

## **IMPACT OF COVID-19 ON THE SERVICE INDUSTRY: A REVIEW**

**Siti Norashikin Bashirun**

Faculty of Business and Management,  
Universiti Teknologi MARA (UiTM), Melaka, Malaysia

**Mohamad Qandias Mohd Taufik**

Faculty of Business and Management,  
Universiti Teknologi MARA (UiTM), Melaka, Malaysia

**Mohamad Shahrul Isa Mohamad Razlan**

Faculty of Business and Management,  
Universiti Teknologi MARA (UiTM), Melaka, Malaysia

**Nur Allyssa Azry Azrien Azry**

Faculty of Business and Management,  
Universiti Teknologi MARA (UiTM), Melaka, Malaysia

**Nurin Liyana Wadiyah Abdul Razak**

Faculty of Business and Management,  
Universiti Teknologi MARA (UiTM), Melaka, Malaysia

**Ameishah Khairiah Alamein**

Faculty of Business and Management,  
Universiti Teknologi MARA (UiTM), Melaka, Malaysia

*Corresponding Author's Email: [sitinorashikin3639@uitm.edu.my](mailto:sitinorashikin3639@uitm.edu.my)*

### **Article history:**

*Received : 22 Julai 2022*

*Accepted : 17 Oktober 2022*

*Published : 21 Oktober 2022*

### **ABSTRACT**

The global economy is being impacted by coronavirus disease (COVID-19) in a way that has never been seen before. Many businesses are affected which resulted in significant changes in the service industry. This paper aims to present reviews of the literature on the impact of COVID-19 on the service industry, with a focus on tourism, healthcare, IT, and communication and education. The review showed that the impact extended beyond business performance to other areas, such as mental health and well-being. This review will provide a

comprehensive understanding of COVID-19's effects on the service sector, as well as those of its alternatives and potential future practices.

**Keywords:** Service industry, COVID-19, Impact, Economic, Well-being

## INTRODUCTION

The COVID-19 pandemic has affected nearly every economic sector around the world. In the midst of the pandemic, various global sectors and industries are making an effort to stabilize. In fact, this pandemic has had the most severe effects on the service industry worldwide. Malaysia's service sector is one of the fastest-growing in the country. In early 2020, the COVID-19 outbreak in Malaysia had an impact on this industry directly. In the first quarter of 2019, Malaysia's Gross Domestic Products (GDP) recorded RM341.7 billion at constant prices and RM361.9 billion at current prices and the employment rate in this sector rose by 3.3 % in the first quarter (Department of Statistics Malaysia). The government had imposed the movement control order (MCO) that restrict most of the business activities operating and direct impact on the revenue of this sector. Total revenue of the services sector in the third quarter of 2021 recorded RM391.0 billion, which decreased 8.7% from 2020. The total number of persons involved in this sector amounted to 3.7 million persons which decreased by about 32,334. Many are jobless in this industry and affected by another social development impact.

Accordingly, COVID-19 has a tremendous impact on the global economic, political, and socio-cultural systems (Mihajlovic, 2020). The service sector is an essential business during the pandemic. As such tourism and healthcare are among the most interrupted system during this pandemic (Xiang, S et. Al, 2021). Moreover, the restriction movement caused employees to work from home, e-commerce activity increased, and contactless delivery and streaming media tremendously became important at all levels of society. Businesses are struggling with how to keep providing services to their clients and communities around the world as the coronavirus crisis changes on a daily basis.

As a result, the modifications to its regular operations have consequently had an effect on the company's business. Despite the disruptive changes brought about by the crisis, some opportunities might become commonplace in the future. The role of the service sector is one of the academic research areas highlighted by Haleem et al. (2020) to combat the COVID-19 pandemic. Therefore, this study will review the impact of Covid-19 focus on the service industry which includes tourism, IT and communication infrastructure, healthcare, and education sectors.

