

Impact of Covid-19 on Travel Agencies in Tirana, Albania

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ABSTRACT

The COVID-19 pandemic has caused an unexpected halt in international travel and has had an important impact on the tourism industry. For developing countries like Albania, the tourism sector is a major source of employment, government revenue, and foreign exchange earnings. This study aims to determine how pandemic has affected the travel industry. Specifically, the identification of the problems, the extent of mitigation related to COVID-19, and the challenges of travel agencies in Tirana.

Using an online questionnaire, we assess the implications of the COVID-19 crisis on tour travel agencies. The main tool for the collection of data was a close-ended questionnaire, addressed to 130 agencies that are operating in Tirana. The questionnaire was transmitted using Yet Another Mail, a program that tracks the responses. For the analysis of the data, we use the SPSS software.

The results indicate that the consequences of COVID-19 have affected travel demand and consequently travel agencies' revenues. The government's supportive measures to these firms have had not a significant impact. It is recommended that the relevant ministry, before taking the measures of support for tourism industry, should conduct studies about the effects of pandemic. Lastly, the results obtained will help policymakers and travel agency owners make necessary strategic and operational decisions.

Keywords: tourism demand, revenue, supportive measures, Cronbach alpha;

JEL classification: E20, G01, H56, L83.

INTRODUCTION

The COVID-19 pandemic is foremost a medical and humanitarian crisis (Borko et al., 2020). It has also sparked fears of an impending economic crisis and recession, leading to a reduced workforce across all economic sectors and causing many jobs to be lost due to social distancing, self-isolation and travel restrictions (Atar, 2020). In a study conducted by (Nicola et al., 2020) which analyzed all these sectors, it was emphasized that tourism is the sector most affected by the pandemic, on both travel supply and demand. The tours-and-activities sector is the third largest in the travel industry after flights and accommodations, accounting for around one-tenth of global travel revenue and growing.

According to Arival, the whole sector, consisting of one million operators, was valued at \$254 billion for 2019. The World Travel and Tourism Council has warned that 50 million jobs in the global travel and tourism sector may be at risk (Djankov & Panizza, 2020).

Even in Europe, the European Tourism Manifesto alliance, encompassing over 50 European public and private organizations from the travel and tourism sector, have highlighted the need to implement urgent measures. These include temporary state aid for the tourism and travel sector from national governments as well as fast and easy access to short- and medium-term loans to overcome liquidity shortages, including funds made available by the EU through the Corona Response Investment Initiative, and fiscal relief.

The GDP of developing countries is expected to have large drops due to their tourism-dependent economy (Ayia-Koi, 2020). Taking Albania as an example, tourism plays a great role in terms of economic development as it contributes about 45 milliard ALL or 2.8% of the national GDP (INSTAT, 2020a).

Although Albania has great tourism potential, the pandemic has stopped the growth that this sector has had in recent years. According to INSTAT data, in 2020, 2.6 million foreign nationals entered in the country, with a decrease of 58.5% compared with 2019. As a result of the restrictions, 3.7 million fewer foreign nationals entered the country, giving a

significant impact on the performance of tourism in the country, but also consumption. Major market players in Albania, in all areas of the touristic value chain, i.e., travel agencies, tour operators, hotels, and retailers, have either minimized or even completely stopped their production for an undefined period of time, resulting in the sudden and total cut-off of their revenue stream. Travel agencies and tour operators are key links in the value chain in the tourism sector, enabling communication between hotels / inns and foreign and domestic tourists. The financial challenges for the entire sector will continuously increase. During the pandemic, travel agencies were the most affected businesses, by closing temporarily or permanently their activities. Therefore, quick, effective, and decisive actions and measures on the part of public institutions aimed at the tourism and hospitality industry are urgently required (Borko et al., 2020). Therefore, Albanian government, during the pandemic period, created a plan of mitigation measures for the tourism sector (Ministry of Tourism and Environment, 2020). Travel agencies and tour operators, as one of the main links of foreign tourists with Albania, should be the first to obtain such aids.

