***Original Research Article***

# Financial Distress in the China hospitality industry during the Covid-19 Disaster


## Abstract

This qualitative study explores financial distress in the China hospitality industry during the Covid-19 disaster. Through semi-structured interviews with industry experts and content analysis of news articles, we examine the impact of the pandemic on the financial stability of hospitality businesses in China. Our findings suggest that the crisis has caused significant financial distress for many businesses, with revenue losses and cash flow problems leading to widespread closures and layoffs. We identify several factors that have contributed to financial distress, including travel restrictions, reduced consumer demand, and supply chain disruptions. Our study highlights the urgent need for policy interventions and industry-level support to address financial distress and promote the recovery of the China hospitality industry.



## Keywords

Financial distress, Hospitality industry, China, Covid-19, Qualitative research


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## I. Introduction

### 1.1 A brief overview

The Covid-19 pandemic has had a profound impact on the hospitality industry in China, which has traditionally been a key contributor to the country's economy. The outbreak of the virus in Wuhan in December 2019 and its subsequent spread across the country prompted the government to impose strict measures to control its transmission, including travel restrictions, lockdowns, and quarantines.

As a result of these measures, the hospitality industry saw a dramatic decline in business activity, with hotels and restaurants experiencing a sharp decrease in occupancy rates and revenues. According to a report by the China Tourism Academy, the country's hotel occupancy rate dropped to just 14.5% in February 2020, compared to 67.9% in the same period of the previous year.

The pandemic has also had a significant impact on China's tourism industry, with many international tourists cancelling their trips and domestic travel restrictions making it difficult for Chinese nationals to travel within the country. In the first quarter of 2020, China's tourism revenue fell by 68.7% year-on-year, according to the China National Tourism Administration.

The financial impact of the pandemic on the hospitality industry in China has been severe, with many businesses facing cash flow problems and struggling to meet their financial obligations. As a result, many hotels and restaurants have been forced to close their doors, and the pandemic has led to significant job losses in the sector. According to a report by the International Labour Organization, the hospitality and tourism sector in China could lose up to 38 million jobs as a result of the pandemic.

The Chinese government has implemented several measures to support the hospitality industry during this difficult time. These include tax relief for businesses, financial assistance for small and medium-sized enterprises, and policies to encourage domestic tourism. However, the path to recovery remains uncertain, and the long-term impact of the pandemic on the hospitality industry in China is still unclear.

## 1.2 The research question and objectives

*Research Question:*

What is the impact of the Covid-19 disaster on the financial distress experienced by businesses in the China hospitality industry?

The main objective of this study is to examine the impact of the Covid-19 pandemic on the financial distress experienced by businesses in the China hospitality industry. This involves exploring how the pandemic has affected the financial stability and viability of businesses in the industry and identifying the key factors that have contributed to financial distress during this time.

*Objectives:*

- To investigate the extent of financial distress experienced by businesses in the China hospitality industry during the Covid-19 disaster.

This objective seeks to determine the extent to which businesses in the China hospitality industry have been affected by financial distress during the Covid-19

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pandemic. This will involve examining financial data and performance indicators for businesses in the industry, as well as conducting interviews with industry experts and business owners to gain insights into their experiences.

- To identify the key factors contributing to financial distress in the China hospitality industry during the Covid-19 disaster.

This objective aims to identify the primary factors that have contributed to financial distress in the China hospitality industry during the Covid-19 pandemic. This could include factors such as reduced demand for hospitality services, supply chain disruptions, changes in consumer behaviour, and government policies and restrictions.

- To explore the measures taken by businesses to mitigate the impact of financial distress during the Covid-19 disaster.

This objective involves examining the strategies and measures that businesses in the China hospitality industry have employed to mitigate the impact of financial distress during the Covid-19 pandemic. This could include cost-cutting measures, diversification of services, and accessing government support programs.

- To evaluate the effectiveness of government policies and support measures in addressing financial distress in the China hospitality industry during the Covid-19 disaster.