## THE IMPACT ON SERVICE INDUSTRY

### i. Tourism industry

**Table 1:** Tourism Performance (Jan-Sept 2019 & 2020)

	<i>Jan-Sept 2019</i>	<i>Jan-Sept 2021</i>
<i>Arrivals (million)</i>	20.1	4.29
<i>Receipts (RM bil)</i>	66.1	12.6
<i>Per capita spend (RM)</i>	2938.40	3289.3
<i>Excursionists (million)</i>	1.73	6.91

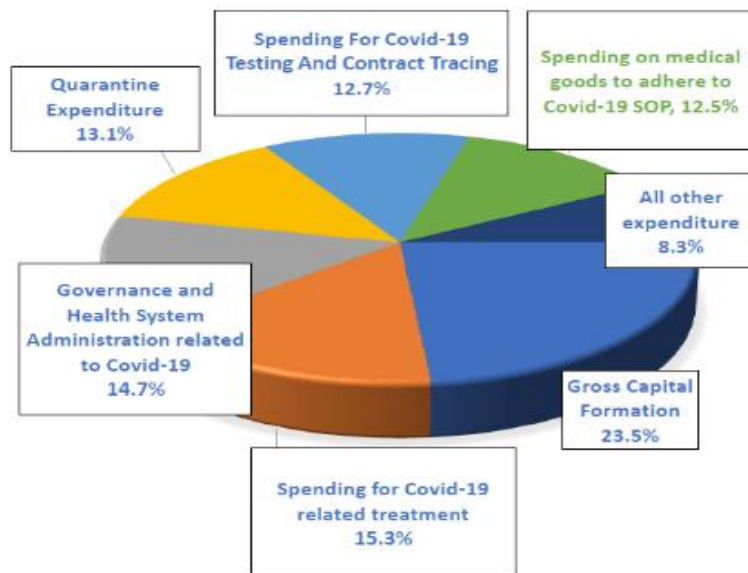
Source: Malaysian Association of Hotels

The tourism and hospitality industry has been one of the hardest-hit sectors internationally and locally due to the lockdown of public areas and social distancing (Jones and Comfort, 2020). Table 1 shows that the number of tourist arrivals was drop tremendously from 2019 to 2020. Annual tourist arrivals to Malaysia are estimated to be around 27 million. Hotels and restaurants, air travel, and tourism services are likely to be affected which recorded a loss of over RM6.53bil for the year 2020. The hotel is permitted to open, but solely for quarantine and isolation purposes, however, tourism-related business operations are not permitted. It can be seen from January to March 2020, that the cancelation of hotel bookings caused a loss of revenue of RM68,190,364 (Malaysian Association of Hotels 2020). Adventure Travel Trade Association (ATTA) 2020 reported that reasons for the cancellation included consumer reluctance to travel (at a rate of 45%), travel restrictions (at a rate of 23%), and the lockdown that was imposed. This devastating effect is experienced by any airline industry. Moreover, the restriction movement among the countries has made the airlines serve a limited number of destinations (Farhana Yahya, 2020). It encompasses the entire global airline and the aviation sector.

The tourism industry is among the fastest-growing in developed and developing countries' economies, it is also considered to be the largest source of employment opportunities in an economy, Gamage et al., (2020). However, many people in this industry have lost their jobs as a result of the pandemic. According to The Star Malaysia, a total of about 56,299 hotel employees were reportedly affected by the salary reduction. A lot of hotels are downsizing their operations, reducing employee salaries, or placing staff members on unpaid leaves for an unforeseen amount of time, which has put many hotel workers in a poor situation (Zubair, F., & Shamsudin, M. F., 2021).

## ii. Healthcare sector

The health sector has been hit hardest by the epidemic; healthcare workers are lacking in personal protective equipment and have observed a number of cases of infection. Doctors, nurses, and paramedics around the world are working longer hours than ever before in overburdened health facilities. Furthermore, the healthcare delivery system was affected. The out-patient-service has completely changed during the pandemic. The healthcare infrastructure and equipment were limited due to the mass critical care. As such, through the Stimulus Package, Malaysia has allocated at least 1.5 billion ringgits to update facilities and equipment, as well as a special allowance for doctors, nurses, and other front-line medical professionals. This can also aid in service quality, management, and transparency monitoring in this sector (Keesara et al., 2020). Moreover, in 2020, Malaysia spent RM2.16 billion on health as a result of Covid-19, accounting for 3.2 percent of total health spending of RM67.02 billion in the public and private sectors. This expenditure amounted to quarantine, spending for Covid-19 testing and tracing, medical goods to adhere to Covid-19 SOP, testing and tracing, medical goods, and governance of the health administration.



