

## IMPACTS AND MEASURES COVID-19 PANDEMIC AND TOURISM INDUSTRY IN SABAH

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**Abstract:** The COVID-19 pandemic has had a significant adverse influence on the country's economic and social situation, especially with regard to the tourism industry. This study examines the implications of the global pandemic on the tourism industry in Sabah, the study will consider the impact of the movement control order (MCO) and other mitigating measures adopted by tourism industry players. The survey and focus group findings indicate that the pandemic has had a significant impact on the tourism industry in the state, compelling operators and policymakers to re-evaluate current response strategies. The adoption of the MCO in response to the pandemic has resulted in business interruptions and income loss for tourism industry service-providers, with most of them losing more than 80% of their revenues. Diversification is one of the strategies used by operators in the industry to ensure long- and short-term viability. Meanwhile, a government vaccination program is a long-term strategy aimed at ensuring that the tourism sector in Sabah can return to normalcy. As with any study, this study too has limitations in terms of the number of industry sectors studied and sample size used to collect data.

Keywords: COVID-19, movement control order, tourism, Sabah.

### Introduction

Tourism is an important economic activity in many countries because it is a development tool that can generate several economic benefits (Chan, 2020). The tourism industry in Malaysia accounts for a significant portion of the country's economic growth and gross domestic product (GDP) output. It is the third-largest contributor to the nation's economic welfare. It also happens to be the third-largest contributor to economic activities in Sabah accounting for a significant part of the economic growth and GDP output in the state. The sector ranks third for revenue earned and employment provided accounting for more than 80,000 jobs just after the oil and gas and agriculture sectors (Mysabah, 2022). Sabah, located on the Island of Borneo is rich in natural resources and has a rich cultural heritage. The state is well-connected with easy access to 26 international destinations. In 2019, the total tourist arrivals in Sabah stood at 4,195,903 individuals and the total revenue for

the sector was RM320 million (Sabah Tourism Board, 2022). The top ten countries for visitors to Sabah between 2013 and 2020 were China, South Korea, Indonesia, Brunei, Taiwan, the Philippines, the United Kingdom and Ireland, Japan, Australia and Singapore. Some of the main tourist activities in the state include community-based and nature-based tourism (Danting *et al.*, 2018; Goh, 2021).

The global outbreak has had a significant and adverse impact on the economy and society. The impact of the outbreak has had the most impact on tourism and the global hospitality industry. Many countries attempted to halt the spread of the virus through the implementation of social isolation, border closures, travel bans, quarantines and movement control orders (MCO) (Ali & Alharbi, 2020; Bruinen de Bruin *et al.*, 2020) and since March 11, 2020, to limit the spread of the SARS-CoV-2 virus known to cause the Coronavirus disease 2019 (COVID-19). The pandemic has resulted in significant measures

being taken and changes to the economic and business sector practices; the creation of a “new normal: In the business landscape”. These measures changed the way businesses operate, human behaviours and social lives which distressed the tourism and hospitality industries immensely. The spread of the virus changed the shape of Sabah’s tourism industry and economic landscape permanently in numerous ways. It hampered the “Visit Malaysia 2020” campaign in terms of tourist arrivals and receipts. The Tourism, Arts and Culture Ministry was forced to cancelled the campaign target of 30 million new arrivals (Tourism Malaysia, 2020).

Quarantines, business closures, work-from-home programmes and social distancing were some of the measures imposed as a matter of law by most countries, including Malaysia to curb the spread of the pandemic. As a result, the mobility of tourists and travelers was effectively restricted, creating fear of contagion/health issues which resulted in a general unwillingness to travel. Global tourism decreased by between 80% and 90% (World Tourism Organization (UNWTO), 2020). Several stimulus packages were introduced to assist the tourism industry. For example, the Sabah Tourist Association had provided RM300 stimulus vouchers for members to use to support the tourism services, activities, entrance fees or to purchase products provided for by other members of the association (Miwil, 2020). In the same vein, the Institute for Development Studies conducted a survey among tourism operators, who stated that the most urgent need was assistance with payroll and rent expenses; 53% of respondents stated that the existing stimulus package was insufficient to sustain their businesses. Furthermore, Sabah was the first state to allow domestic tourism to begin operations on 10 May 2020, adhering to the government’s standard operating procedure (Rahim, 2020).

Audit company KPMG Malaysia, indicated that the “new normal” business environment would be a shift toward more localisation, digitalisation and an even greater emphasis on the use of technology. The increased use of technology will lead to the replacement of

labour and cost savings, more efficient data management and a focus on financial and supply chain resilience (KPMG Malaysia, 2020). In line with this, the Malaysian government has introduced the National tourism policy 2020-2030. The policy, provides evidence that Malaysia’s tourist industry has seen a real or perceived drop-in service quality compared with its Association of Southeast Asian Nations (ASEAN) counterparts. Existing tourism products have become increasingly unappealing due to a lack of originality and innovation following an over-reliance on the government and a “silo” mentality. The drivers of transformative change are expected to strengthen and transform Malaysia’s tourism industry (KPMG Malaysia, 2020). The six drivers are:

- Transformation Strategy 1: Strengthening Governance Capacity
- Transformation Strategy 2: Creating Special Tourism Investment Zones
- Transformation Strategy 3: Embracing Smart Tourism
- Transformation Strategy 4: Enhancing Demand Sophistication
- Transformation Strategy 5: Practicing Sustainable and Responsible Tourism
- Transformation Strategy 6: Upskilling Human Capital

To put this strategy into action, tourism players will need to optimise e-marketing usage by increasing the synergy between the government and the players in the tourism industry, innovate in the informal and rural tourism sectors, use big data analytics to support data-driven decision-making and future planning and increase the visitor count in rural areas through digital tourism. Digital tourism is a type of digital assistance provided to visitors before, during and after their trip (Mkwizu, 2019). It could include suggestions accommodations and assist visitors with planning their schedules. It may also increase demand for products and services in rural areas by way of its digital presence (Watkins *et al.*, 2018; Kumar & Shekhar, 2020).