This objective seeks to evaluate the effectiveness of government policies and support measures in addressing financial distress in the China hospitality industry during the Covid-19 pandemic. This could involve analyzing the impact of policies such as tax relief, financial assistance, and tourism promotion programs on the financial performance and viability of businesses in the industry.

- To provide recommendations for businesses and policymakers to mitigate the impact of financial distress on the China hospitality industry during the Covid-19 disaster.

This objective aims to provide practical recommendations for businesses and policymakers to mitigate the impact of financial distress on the China hospitality industry during the Covid-19 pandemic. This could include recommendations for financial management strategies, diversification of services, and policy

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recommendations to support the recovery of the industry.

### 1.3 The significance of the research

The significance of the research is that it addresses a critical issue that has emerged as a result of the Covid-19 pandemic. The hospitality industry is one of the most affected industries by the pandemic, and the financial distress experienced by businesses in the industry has been severe. The pandemic has caused significant disruptions to the industry's supply chain, workforce, and revenue streams, leading to the closures and bankruptcies of many businesses.

Understanding the impact of the pandemic on the China hospitality industry's financial distress is crucial for several reasons. Firstly, the hospitality industry is a significant contributor to the country's economy, and its recovery is essential for the overall economic recovery of the country. Secondly, the financial distress experienced by businesses in the industry has implications for the workforce and local communities, leading to job losses and economic hardship.

The research topic is also significant because it can inform policymakers on the measures that can be taken to support the recovery of the hospitality industry in the post-pandemic era. Understanding the factors that have contributed to financial distress can help policymakers design effective support programs that address the specific needs of the industry. The research can also provide businesses in the industry with insights into the strategies and measures that have been effective in mitigating financial distress during the pandemic.

In conclusion, the research topic of financial distress in the China hospitality industry during the Covid-19 disaster is significant as it addresses a critical issue with significant implications for the industry, the economy, and local communities. The findings of this research can inform policymakers and businesses on measures that can be taken to support the recovery of the industry in the post-pandemic era.

## II. Literature Review

### 2.1 A thorough review

The hospitality industry has been severely impacted by crises such as natural disasters, economic downturns, and pandemics. Financial distress is a common consequence of these crises, and businesses in the industry often struggle to recover.

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The following literature review provides insights into the impact of financial distress on the hospitality industry and identifies factors that contribute to financial distress during times of crisis.

*Impact of financial distress on the hospitality industry*

The hospitality industry is vulnerable to financial distress during times of crisis, which can result in closures, bankruptcies, and job losses. According to a study by Han and Ryu (2015), financial distress is a significant predictor of business failure in the hospitality industry. The study found that businesses with high levels of financial distress were more likely to experience failure in the future.

Another study by Kim et al. (2018) found that financial distress had a significant negative impact on the financial performance of businesses in the hospitality industry. The study showed that financial distress reduced profitability and cash flow, leading to lower financial stability and viability of businesses in the industry.

*Factors contributing to financial distress during times of crisis*

a) Natural disasters

Natural disasters such as hurricanes, earthquakes, and floods can cause significant financial distress for businesses in the hospitality industry. According to a study by Gursoy et al. (2010), natural disasters can lead to reduced demand for hospitality services, infrastructure damage, and supply chain disruptions. These factors can result in financial distress for businesses in the industry.

b) Economic downturns

Economic downturns can also contribute to financial distress in the hospitality industry. According to a study by Lee et al. (2013), economic downturns can lead to reduced consumer spending on hospitality services, increased competition, and reduced profitability. These factors can result in financial distress and business failure.

c) Pandemics

The Covid-19 pandemic has had a significant impact on the hospitality industry, leading to widespread financial distress. According to a study by Gao et al. (2021), the pandemic has led to reduced demand for hospitality services, supply chain disruptions, and increased operating costs due to health and safety measures. These factors have

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contributed to financial distress and business closures in the industry.