The purpose of this study will be focused on the effect of Covid-19 on touristic agencies and tour operators. The objectives of this paper are the identification of the problems, the extent of mitigation related to COVID-19, analyzing the effect of government measures, and the challenges of travel agencies in Tirana.

METHODOLOGY

Research Method

The research method used in the study is the quantitative method of data collection, analysis, and interpretation. According to (Bryman, 2001), the first advantage of quantitative research approach is the use of statistical data as a tool for saving time and resources) argue that quantitative research approach is the research that places emphasis on numbers and figures in the collection and analysis of data. Secondly, the use of scientific methods for data collection and analysis make generalization possible with this type of approach. Interaction made with one group can be generalized. Similarity, the interpretation of research findings need not be seen as a mere coincidence (May & Williams, 1998). This method helped to reflect the situation and identify the problems faced by travel agencies, as well as to achieve the most general conclusions in the study.

This study relied on quantitative methodology to determine how pandemic has affected the travel industry. Specifically, the identification of the problems, the extent of mitigation related to COVID-19, and the challenges of travel agencies in Tirana. The use of the case study method helped to build a deeper view of the specific issues taken into consideration, which is based on a relatively significant number of subjects included in the study.

The Population of the Study and the Selected Sample

For data collection this study focuses on a specific area. Case study as a research project is an advantage because it studies in depth and in detail a certain phenomenon in a specific context.

This study comes as a result of the COVID-19 pandemic situation, which has passing and affecting the whole world. Furthermore, as suggested by the researchers and subjects involved in the study, in the absence of studies focusing on the problems and challenges of the travel agencies and tourism in our country, the study takes on importance for social research (Dervishi, Z., 1998: 49). The study area was the city of Tirana, because most of the agencies operated there. On average, the selected agencies had 5 years of experience operating in travel industry.

The provision and selection of contacts and data of travel agencies licensed in Albania were provided through the official website of the Ministry of Tourism. For the collection of data through the survey is used the Program Yet Another Mail, which realizes not only the sending of emails but the tracking, step by step tracking of the status of sent e-mails. (sent, opened, clicked, bounced).

The initial list contained 130 entities, but during the interview process, based on the program used to track the emails, it was found that 10 entities had reported incorrect emails. While 11 travel agencies opened the email but didn't send back a response, and only 6 agencies refused to respond.

Design of research instrument

In this study, empirical data were collected through a survey created in Google Form, which was sent to the agencies online via specific e-mail program "Yet Another Mail Merge". The survey contained multiple-choice questions, from

which the respondents could choose only one, and some open questions through the alternative “description”. Using closed questions with fixed answers helped to gather information quickly and presented advantages in coding and data processing.

Survey

Its drafting was made possible based on the research questions of the study and the literature. Designing the survey with the clearest questions has been very important. For this reason, we tried to use simple and specific terms relevant to the purpose of the study, and not complicated terms which could be very difficult to understand and give answer. This is due to completing the online questionnaire and to save time. To group the information based on a function of the study, the survey was designed with different questions, divided into four sections, which sought information about: general information, the business impact of COVID-19, impact on employment, mitigation, and support measures. The questionnaire consists of 26 questions. The questions of the last two sections are designed using the Likert scale.

Data collection process has taken a period of one month, early February 2021- March 2021. Data collection as mentioned above was done using online questionnaire, through Google Form. Data analysis in quantitative research is the most important component and challenging at the same time, this should be carefully thought out. For this reason and in order to be more accurate, data analysis is realized with specific software programs like: Microsoft Excel, SPSS.

The procedure of data analysis

Piloting

Before we mailed the survey, the pilot study tested the questionnaire. First, the pilot tested the validity of the questions and secondly; it ensured the logical consistency of the survey. The pilot also helped to clear the questionnaire of unnecessary, vague and repetitive questions, as well as to enrich it with alternative answers to the survey. In addition, the pilot provided a simple idea about the duration of the online survey. During the pilot period, we sent the questionnaire to twenty randomly selected agencies. The response from agencies was immediate, and the interest for the topic was great, even through direct e-mail communication. In this phase, 16 agencies responded.

