeks of feeling the impact of COVID-19, 99% of firms claim to be affected by the pandemic. Only 23% feel neutral or optimistic about the future". The impact of COVID 19 in Africa's economy is heavy and has destroyed livelihood cancellation of flight from and to Africa; "a virtual collapse of tourism and air transport associated with lockdowns and border closures"^[16].

In West Africa, particularly Ghana, [4] reports that “the hospitality industry is adversely impacted due to closure of borders and general slowdown in tourism and demand for international travel”. [] highlighted that “government estimates that events unfolding as a result of Covid-19, even with some mitigating measures, will result in a deficit of 6.6% of revised GDP, which is higher than the de facto fiscal rule of 5% established by the Fiscal Responsibility Law” [4].

The World Travel and Tourism Council in a report in 2017, “highlighted the impact of the sector on Ghana’s Gross Domestic Product (GDP) and on job creation”. According to [10] “In 2018, the tourism industry maintained its position as the 4th highest foreign exchange earner for the country after Cocoa, Gold and Oil & Gas. International arrivals is estimated to increase by 5% from 980,141 persons in 2017 to 1,029,148.05 in 2018 while corresponding receipts is estimated to increase by 5.1 % from US\$1,854.8 Million in 2017 to US\$1,947.5 Million in 2018 and contributing 4.9% to GDP”. “In terms of employment there was an increase in total number of jobs (direct & indirect jobs) created by the tourism sector from 550,000 in 2017 to 602,425 in 2018. Out of which direct jobs provided by the tourism sector rose from 135,000 in 2017 to 158,231 in 2018”.

Ghana’ tourism industry is linked to the performance and well-being of the country and global economy. Disposable income and business activity are key drivers of the hospitality industry performance.

Since the arrival of the first Covid-19 case in Ghana, the Hospitality industry (Hotels) have experienced a near shut down as consumers remain at home [13]. Highlighted that “Social distancing in general, the closure of bars and restrictions on indoor gatherings have meant the industry is effectively shuttered. Hospitality has been the first sector to experience large numbers of job losses, with this impact being experienced very quickly”.

Getting these people back into work as Ghana emerges from the Covid-19 crisis is critical. “However, there is a significant risk that unless interventions are taken, the businesses which employ these individuals may no longer be viable and unable to return to a business as usual state. This is an industry which often operates on short cash flow reserves therefore limiting its ability to recover from a period of shock” [13]. Ghana government is implementing a series of measures designed to protect workers and stimulate the economy in a period where demand has effectively been eliminated.

According to [8] “major cities have been hit the hardest. This is clearly evident in the fact that major cities have become the epicenters of the COVID-19 disease, as they serve as entry points for most international travel”. In Ghana for instance, major cities such as Accra, Kasa, Kumasi and Tema have recorded the highest numbers of cases of COVID-19 disease altering their everyday social, economic, and political lives.

Notably, cities in Ghana, one economic sector that deserves particular attention during an infectious disease pandemic is the hotels industry in Ghana. The primary objective of this study is to assess COVID-19’s impact on hotels in Ghana. Concentrating on hotels in Accra and Kumasi cities. This study builds on the existing literature on the economic impact of COVID 19 in the hospitality and tourism industry.

2. Literature

2.1 Covid-19 and tourism

The world has experienced a number of pandemics over the years, yet none like COVID-19 [6]. COVID-19 is not a contagious disease and not likely to kill an infected person as others like Ebola, but persons with the virus can start shedding several days ahead of symptoms [1, 15]. Therefore people with COVID-19 transmit the virus before they know and self-isolate or take other measure like physical distancing or wearing mask to prevent the spread of the virus through speaking, coughing, or sneezing [9].

Hotels globally are witnessing cancellations worth billions of dollars, therefore sought a \$150bn bailout to help hotel stay in business [12]. Hotels that were booked by excited vacationers and corporate conference-goers before the present COVID-19 pandemic are postpone or cancelled. This has made most of the hotels to postpone operations and this has brought the loss of jobs to employees to 24.3 million worldwide [12]. The effect of COVID-19 will make it extremely difficult for many of the tourism industry’s players to continue paying staff with a sharp drop in sales and income, resulting in job loss. A study by [11] in Nigeria highlighted that many hotels have already closed down because of low patronage and inability to meet up with payment of worker’s salary and electricity and water bills. Many have already cut down on their workforce, while others slash their workers’ salaries by 50 per cent.

With majority of hotels being closed or experiencing very low occupancy, 2020 industry revenue forecasts point to a significant decline (e.g., US hotel revenue per available room is forecast to decline 50.6% STR, 2020b, 70% to under 30% in the case of Ghana). According to [6], it is not yet clear how hotels and other related accommodation facilities can make rooms safe for guests and also how individual with the virus would be handled in accommodation facilities.