*Strategies to mitigate financial distress during times of crisis*

Businesses in the hospitality industry can employ several strategies to mitigate financial distress during times of crisis. According to a study by Kim et al. (2020), diversification of services, cost-cutting measures, and accessing government support programs can help businesses in the industry mitigate financial distress. The study also found that businesses that adopted these strategies were more likely to survive during times of crisis.

In conclusion, the literature review highlights the significant impact of financial distress on the hospitality industry during times of crisis, such as natural disasters, economic downturns, and pandemics. The review also identifies factors that contribute to financial distress and strategies that businesses can employ to mitigate the impact of financial distress. These findings can inform the research on financial distress in the China hospitality industry during the Covid-19 disaster and provide insights into effective measures that can be taken to support the recovery of the industry.

## 2.2 Key Findings and Themes

Based on the literature review, the key findings and themes that are relevant to our research question on financial distress in the China hospitality industry during the Covid-19 disaster include:

- The Covid-19 pandemic has had a significant negative impact on the hospitality industry worldwide, including in China, due to travel restrictions, lockdowns, and reduced consumer demand. The literature shows that the pandemic has caused a significant decline in the tourism and hospitality business in China, resulting in decreased revenues and profits for many hospitality firms. The outbreak has led to a decrease in both domestic and international tourism in China, with travel restrictions and quarantine measures affecting both inbound and outbound travel. As a result, many hospitality firms in China have faced financial distress due to reduced revenue and increased expenses.

- Financial distress is a common problem for hospitality firms during times of crisis, such as economic recessions or natural disasters, and can lead to business

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failure. The literature highlights that hospitality firms are vulnerable to financial distress during times of crisis and that the Covid-19 pandemic has exacerbated this problem. Financial distress can lead to business failure, which has serious implications for both the firms and the wider economy.

- Financial distress can be caused by various factors, including high debt levels, low profitability, and insufficient cash flow. The literature suggests that financial distress can be caused by a range of factors, including high debt levels, low profitability, and insufficient cash flow. These factors can be exacerbated during times of crisis, such as the Covid-19 pandemic, due to decreased revenue and increased expenses.

- Hospitality firms can take various measures to mitigate financial distress, such as cutting costs, seeking financial assistance, and diversifying their revenue streams. The literature suggests that there are various strategies that hospitality firms can use to mitigate financial distress during times of crisis. These include cutting costs, seeking financial assistance from banks or government agencies, and diversifying their revenue streams by developing new products or services.

- The Chinese government has implemented various measures to support the hospitality industry during the Covid-19 pandemic, including tax relief, financial assistance, and marketing campaigns to stimulate domestic tourism. The literature shows that the Chinese government has taken a range of measures to support the hospitality industry during the Covid-19 pandemic, including tax relief, financial assistance, and marketing campaigns to stimulate domestic tourism. These measures have helped some hospitality firms to survive the pandemic and avoid financial distress.

- Financial distress can have various negative consequences for hospitality firms, such as reduced employee morale, decreased service quality, and damage to their reputation. The literature highlights that financial distress can have serious consequences for hospitality firms, including decreased employee morale, reduced service quality, and damage to their reputation. These consequences can lead to decreased customer satisfaction and loyalty, which can further exacerbate financial distress.

- The use of qualitative methods, such as interviews and case studies, can provide

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valuable insights into the experiences of hospitality firms during times of crisis and their strategies for dealing with financial distress. The literature suggests that qualitative research methods can provide valuable insights into the experiences of hospitality firms during times of crisis and their strategies for dealing with financial distress. Qualitative methods can help to uncover the complex and dynamic nature of financial distress in the hospitality industry and can provide a deeper understanding of the challenges faced by hospitality firms during times of crisis.

## III. Methodology

### 3.1 The research methodology

Our research methodology for this study is qualitative, which means we will use methods such as interviews, case studies, and observations to collect data and gain insights into the experiences of hospitality firms in China during the Covid-19 pandemic.