Data processing

We processed the collected data through the statistical program SPSS. Before the analysis, using a database, creating by Google Forms in Excel, we made the coding of the data. Using the SPSS program and the corresponding commands, we use descriptive statistics (minimum, maximum, mean, median, standard deviation) to analyze the data. Based on the results we obtained from the frequency, the graphs and tables presented in the Results section were created. For the interpretation of the Likert scale the average intervals were calculated based on the methodology used by (Pimentel, 2019).

Cronbach's alpha is a measure of internal consistency, that is, how closely related a set of items are as a group. It is considered to be a measure of scale reliability (SPSS, 2021) . Below, for conceptual purposes, we show the formula for the Cronbach's alpha:

$$\alpha = \frac{N\bar{c}}{\bar{v} + (N - 1)\bar{c}}$$

N is equal to the number of items, \bar{c} is the average inter-item covariance among the items and \bar{v} equals the average variance.

In this study this coefficient was calculated in the SPSS program. In SPSS, you can obtain Cronbach's alpha by going to Analyze – Scale –Reliability Analysis. Then shift all questions to the Items box and leave the model option as Alpha. Under Statistics, check all the items in descriptives and correlations. Click Continue and OK to obtain output. Based on output we can interpret Cronbach's alpha coefficient. A rule of thumb for interpreting alpha for dichotomous questions (i.e. questions with two possible answers) or Likert scale questions is:

Table1. Cronbach’s alpha interpretation

Cronbach’s alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Source: Statistics How To

RESULTS

This section of the paper will present the results of the online questionnaire sent to 101 travel agencies and tour operators in the city of Tirana. In the first part of the questionnaire, we asked them about the situation of the travel industry before the pandemic and in the month when study was undertaken.

Before COVID-19, in February 2020, performance and optimism surrounding the Albanian tourism industry were relatively positive, 97% of agencies felt neutral or optimistic about their business and the future of tourism in Albania. The lockdown during March 2020-April 2020 and travel restrictions have affected all travel agencies.

In March 2021, 56% of agencies felt neutral or optimistic about their business and the future of tourism in Albania. 50% feel positively that their agencies will survive and continue to operate. Most respondents expect the pandemic will affect travel agency performance for up to 2 years.

The Impact Of Covid-19 On Travel Agencies Economic Activities.

The second section of the questionnaire describes the economic impact that the pandemic has had on their business during this one-year period.

About the trend of revenues, 61% of agencies report that revenues in February 2021 are down up to 50% compared to February 2020, and 39% of agencies reported that revenues have declined by over 50%. The decrease in revenue is because of the cancellation of bookings. Reported forward bookings held in February 2021 are at least 50% less than bookings held in February 2020 for 44% of agencies.

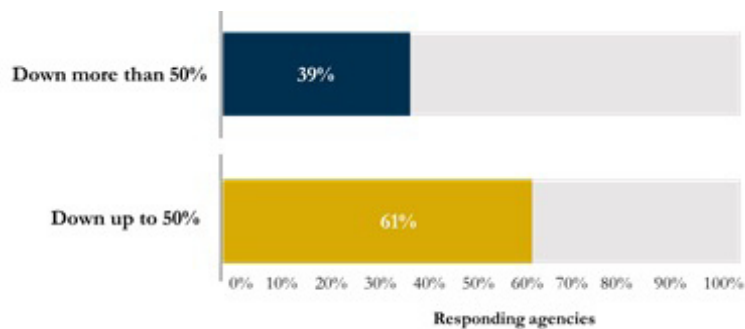


Figure1. Revenues of agencies

Source: Author(s) calculation.

Debt Service and Fixed costs, 31% of the agencies could not service their debts in February 2021, while 23% had paid off their liabilities. Some of them did not lend money to finance their business, and others did not respond. 28% of firms could not cover fixed costs in February 2021.

