



**UNIVERSITI TEKNOLOGI MARA**

**THE IMPACT OF COVID-19 ON  
SERVICE SECTOR: TOURISM  
INDUSTRY**

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## **ABSTRACT**

Due to the virus's fatal nature, the recent outbreak of novel coronavirus COVID-19 has sparked global panic. Malaysia is currently aware of this pandemic disease, and the government has imposed a Movement Control Order (MCO) to halt its spread. Due to an increase in COVID-19 cases, the ongoing Visit Malaysia 2020 campaign has been cancelled. The dependent variable used in this research is Service Sector. The independent variables are the number of COVID-19 confirmed cases, receipts from tourism and travel industry, the number of tourists arrival, and exchange currency rate to US\$. As Malaysia were implementing Movement Control Order since March 2020. The whole industry especially in service sector were affected which people are obligated to quarantine or stay at home. Thus, there is no tourism activities were held. Therefore, this paper will include receipts from tourism and travel industry and number of tourists arrival as the variables to identify the relationship between service sectors. The government and people are concerns on the COVID-19 cases that has impact on the Malaysia's economy. This study will focus on the impact of COVID-19 virus on the tourism industry in Malaysia. The sample period used in this study is by quarterly from year 2019 to 2020.

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## **CHAPTER ONE: INTRODUCTION**

### **1.1 Introduction**

This chapter was written to provide readers with information on the research conducted. The objective of this research is to determine whether the COVID-19 and tourism sector have impact on the service sector. This chapter will overview the coronavirus (COVID-19) pandemic, discuss on the impact on tourism sector and economic condition in Malaysia. The problem statement, significance of study, limitation and scope of study are also discussed in this chapter.

### **1.2 Background of the Study**

According to Statista, the travel and tourism sector is one of the biggest contributor towards Malaysia's total Gross Domestic Product (GDP). However, the sector is facing severe challenges during this COVID-19 pandemic. The whole world has been in turmoil after the World Health Organization (WHO) announced the coronavirus disease 2019 or COVID-19 as pandemic in March 2020. Most countries, including Malaysia have implemented lockdowns to prevent the virus from further spreading. The lockdown or Movement Control Order (MCO) limit the movement to 10 km radius, closed non-essential businesses and travel restrictions, Salim et al. (2020). These actions have caused plummet in consumers and business expenditure as the public are quarantined at home, businesses lose revenue to the extent of retrenching workers and rise of unemployment rate.

Through the Economic Transformation Programme it was designated a Visit Malaysia Year which expected Malaysia to reach highest number of tourist arrival and foreign receipts. Alas, the Covid-19 outbreak halted the whole tourism business as the government announced MCO. This makes it difficult for tourism sector to operated, and causing significant employment and economic losses. Many hotels closed, and travel agencies and businesses dissolved due to lack of finances. Malaysian tourist arrivals fell by 78.6% to 4.29 million in the first nine months of the year from 20.1 million the year before. Most tourists (4.23 million) arrived before March 18. As a result, tourism