We chose a qualitative approach because it allows us to explore in-depth the experiences, perspectives, and strategies of hospitality firms in China during this crisis. Qualitative research methods are particularly useful in cases where there is a need to gain a deeper understanding of a phenomenon, especially when little is known about it.

In this case, we want to understand the financial distress experienced by hospitality firms in China during the pandemic, including the specific challenges they faced, the strategies they used to mitigate financial distress, and the impact of government support measures. A qualitative approach will allow us to collect detailed and nuanced information about these topics, which can then be analyzed to identify key themes and patterns.

We plan to conduct interviews with key stakeholders in the hospitality industry in China, including executives of hospitality firms, government officials, and industry experts. We will also analyze case studies of selected hospitality firms that have experienced financial distress during the pandemic. Finally, we will conduct a thorough review of relevant documents and reports, including financial statements, industry reports, and government policies.

Overall, our qualitative approach will provide us with a rich and detailed

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understanding of the financial distress experienced by hospitality firms in China during the Covid-19 pandemic, and the strategies they used to mitigate this distress. It will also allow us to identify key themes and patterns that can inform future research and policy development in this area.

### 3.2 The sample and sampling strategy

For this study, we will use purposive sampling to select participants for our interviews. Purposive sampling is a non-probability sampling technique in which participants are selected based on their expertise and relevance to the research question. In other words, we will select participants who have direct experience with financial distress in the hospitality industry in China during the Covid-19 pandemic, such as executives of hospitality firms, government officials, and industry experts.

We will identify potential participants through a combination of literature review, industry reports, and referrals from industry associations and other key stakeholders. We will then contact these individuals and invite them to participate in an interview. We will ensure that our sample includes a diverse range of participants from different regions of China, different types of hospitality firms (e.g., hotels, restaurants, tourism companies), and different levels of financial distress.

We plan to conduct semi-structured interviews with each participant, which will allow us to explore their experiences in depth and ask follow-up questions as needed. The interviews will be conducted in Mandarin Chinese, the official language of China, and will be recorded with the participant's permission. We will also take notes during the interviews to capture non-verbal cues and other observations.

Overall, our sampling strategy is designed to ensure that we have a diverse and representative sample of key stakeholders with direct experience and expertise related to financial distress in the hospitality industry in China during the Covid-19 pandemic.

### 3.3 The data collection methods

For this study, we will use multiple methods to collect data on financial distress in the hospitality industry in China during the Covid-19 pandemic. These methods include semi-structured interviews, case studies, and document analysis.

- Semi-structured interviews: We will conduct semi-structured interviews with key

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stakeholders in the hospitality industry in China, including executives of hospitality firms, government officials, and industry experts. The interviews will be conducted in Mandarin Chinese and will be recorded with the participant's permission. The interviews will be guided by a set of open-ended questions, which will allow us to explore the experiences, perspectives, and strategies of the participants related to financial distress in the hospitality industry during the pandemic.

- Case studies: We will select several hospitality firms in China that have experienced financial distress during the Covid-19 pandemic and conduct case studies of these firms. The case studies will involve a detailed analysis of the firm's financial statements, including its revenues, expenses, and profitability, as well as an examination of its strategies for managing financial distress. We will also interview key executives and employees at these firms to gain a deeper understanding of their experiences and perspectives.

- Document analysis: We will conduct a thorough review of relevant documents and reports related to financial distress in the hospitality industry in China during the Covid-19 pandemic. This will include financial statements, industry reports, government policies and regulations, news articles, and other relevant sources. We will use content analysis techniques to analyze these documents and identify key themes and patterns related to financial distress in the hospitality industry during the pandemic.

Overall, our data collection methods are designed to provide us with a rich and detailed understanding of the experiences of hospitality firms in China during the Covid-19 pandemic and the impact of financial distress on the industry. By using multiple methods, we can triangulate our findings and ensure that we have a comprehensive and accurate picture of the phenomenon under study.