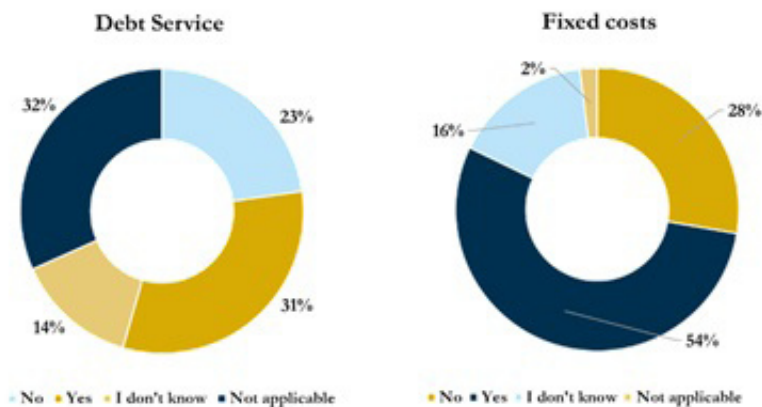


Figure 2. Debt service and Fixed costs

Source: Author(s) calculation.

Mitigation measures

Employment measures

Travel agencies so far report having managed their staff in a variety of ways, with reduced wages, work at home or redundancies. 43% of agencies reduced salaries for 30% of staff, and 15% of them reduced salaries for all staff. 28%, however, have not reduced wages at all. 12% of travel agencies have made over 30% of staff redundant, and 84% of firms have made no redundancies. One alternative that many companies have implemented in order not to interrupt the work process is working from home. 57% of the agencies use this way of work, while 8% of them remained active at work.

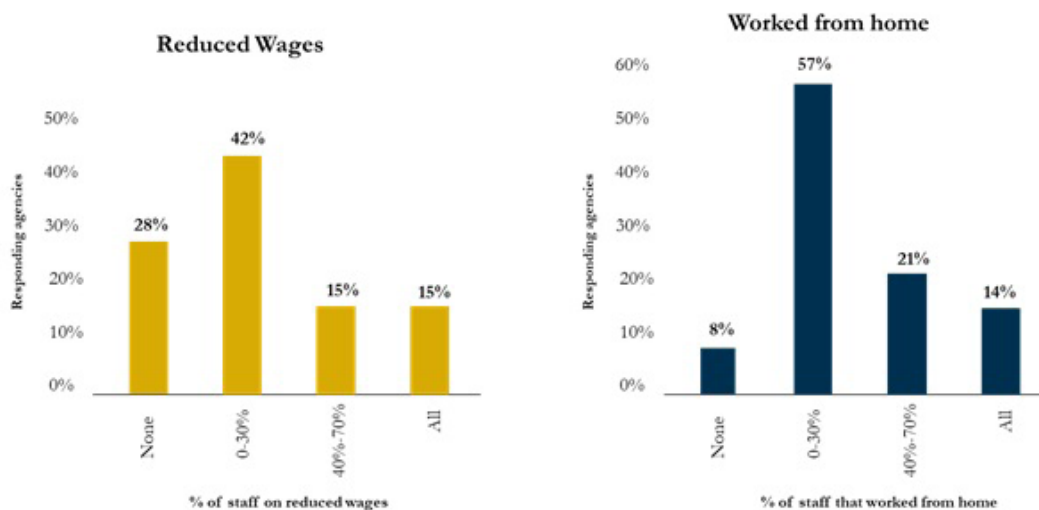


Figure 3. Reduced Wages and Worked from home

Source: Author(s) calculation.

Mitigation measures: Other measures (Using Likert Scale)

Reliability of the scale: The value of Cronbach alpha was 0.74, showing that the scale had good consistency measurement and, thus, the scale was reliable.

Travel agencies have put in place a variety of measures to help mitigate the effects on their business. The most commonly applied measures are providing vouchers at 52%, and inclusion of new products at 34%. 59% of respondents have awarded refunds, affecting revenues, and 19% have lowered prices which will have consequences for other financial indicators. On the more positive side, 76% will not close the business temporarily, 57% are not investing in new marketing strategies. 95% of responding firms are not, so far, considering permanent closure.

Table 2. Mitigation measures

Measures	Already done	Considering	Not considering	Not applicable	Refuse to answer
Introduced vouchers	52%	32%	6%	-	10%
Introduced alternative products	34%	50%	14%	3%	-
Refund policies	59%	36%	3%	2%	-
Offered lower prices	9%	39%	45%	8%	-
Adjusted marketing strategies	19%	80%	1%	-	-
Borrowed capital from bank, family, or friends.	1%	10%	57%	-	32%
Temporary closure	-	24%	76%	-	-
Permanent closure	-	5%	95%	-	-

Source: Author(s) calculation.