**Figure 1: COVID-19 Expenditure**  
Source: Ministry of Health's Malaysia, 2021

### **iii. IT and Communication**

Services organizations, for instance, should handle customer services using digital technologies. By implementing digital technologies, the service sector is able to lessen the likelihood of COVID-19 outbreaks. Information technology is capable of facilitating many activities during COVID-19 to continue to operate and survive. Consumers have shifted drastically to online channels and business sectors have responded too. The fast-growing trend of communicating with customers through digital platforms has increased. This efficiency is aided by the ease with which most services are transformed and digitalized into e-services (Almeida et al., 2020). As a result, the Internet system would be able to efficiently disseminate and transmit services. Moreover, beyond the immediate needs of work from home (WFH), a protracted ban on in-person activities would have a significant impact on everyday workplace activities. These activities would also raise the need for virtual office activities, which necessitate a robust IT and communication infrastructure on the part of organizations. Despite the fact that Malaysia has an Internet penetration rate of over 80%, there remains a significant infrastructure gap between the West and the East (Jalli, 2020).

The pandemic also increases the adoption of social media in various ways. According to Molla, (2020), there were 19 million mentions of COVID-19 on social media and news websites worldwide in just one day. For instance, the knowledge, information, and guidelines have also been shared beyond geographical and language barriers (Wong et al., 2020). During the pandemic, social media has accelerated its use by the consumer. As consumers try to lower their perceived risk, social media may become more important in how they make purchase decisions (Mason, et al., 2021).

### **iv. Education**

Due to precautions taken to stop the spread of COVID-19, more than a billion students worldwide are unable to attend school or university. According to UNESCO, as of March 23, 2020, approximately 1.3 billion students worldwide were unable to attend high school or college. Alternatively, virtual methods of teaching, educating, and sharing knowledge is now widely used and accepted during the pandemic. School and university closures due to COVID-19 have brought significant disruptions to education across the globe. Teachers and students demonstrate flexibility in their use of technology-based platforms for online learning as an alternative to the traditional classroom system (Chick et al., 2020). However, students have faced numerous obstacles as a result of their online learning that affected their mental health and well-being.

When compared to students who had access to broadband and a mobile device, the student who did not have either performed badly, Hampton et al. (2020). Moreover, in Malaysia the internet connectivity in rural areas is weak, and unequal Internet infrastructure between East and West Malaysia leads to the discrepancy in students' access to online education and contributes to different

levels of performance (Lim, 2020). As a result, various alternatives provided by the Ministry of Education Malaysia (MOE) to combat this issue. For example, introducing Kelas@Rumah (class at home) on a free television network. Meanwhile, MOE has also collaborated with Astro Malaysia in broadcasting their education television program namely Tutor TV.

## METHODOLOGY

This paper includes the articles cited on online databases including google scholar using a keyword search of “covid-19” “pandemic” and “service industry”. In relation to the COVID-19 pandemic, hence the article selection was done in 2020-2022. The results of this topic's keyword searches are displayed in Figure 2.



**Figure 2:** Word Cloud of the study

## CONCLUSION

This study entails a review and discussion of the impact of COVID-19 particularly from the service industry perspective. Some of the most important lessons learned from this crisis include optimizing available resources by the industry. The future practices caused by the impact might be applicable and relevant to adopting new business and processes after the pandemic. Moreover, the digital platform of the work pattern may result from increasing the workforce's virtual capacity. Organizations in the service sector should concentrate on developing their employees' resilience through training and coaching. The technology needs better quality and connectivity to enable new ways of working. The severity of the pandemic has had a considerable negative impact on Malaysia's economic and social development. Alternatively, the Malaysian government has made several economic stimuli to protect the most vulnerable and support enterprises mainly the service industry. It is believed that

with government support in managing the crisis, the service industry is able to get back on track to success.

## ACKNOWLEDGMENTS

The authors are grateful to their friends for their helpful and encouraging comments throughout the review process and would like to express a great acknowledgment of the funding from Universiti Teknologi MARA Melaka.