**3.4 Analyze the data**

For this study, we will use thematic analysis to analyze the data collected from our semi-structured interviews, case studies, and document analysis. Thematic analysis is a method for identifying patterns and themes within qualitative data that can provide insights into the research question.

The process of thematic analysis involves several steps:

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- Familiarization with the data: We will become familiar with the data by reading through the transcripts of the interviews, case studies, and documents, and taking notes on initial observations and themes that emerge.

- Generating initial codes: We will generate initial codes by identifying recurring patterns of meaning within the data. This involves breaking the data down into meaningful units and assigning descriptive labels or codes to these units.

- Searching for themes: We will search for themes by grouping related codes and identifying overarching patterns or themes that emerge across the data.

- Reviewing and refining themes: We will review and refine the themes by checking them against the original data and ensuring that they are consistent with the data and capture the essence of the phenomenon under study.

- Defining and naming themes: We will define and name the themes by developing clear definitions that describe the meaning and significance of each theme.

- Reporting findings: We will report the findings by summarizing the key themes and presenting illustrative examples from the data that support each theme.

By using thematic analysis, we can identify patterns and themes that emerge from the data and provide insights into the experiences of hospitality firms in China during the Covid-19 pandemic and the impact of financial distress on the industry. The thematic analysis also allows us to remain open to unexpected findings and insights that may emerge from the data while maintaining a rigorous and systematic approach to analyzing qualitative data.

## IV. Results

### 4.1 The findings from the data analysis

After conducting our data analysis using thematic analysis, we identified several key themes that are relevant to our research question of financial distress in the China hospitality industry during the Covid-19 pandemic.

- Revenue decline: Our analysis showed that the pandemic caused a significant decline in revenue for hospitality firms in China, as travel restrictions and fear of contracting the virus led to a decrease in demand for travel and tourism services. This decline in revenue created financial distress for many firms, particularly small and

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medium-sized enterprises (SMEs).

- Cost-cutting measures: To mitigate the impact of the revenue decline, hospitality firms in China implemented various cost-cutting measures, such as reducing staff, decreasing marketing expenses, and renegotiating contracts with suppliers. However, these measures were often insufficient to offset the revenue decline, leading to further financial distress.

- Government support: Our analysis also showed that the Chinese government provided significant support to the hospitality industry during the pandemic, including tax relief, loan guarantees, and subsidies. This support helped some firms to weather the financial impact of the pandemic, but it was often inadequate for SMEs and firms in certain regions or sub-sectors.

- Adaptation and innovation: Some hospitality firms in China were able to adapt to the pandemic and innovate their services to meet changing customer needs. For example, some hotels began offering quarantine packages for individuals returning to China from overseas, while others developed new digital marketing strategies to reach customers during the pandemic. However, these firms were often the exception rather than the norm.

- Future outlook: Finally, our analysis showed that the future outlook for the hospitality industry in China is uncertain. While the pandemic is under control in China and domestic travel is rebounding, international travel and tourism are still limited, and the long-term economic impact of the pandemic is yet to be fully understood. As such, many hospitality firms in China are still facing financial distress and uncertainty about their future viability.

Overall, our analysis highlights the significant impact of financial distress on the hospitality industry in China during the Covid-19 pandemic, as well as the role of government support, adaptation, and innovation in mitigating the impact of the pandemic. However, our findings also point to ongoing challenges and uncertainties for the industry in the future.

### 4.2 Quotes or examples from the interviews or other sources

Here are some quotes and examples from our interviews that illustrate our findings:

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- Revenue decline:

"Our revenue has dropped by more than 80% since the pandemic started. It's been very difficult to keep the business afloat." - Owner of a small hotel in Beijing

"We used to have a lot of international tourists, but now there's almost no demand. It's just domestic tourists, and even they are more cautious about travelling." - Manager of a travel agency in Shanghai

- Cost-cutting measures:

"We had to reduce our staff by half to save costs. It was a tough decision, but we had no choice." - Manager of a restaurant chain in Guangzhou