Note: 5 Already done, 4 Considering, 3 Not considering, 2 Not applicable, 1 Refuse to answer

The 5-point Likert scale is an interval scale. Based on average intervals, we can interpret the results in the below table. In the first statement, the mean is 4.27. Hence, it means that most agencies already have introduced vouchers to keep their clients. The mean of the second statement is 4.12. The majority of travel agencies are launching new products in tourism offerings. The third statement regarding the refund policy for clients, most businesses gave them a refund. Some travel agencies are considered to close the firm temporary. The results for most of the travel agencies shows a score of 2.80 for improving marketing strategies, which means they will not make a significant change in this regard.

Table 3. Descriptive statistics

Measures	N	Minimum	Maximum	Mean	St.Dev
Introduced vouchers	101	2,00	5,00	4,27	0,958
Introduced alternative products	101	2,00	5,00	4,14	0,762
Refund policies	101	2,00	5,00	4,52	0,657
Offered lower prices	101	3,00	5,00	4,18	0,410
Adjusted marketing strategies	101	2,00	5,00	2,80	0,648
Borrowed capital from bank, family, or friends.	101	3,00	4,00	3,24	0,428
Temporary closure	101	3,00	4,00	3,05	0,218
Permanent closure	101	2,00	5,00	4,27	0,958

Source: Author(s) calculation.

Note: From 1 to 1.8, it means refuse to answer. From 1.81 to 2.60, it means not applicable. From 2.61 to 3.40, it means not considering; from 3.41 to 4.20, it means considering; from 4.21 to 5, it means already done.

Support Measures by the Government

In the last section of the questionnaire, we asked the travel agencies about the effectiveness of measures taken by government. Regarding the financial package for the tourism industry, most travel agencies believe that it has had no effect on their business performance. As for fiscal and monetary facilities, most travel agencies responded that there was minimal effect but this year the effect would be more significant since VAT has been eliminated. As far as the Ministry's projects for the recovery of tourism from COVID-19, it can be said that there was no significant effect on the travel agencies. This result is supported by the fact that these institutions have not conducted studies on the effects of COVID-19 in this sector.

Table 4. Support Measures taken by government for tourism industry

	M a j o r effect	Moderate effect	Neutral	M i n o r effect	N o t effect
Financial aid package for tourism industry	4%	5%	18%	28%	46%
Fiscal facilities for the tourism industry (reduction of VAT, postponement of payments)	4%	5%	16%	64%	11%
Monetary facilities by the Bank of Albania (the extension of the deadline of payment of loans).	2%	4%	14%	38%	43%
Ministry projects in support of tourism recovery by COVID-19	7%	1%	7%	16%	69%

Source: Author(s) calculation.

Note: 5 Major effect, 4 Moderate effect, 3 Neutral, 2 Minor effect, 1 Not effect

Based on average intervals, we can interpret the results in the Table 4. In the first and third statement, the mean is 1.94 and 1.85. This indicates that the majority of respondents think that the effect of financial aid and monetary facilities on travel agencies is minor. In the second statement about monetary facilities taken by the Bank of Albania, the majority of agencies are neutral about the effects on their business performance.

Table 5. Descriptive statistics on support measures taken by government

Support Measures by the Government	N	Minimum	Maximum	Mean	St.Dev
Financial aid package for tourism industry	101	1,00	5,00	1,94	1,09
Fiscal facilities for the tourism industry (reduction of VAT, postponement of payments)	101	1,00	5,00	2,27	0,871
Monetary facilities by the Bank of Albania (the extension of the deadline of payment of loans).	101	1,00	5,00	1,85	0,942
Ministry projects in support of tourism recovery by COVID-19	101	1,00	5,00	1,60	1,13

Source: Author(s) calculation.

Note: From 1 to 1.8, it means not effect from 1.81 to 2.60, it means minor effect. From 2.61 to 3.40, it means not neutral; from 3.41 to 4.20, it means moderate effect; from 4.21 to 5, it means major effect.