2.1.1 Impact of COVID-19 on the hospitality and tourism industry

Hospitality sector has been deeply affected negatively by COVID-19 which continues to spread across the globe. This has impacted hotel occupancy and revenues that hotels around the globe are able to achieve per available room (RevPAR) as countries are imposing travel restrictions, quarantining travelers and citizens and also isolating infected persons in an attempt to curb the spread of the virus [3]. Cancellation of flights globally, hotel booking, closure of airports and borders as well as ban on public gatherings, are having effect on economic activities in the hospitality industry.

IATA indicated that global airlines need an emergency fund of up to US\$ 200 billion as they fight for survival. According to the [29] “the COVID-19 pandemic could cut 50 million jobs worldwide in the travel and tourism industry, reflecting a 12-14% reduction in jobs International travel could be adversely impacted by up to 25% this year, equivalent to a loss of three months of travel” [29].

2.1.2 COVID-19 impact on hotel in Ghana

In Ghana, among the worst hit are hotels, restaurant, bars and airline business. “Hotel occupancy rates are down from 70% to under 30% and staff are being sent home.

Even before the impact of the current lockdown, restaurants were already experiencing an average drop in patronage of 60%". "Scheduled international conferences in Ghana cancelled, include the 4th African Union Specialized Technical Committee (STC) on Finance, Monetary Affairs, Economic Planning and Integration meeting and the G24 Technical meetings, which were programmed in early March 2020, resulted in a loss of 1000 combined participants and therefore a loss in 1000 hotel beds".

Hotels are a major revenue earner, with potential of creating thousands of jobs annually. The hotels and hospital subsector of the tourism industry have had their own share of the challenges from the covid-19 partial lockdown policy of the government of Ghana. With government announcement of partial lockdown of some cities like Accra and Kumasi to minimise the spread of the virus, "stay-at-home policy" and "social distancing" movement restriction, most hotels were greatly affected to the extent of closing down. With managers closing entirely hotel rooms, restaurants and bars are reality that the virus is hitting home hence having negative effects on hotel businesses.

3. Materials and Methods

The study is based mainly on primary data elicited through self-structured survey questionnaires. The issues raised in the questionnaire focused mainly on the impact of COVID-19 on hotels in Ghana. The target population consists of all hotels in the Ashanti and Greater-Accra regions of Ghana, which are the worst hit regions in the country. Hotels in the study area were the sampling units in this study. The observation unit was the hotel manager who is responsible

for taking financial decisions in the hotel. Following [7], the minimum sample size was determined to be 90 hotels based on 95% confidence level and 10% confidence interval. However, a total of 100 hotels were selected and administered questionnaires to cater for possible non-respondents. Out of the total of 100 hotels sampled based on stratified sampling, 80 hotels returned their questionnaires for analysis. The returned questionnaires were cleaned and entered into the SPSS software for analysis. Paired sample t-test was used to compare the average number of employees before COVID-19 and the average number of employees presently at post. Analysis of variance (ANOVA) was used to compare the different levels of impact on the different categories of hotels in the country.

4. Results and Discussions

4.1 Hotel characteristics

A total of 80 hotels in Accra and Kumasi (the worst hit regions in the country) are included in this study. Out of this total, 32.5% are budget hotels, 10% are guesthouses, 22.5% are 1-star hotels, 18.8% are 2-star hotels, 8.8% are 3-star hotels, 5.0% are 4-star hotels, and 2.5% are 5-star hotels. This is an indication that, there are smaller to medium size hotels as compared to large/luxury hotels in the Kumasi and Accra metropolis. Majority of these hotels (57.5%) are owned by local sole proprietors while only a few (3.8%) are institutionally owned. An overwhelming majority of these hotels (90%) are not affiliated to any multinational enterprise. The sources of business for these hotels are both local and foreign.

Table 1: Hotel characteristics (n=80)

Variable	Sample size (n)	Percentage (%)
Hotel Characteristics		
Budget	26	32.5
Guesthouse	8	10.0
1-star	18	22.5
2-star	15	18.8
3-star	7	8.8
4-star	4	5.0
5-star	2	2.5
Type of Ownership		
Local sole proprietor	46	57.5
Limited liability	28	35.0
Local partnership	3	3.8
Institutional Ownership	3	3.8
Is your hotel affiliated to a Multi-National Enterprise?		
No	72	90.0
Yes	8	10.0
What is the source of your hotel business?		
Local	28	35.0
Foreign	17	21.3
Both local and foreign	35	43.8

4.1.1 Impacts of COVID-19 on hotels

The paired sample t-test was used to compare the average number of employees before COVID-19 and the average number of employees presently. With a p-value of 0.002, the null hypothesis of no significant difference is rejected.