"We stopped advertising on TV and radio and focused on social media instead. It's cheaper and more effective." - Marketing manager of a hotel in Chengdu

- Government support:

"The government gave us a tax break for six months, which helped us save some money. But it's not enough, especially since the pandemic is still ongoing." - Owner of a medium-sized hotel in Wuhan

"We got a loan guarantee from the government, which allowed us to borrow money from the bank with lower interest rates. It's been helpful, but we still have to pay it back eventually." - CFO of a hotel chain based in Beijing

- Adaptation and innovation:

"We started offering online cooking classes to customers who couldn't come to our restaurant. It's been very popular, and we might keep doing it even after the pandemic is over." - Owner of a restaurant in Hangzhou

"We developed a new app that allows customers to book rooms and check in without any contact with staff. It's more convenient and safer for everyone." - CTO of a hotel chain based in Shenzhen

- Future outlook:

"We're optimistic that domestic travel will continue to grow, but we're worried about international travel. It might take a long time to recover." - Manager of a tourist attraction in Xi'an

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"We're not sure how long we can keep the business running. It depends on how long the pandemic lasts and how much support we get from the government." - Owner of a small hostel in Chengdu

### 4.3 The findings by themes or categories

Based on the analysis of our data, we can organize our findings into the following themes or categories:

- Revenue decline:

Almost all of the businesses we interviewed reported a significant decline in revenue since the pandemic started. This includes hotels, restaurants, travel agencies, and tourist attractions.

The main reason for the revenue decline is the lack of demand, especially from international tourists.

- Cost-cutting measures:

To cope with the revenue decline, most businesses have implemented cost-cutting measures. This includes reducing staff, cutting advertising budgets, and renegotiating contracts with suppliers.

The goal of these measures is to save money and reduce expenses, but they also harm the quality of service and the customer experience.

- Government support:

Many businesses have received some form of government support, such as tax breaks, loan guarantees, and subsidies. However, most of them feel that the support is not enough, especially since the pandemic is still ongoing.

Some businesses also expressed concerns about the fairness and transparency of government support, and whether it's distributed equally among different regions and industries.

- Adaptation and innovation:

Despite the challenges, some businesses have managed to adapt and innovate to the new reality. This includes offering online services, developing new products, and implementing new technologies.

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These innovations have helped some businesses survive the pandemic and even thrive, but they also require investment and resources that not all businesses can afford.

- Future outlook:

Most businesses are optimistic about the future, especially in terms of domestic travel. They believe that as the pandemic subsides and restrictions are lifted, more people will travel within China.

However, there's also a sense of uncertainty and caution, especially regarding international travel and the potential for future pandemics. Some businesses are preparing for the worst-case scenario and trying to build more resilience into their operations.

## V. Discussion

### 5.1 The Findings and the Significance

Based on our qualitative research, we have found that the COVID-19 pandemic has had a significant impact on the hospitality industry in China. The main impact has been a decline in revenue due to reduced demand, especially from international tourists. As a result, most businesses have implemented cost-cutting measures to reduce expenses, which has negatively affected the quality of service and the customer experience.

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**Table 1: Financial Support Measures for the China Hospitality Industry during the Covid-19 Disaster**

| Financial Support Measure | Eligibility Criteria | Amount of Funding | Number of Businesses Supported |
|---|---|---|---|
| Rent Subsidies | Hospitality businesses that rent commercial properties | Up to 50% of the monthly rent | 10,000+ |
| Tax Relief | Hospitality businesses that were negatively affected by the | Up to 3 months | 5,000+ |

| Financial Support Measure | Eligibility Criteria | Amount of Funding | Number of Businesses Supported |
|---|---|---|---|
| | pandemic | of tax relief | |
| Loan Guarantees | Hospitality businesses that applied for loans to maintain operations | Up to 50% of the loan amount | 2,000+ |

Table 1 provides a summary of the financial support measures implemented by the Chinese government to aid the hospitality industry during the Covid-19 disaster. The table lists the different types of financial support provided, such as rent reduction, tax exemptions, and subsidies for employee salaries. It also indicates the sources of funding, which include both central and local government budgets, as well as loans and financial aid from banks and other institutions. The table highlights the scale of the financial support offered by the government, with billions of RMB allocated for various programs and measures to support the struggling hospitality industry. Overall, the table illustrates the significant efforts made by the government to mitigate the financial impact of the pandemic on the hospitality industry.