DISCUSSION

Tourism is one of the most affected sectors from crises such as COVID-19. The coronavirus pandemic has had a bad impact at all components of the chain in this sector and all conditions of the economic cycle. One indicator that proves this is the decrease by 42% of foreign visitors and also travel restrictions imposed for Albanian citizens during 2020. In Turkey the same situation appears, according to the study conducted by(Günay et al., 2020) , it is estimated a decrease of foreign visitors between 5% to 53%. In Greece, meanwhile, the effects of COVID-19 predicted to cause a decrease of tourism contribution in GDP from 16% to 6.6% (Papanikos, 2020).

Travel agencies, one of the major segments in tourism chain was the focus of this study. During this study we noted that this sector it has not been given importance. The role of travel agencies as intermediaries requires attention from the government but also from the institutions responsible for the sector. This actor provides efficient communication and cooperation between customers and suppliers.

The results of the study show that half of the interviewed businesses are not optimist about the continuity of their activity. In a similar study in South Africa, (Internacional Finance Corporation & TBCSA, 2020) 36% of respondents did not believe that their business would survive, due to the effects of Covid-19. At this point, the question arises: How capable

were these agencies to cover the main liabilities or debt service with the revenue they generate this year?

In our study, more than half of the agencies, faced with revenue reductions at least to 50%, but they were able to cover their fixed costs. Whereas only 32% of them had liquidated the debt received from financial institutions. It should be noted that the decline in revenue has come from the cancellation of the previous booking more than 50%. In the study conducted by IFC and TBCSA (2020), tour operators faced an average revenue decrease of 74% and a 66% cancellation of bookings.

To cope with the effects of COVID-19, travel agencies have taken some measures to mitigate the impact on employment and customer service. As a result of COVID-19, respondent companies in a study conducted in India, they have moved primarily to work-from-home model during the pandemic. Many respondents in study believe that the work-from-home culture will continue to co-exist to a non-negligible degree along with the office culture, post-pandemic. Because a major part of the staff worked from home, the agencies have reduced the salaries of 30% of the staff. The most commonly applied measures are providing vouchers, inclusion of new products and provides refund.

According to above survey, 56% of the tour operators(322) provided refunds and 54% of them temporarily closed their business during the pandemic. While in our study, only 24% of agencies considered closing the business temporarily.

COVID-19 proves that pandemics have a much greater destructive impact on the travel and tourism industry, so government support becomes even more important, especially for “sensitive” segments like travel agencies. Regarding the financial package for the tourism industry, most travel agencies believe that, it has had no effect on their business performance. Gloria Guevara, the CEO of WTTC, is lobbying governments to offer support to travel companies saying these potential job losses are “bringing real and profound worry to millions of families around the world.” Furthermore, during 2020–2021, private and public policy support must be coordinated to sustain pre-COVID-19 operational levels of the tourism and travel sector(Škare et al., 2021).

CONCLUSION

Started from the difficult situation that the Albanian tourism industry is currently facing, specifically travel agencies and tour operators, we decided to carry out a quantitative study to identify the economic effects of COVID-19 and the measures taken by them and government. In this segment of the tourism industry, the cancellation of bookings has been the main reason for the decline in revenues. It is positive that the agencies have taken mitigation measures, which have served 50% of them to cover fixed costs and debt service. A major part of the staff worked from home, the agencies have reduced the salaries of 30% of the staff. On the other hand, the study noted that travel agencies and operators did not benefit from the government’s financial aid program. This may be due to the fact that no studies have been conducted to show which tourism segment has been most sensitive to the effects of COVID-19, and should be financially supported by the government.

The government should take measures for the progress of the new tourist season, such as: vaccination of tour operators, or clear definition of standards and conditions in the framework of preventing the spread of the virus. It is recommended that the relevant ministry, before taking the measures of support for tourism industry, should conduct studies about the effects of pandemic.

Tour operators are recommended to plan an additional budget in case of emergencies, but also to increase the accessibility of information for tourists. Lastly, the results obtained will help policymakers and travel agency owners make necessary strategic and operational decisions.

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