## REFERENCES

- Abbas, J., Mubeen, R., Iorember, P. T., Raza, S., & Mamirkulova, G. (2021). Exploring the impact of COVID-19 on tourism: transformational potential and implications for a sustainable recovery of the travel and leisure industry. *Current Research in Behavioral Sciences*, 2, 100033.
- Allaberganov, A. (2021). Government commitment to tourism and hospitality sector during COVID-19 pandemic. *Tourism Critiques: Practice and Theory*, 153-169.
- Almeida, F., Duarte Santos, J., & Augusto Monteiro, J. (2020). The Challenges and Opportunities in the Digitalization of Companies in a Post-COVID-19 World. *IEEE Engineering Management Review*. <https://doi.org/10.1109/EMR.2020.3013206>
- Anthony Kong, J.-E. O. (2021). Face mask effects during COVID-19: perspectives of managers, practitioners and customers in the hotel industry. *International Hospitality Review*, 195-207.
- Chick, R. C., Clifton, G. T., Peace, K. M., Propper, B. W., Hale, D. F., Alseidi, A. A., et al. (2020). Using technology to maintain the education of residents during the COVID-19 pandemic. *J. Surg. Educ.* 77, 729–732. doi: 10.1016/j.jsurg.2020.03.018
- Gamage, SK.N; Illangarathne, S.; Kumudumali, T.; Nedelea, A.; (2020). Terrorism and Tourism: A Systematic Review of Empirical Literature, *Revista de turism - studii si cercetari in turism*, 29, pp. 1-10
- Hamid, R., Hashim, N. H. M., Shukur, S. A. M., & Marmaya, N. H. (2021). The Impact of Covid-19 on Malaysia Tourism Industry Supply Chain. *International Journal of Academic Research in Business and Social Sciences*, 11(16), 27–41.
- Kumar, A., Luthra, S., Mangla, S. K., & Kazançoğlu, Y. (2020). COVID-19 impact on sustainable production and operations management. *Sustainable Operations and Computers*, 1, 1-7.
- Kumudumali, S. H. T. (2020). Impact of COVID-19 on tourism industry: A review. *Munich Personal RePEc Archive* 14p.
- Keesara, S., Jonas, A., and Schulman, K. (2020). Covid-19 and health care's digital revolution. *N. Engl. J. Med.* 382:e82. doi: 10.1056/NEJMp2005835

- Lee-Peng Foo, Mui-Yin Chin, Kim-Leng Tan & Kit-Teng Phuah (2021) The impact of COVID-19 on tourism industry in Malaysia, *Current Issues in Tourism*, 24:19, 2735-2739, DOI: 10.1080/13683500.2020.1777951
- Mason, A. N., Narcum, J., & Mason, K. (2021). Social media marketing gains importance after Covid-19. *Cogent Business & Management*, 8(1), 1870797.
- Mehmet Bahri Saydam, V. O. (2022). How about the service perception during the COVID-19 pandemic: an analysis of tourist experiences from user-generated content on TripAdvisor. *Tourism Critiques: Practice and Theory*, 2633-1225.
- Molla R. How coronavirus took over social media. 2020. URL: <https://tinyurl.com/ycwtmx3u>
- Sia, J. K. M., & Abbas Adamu, A. (2021). Facing the unknown: pandemic and higher education in Malaysia. *Asian Education and Development Studies*, 10 (2), 263-275.
- The Star: <https://www.thestar.com.my/business/business-news/2020/03/26/hotel-sector-hit-by-covid-19>, 20 March 2020, retrieved on 6 July 2022.
- Uğur, N. G., & Akbıyık, A. (2020). Impacts of COVID-19 on global tourism industry: A cross-regional comparison. *Tourism management perspectives*, 36, 100744.
- Wong, A., Ho, S., Olusanya, O., Antonini, M. V., & Lyness, D. (2021). The use of social media and online communications in times of pandemic COVID-19. *Journal of the Intensive Care Society*, 22(3), 255-260.
- Xiang S, Rasool S, Hang Y, Javid K, Javed T and Artene AE (2021) The Effect of COVID-19 Pandemic on Service Sector Sustainability and Growth. *Front. Psychol.* 12:633597. doi: 10.3389/fpsyg.2021.633597
- Zubair, F., & Shamsudin, M. F. (2021). Impact of Covid-19 on tourism and hospitality industry of Malaysia. *Journal of Postgraduate Current Business Research*, 6(1), 6-6.