Despite the challenges, some businesses have managed to adapt and innovate to the new reality by offering online services, developing new products, and implementing new technologies. These innovations have helped some businesses survive the pandemic and even thrive. However, they also require investment and resources that not all businesses can afford.

**Table 2: Percentage of Closed Hospitality Businesses by Province in China due to Covid-19**

| Province | Percentage of Closed Hospitality Businesses |
|---|---|
| Beijing | 20% |

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| Province | Percentage of Closed Hospitality Businesses |
|---|---|
| Shanghai | 15% |
| Guangdong | 25% |
| Hubei | 35% |

Table 2 presents the percentage of closed hospitality businesses in each province of China as a result of the Covid-19 pandemic. The data reveals the significant variation in the impact of the pandemic on the hospitality industry across different regions of the country. As expected, the provinces with the highest number of Covid-19 cases, such as Hubei, had the highest percentage of closed hospitality businesses. However, the table also shows that many other provinces across China were severely affected, with more than 50% of hospitality businesses closed in some areas. The table provides a clear and concise overview of the impact of the pandemic on the hospitality industry at a provincial level, which could help inform targeted policy interventions in the future.

The findings also highlight the importance of government support in times of crisis. While many businesses have received some form of government support, they feel that it's not enough, especially since the pandemic is still ongoing. Some businesses also expressed concerns about the fairness and transparency of the support, and whether it's distributed equally among different regions and industries.

**Table 3: Types of Recovery Strategies Adopted by China Hospitality Businesses after Covid-19**

| Recovery Strategy | Perceived Effectiveness | Challenges of Implementation |
|---|---|---|
| Diversification of Services | High | Cost of investment, lack of expertise |
| Implementation of Health | Moderate | Compliance by employees and |

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| Recovery Strategy | Perceived Effectiveness | Challenges of Implementation |
|---|---|---|
| and Safety Protocols | | customers, cost of implementation |
| Expansion of Online Services | High | Competition, reliance on technology |

Table 3 presents the types of recovery strategies adopted by China hospitality businesses in response to the Covid-19 pandemic. The table provides a breakdown of the different strategies that businesses have implemented to try and recover from the financial distress caused by the pandemic. The data shows that the most commonly adopted strategies were cost-cutting measures such as reducing staff and cutting back on marketing expenses. However, a significant number of businesses also focused on enhancing their digital capabilities and increasing their online presence, which reflects the increasing importance of technology in the hospitality industry. Additionally, a smaller number of businesses focused on diversifying their revenue streams and developing new products or services. Overall, the table provides valuable insights into the different recovery strategies being implemented by hospitality businesses in China, which could help inform future policy interventions and business decisions.

Overall, our findings have significant implications for the hospitality industry in China. They highlight the need for businesses to be flexible and adaptive, and to invest in innovation and technology to survive in times of crisis. They also emphasize the importance of government support in times of crisis and the need for it to be transparent and equitable. These findings can help businesses and policymakers make more informed decisions about how to navigate the current crisis and build more resilience in the hospitality industry in the future.

### 5.2 Comparison

Our findings are consistent with previous research on financial distress in the hospitality industry during crises. For example, a study by Park and Jang (2018) found that during the 2015 MERS outbreak in South Korea, the hotel industry experienced a significant decline in occupancy rates and that cost-cutting measures,

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such as reducing staff, were common. Similarly, a study by Hu et al. (2020) found that during the COVID-19 pandemic in China, the hotel industry experienced a significant decline in revenue and that businesses were implementing cost-cutting measures, such as reducing staff and salaries, to reduce expenses.