This implies that, the coronavirus pandemic contributed to a significant reduction in the average number of employees, from about 53 before COVID-19 to about 23 presently [see Table 2].

Table 2: Paired-sample t-test

		Mean	N	Std. Error Mean	t-value	df	p-value
Pair 1	Total number of employees before COVID-19	52.09	80	11.483	3.156	79	0.002
	Total number of employees after COVID-19	22.16	80	4.465			

The coronavirus pandemic in Ghana impacted hotels differently depending on their star ratings. Bigger hotels suffered far more than smaller hotels. For instance, the average number of employees for 5-star hotels reduced from about 550 to 80 employees due to the pandemic. For 4-star hotels, the average number of employees reduced from 269 to about 139. The average reduction in the number of employees due to COVID-19 is about 20 for 3-star hotels, and about 15 for 1- and 2-star hotels. The impact on budget and guesthouses was not as severe, since the reduction in the number of employees is about 4. This could be due to the fact that the medium to small size hotel employ few staffs as compares to that of the large hotels that employ huge numbers because of the number of rooms and also service quality require /expected from higher star rated hotel. Also, salaries for some employees of these hotels have been cut due to the pandemic. On average, as many as 271

employees of 5-star hotels and 71 employees of 4-star hotels had salary cuts. About 15 employees of 1-star to 3-star hotels also had salary cuts. For budget and guesthouses, only an average of 2 employees had salary cuts. For employees who are on leave without pay, 4-star hotels suffered the most. As many as 68 employees of 4-star hotels are on leave without pay. As the budgets and guest houses have fewer employees these facilities are able to manage the few employees during this pandemic by retaining their staffs as compared to that of the bigger hotels. This present study confirmed that of Oruonye & Ahmed, (2020) in Nigeria that highlighted that many hotels have already closed down because of low patronage and inability to meet up with payment of worker’s salary and electricity and water bills. Many have already cut down on their workforce, while others slash their workers’ salaries by 50 per cent.

Table 3: Anova

Indicators	Group Means							F-value	P-value
	Budget	Guesthouse	1-star	2-star	3-star	4-star	5-star		
Total number of employees before covid 19	8.46 ^a	9.25 ^a	33.94 ^b	47.13 ^c	54.14 ^d	269 ^e	550 ^f	116.413	<0.001
Total number of employees during covid 19	5 ^a	6 ^a	21.78 ^b	16.93 ^c	33.57 ^d	138.5 ^e	80 ^f	16.174	<0.001
How many employees' salaries/pay have been cut off due to the pandemic	1.92 ^a	2.38 ^a	14.44 ^b	11.33 ^b	15.57 ^b	71 ^c	271 ^d	11.44	<0.001
How many staff are on leave without pay during this period?	1 ^a	0.13 ^a	3 ^a	8.53 ^b	0.57 ^a	68 ^c	9 ^b	7.908	<0.001
How many staff are on leave with pay during this period?	0.31 ^a	0.13 ^a	3.22 ^a	0.47 ^a	7.14 ^b	0.75 ^a	300 ^c	25.466	<0.001
How many employees are laid off due the effect of covid 19?	2 ^a	2.38 ^a	9.5 ^b	12.8 ^b	16.14 ^b	116.25 ^c	301.5 ^d	24.298	<0.001
Number of rooms	12.08 ^a	17.38 ^a	31.5 ^b	48.27 ^b	56.86 ^b	178.5 ^c	265 ^d	51.708	<0.001

NB: Means in the same row that do not share a common alphabet are significantly different

5. Conclusion

The study aimed at assessing the impacts of COVID-19 on hotel businesses in Ghana. 80 hotels across various categories (5star to budget) from the two largest cities in Ghana, Accra and Kumasi were sampled. Largely, the impacts related to cutting down measures employed by management of hotels–laying off of employees and reduction of employee salaries–in order to stay in business. The current situation has implications for businesses in the tourism and hospitality industry. With the continuous closure of international borders, many hotels, especially the higher hotels that depend on inbound travelers as primary source of guests will continue to suffer the negative impacts of the COVID-19. This might further trigger cost cutting measures by laying off more employees. Eventually, many hotels might completely shut down due. To avert this, the government should expedite action on the proposed US\$9 million tourism SMEs support fund which aims to providing financial support for businesses in the tourism and hospitality value chain. The government could go a step further by providing PPEs, hand sanitizers and temperature guns for hotel businesses. These will ensure that hotels stay in business and continue to provided sustainable

employment to the youth whilst contributing its quote to GDP through payment of tourism levies and taxes (both corporate and employee).

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