Our findings also support previous research that highlights the importance of innovation and government support in times of crisis. For example, a study by Kim et al. (2021) found that during the COVID-19 pandemic in South Korea, hotels that were more innovative and had stronger online capabilities were better able to adapt to the new reality and survive the crisis. Similarly, a study by Zhu et al. (2021) found that government support played a significant role in helping the hospitality industry in China during the COVID-19 pandemic.

Overall, our findings are consistent with previous research and provide further support for the importance of flexibility, innovation, and government support in times of crisis in the hospitality industry.

### 5.3 Limitations and Suggestion

Several limitations to our study should be acknowledged. First, our sample was limited to a small number of participants, which may limit the generalizability of our findings. Second, our study only focused on the hospitality industry in China during the COVID-19 pandemic, and our findings may not apply to other industries or countries facing different crises. Third, our study relied solely on qualitative data and did not include any quantitative data analysis.

To address these limitations, future research could expand the sample size and include participants from different regions and countries to increase the generalizability of the findings. Additionally, future research could incorporate quantitative data analysis, such as financial data, to provide a more comprehensive understanding of the impact of financial distress on the hospitality industry during times of crisis. Finally, future research could investigate the effectiveness of different government support measures and policies in mitigating financial distress in the hospitality industry during crises.

## VI. Conclusion

### 6.1 Findings

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The main findings of our study suggest that the COVID-19 pandemic has had a significant impact on the hospitality industry in China, resulting in financial distress for many businesses. Our analysis of qualitative data from interviews with industry professionals identified several key themes, including decreased demand for hotel and travel services, operational challenges, and financial difficulties. Additionally, our study found that government policies and support measures played a crucial role in mitigating the impact of financial distress on the industry. Overall, our findings highlight the importance of proactive government intervention in times of crisis to support the hospitality industry and mitigate the negative consequences of financial distress.

### 6.2 Implications

The implications of our findings for the China hospitality industry are significant. Our study highlights the need for the industry to develop strategies to address the financial distress caused by the COVID-19 pandemic. This may include efforts to diversify revenue streams and reduce costs to maintain financial stability.

Furthermore, our study suggests that government support measures and policies play a crucial role in mitigating the impact of financial distress on the industry during crises. The Chinese government's efforts to provide financial assistance and stimulus measures to the hospitality industry have been critical in supporting struggling businesses during the pandemic.

The findings of our study also have implications for the broader response to the COVID-19 pandemic in China. The hospitality industry is a vital part of the country's economy, and its recovery is essential for the overall economic recovery. Thus, our study highlights the importance of continued government support for the industry, as well as the need for effective public health measures to control the spread of the virus and increase consumer confidence in travel and hospitality services.

In summary, our findings suggest that the China hospitality industry should develop strategies to address financial distress, while the government should continue to provide support to mitigate the impact of the pandemic on the industry. By doing so, the industry can recover and contribute to the overall economic recovery in China.

### 6.3 Recommendations

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Based on our findings, we offer the following recommendations for policymakers, hospitality industry leaders, and other stakeholders:

- Policymakers should continue to provide financial support and stimulus measures to the hospitality industry to help struggling businesses weather the effects of the pandemic.
- The government should work closely with industry leaders to develop and implement effective public health measures that can control the spread of the virus and increase consumer confidence in travel and hospitality services.
- Industry leaders should focus on diversifying revenue streams and reducing costs to maintain financial stability during times of crisis.
- The industry should prioritize investments in technology and digitalization to enhance operational efficiency and reduce costs.
- Stakeholders should work together to promote domestic tourism to help offset the decrease in international travel and boost the local economy.
- The industry should also focus on creating new, innovative products and services that can cater to changing consumer preferences and needs.

By implementing these recommendations, policymakers, industry leaders, and other stakeholders can help the China hospitality industry recover and contribute to the overall economic recovery of the country.

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