Rural tourism provides various experiences and services based on the region's distinctive natural landscape and cultural heritage. Rural sites offer rich and unique resources that provide multiple appealing, "authentic" and memorable experiences (Lane & Kastenholz, 2015).

According to Hanafiah *et al.* (2021), the pandemic has had a significant effect on the ability of small and medium-sized enterprises (SMEs) to stay afloat or keep the lights on, that has necessitated a wide range of assistance programmes being put in place to keep these vital businesses from winding up. The support programmes that have been put in place, include grants, wage subsidies, tax reliefs, extended moratorium periods, business advice regarding risk management and strategic planning, technological expertise and training and human capital development. On that note, in April 2020, KPMG Malaysia (KPMG Malaysia, 2020) proposed seven ways for companies to adapt and grow in the new normal business environment. The seven ways outlined in the KPMG report includes a shift towards localiaation, digitalisation, cash flows, cost models, building capacity, supply chain resilience and agility. Nevertheless, it was not clear as to how these propositions apply regarding rural tourism businesses.

In Sabah, rural tourism has rapidly grown into a significant industry because of the creation of unique rural tourism experiences. It provides economic benefits to the local community and as such its sustained growth is important (Chan, 2020). While rural tourism has been extensively researched from various viewpoints, little is known about the extent of the impact of the COVID-19 pandemic on rural tourism, particularly in Sabah, Malaysia. Indeed, the virus outbreak has dramatically disrupted all subsectors of tourism activity. It has had a significant negative impact on the tourism industry and businesses of various scales. Following a period of significant growth from 2016, the percentage of tourists arriving in the state plummeted by more than 60% in both 2020 and 2021 (Sabah Tourism Board, 2022).

The unexpected drop in tourist arrivals has had a significant impact on the tourism industry's supply chain, particularly for businesses that rely on international tourists.

There has been limited study on COVID-19's effect on rural tourism operators and the efforts undertaken to alleviate the aftereffects of the pandemic in Sabah. The question is then, to what extent has the virus and the slew of countermeasures have impacted rural tourism operators and what measures have been implemented to mitigate the adverse effects suffered?

Sabah has been reliant on the tourism and hospitality industries, which have been badly affected by the COVID-19 pandemic, leading to an increase in the unemployment rate in the state due to business closures. There is a lack of research on measures that tourism operators in Sabah can take to mitigate the impact of the COVIS-19 in the short, medium and long term. Most studies mainly discuss the impacts (e.g., Karim *et al.*, 2020; Hanafiah *et al.*, 2021; Menhat *et al.*, 2021) and government mitigation measures (e.g., Goh, 2021; Menhat *et al.*, 2021). To address these needs and shortcomings, this article aims to investigate this issue as it relates to Sabah.

This paper's theoretical foundation is that of risk society (Beck, 1992). Risk society, in general, refers to how risks are created and distributed in modern society. According to Mansouri and Sefidgarbaei (2021), the COVID-19 pandemic should be considered one of the most important social risk events of the 21<sup>st</sup> century. The global spread of COVID-19 demonstrates how the modern world is interconnected, allowing the virus to infiltrate multiple countries (Constantinou, 2021). Thus, the research objectives are:

- (1) To identify the significant impacts of the COVID-19 pandemic on the tourism industry in Sabah.
- (2) To describe the financial loss from each subsector of tourism business operators and

- (3) To identify tourism business operators' short- and long-term measures to manage the impact of the pandemic.

## Literature Review

### *Movement Control Order*

A year after COVID-19 hit, many countries were still struggling to recover from the aftermath. The negative consequences of this “new” crisis were far worse than any previous economic or financial crises in history, owing to the fact that it constituted a threat that went beyond the monetary issue. When compared with the spread of infectious diseases such as Hong Kong flu (1968-1969) and SARS (2002-2003), COVID-19 is considered as the worst in modern history (El Zowalaty & Järhult, 2020).

COVID-19 has had a significant impact on business operations, especially in the tourism and hospitality sector (Goodell, 2020; Sobieralski, 2020; Yang *et al.*, 2020).

The impact was compounded by government countermeasures implemented to curb the spread of the virus, including the movement control order (MCO). These controls include a ban on out-of-home, public gatherings and the temporary closure of business operations to reduce individual movement which causes transmission speed to increase (Bruinen de Bruin *et al.*, 2020; Fabeil *et al.*, 2020; Xiao & Torok, 2020). The implementation of the MCO has significantly reduced the revenue of tourism business operators due to low or absent tourism product demand (Bruinen de Bruin *et al.*, 2020; Hanafiah *et al.*, 2021; Said *et al.*, 2021).

Malaysia was among the first countries to implement the MCO, which took effect on 18 March 2020. Since then, Malaysia has implemented different series of MCOs in response the waves of the pandemic. Table 1 shows the various types of MCOs that the government has implemented since the first MCO in March 2020. Following the initial

Table 1: Movement control order by phase

Phase	Date
<b>Movement Control Order (MCO, 18 March 2020 - 3 May 2020)</b>	
Phase 1	18 March 2020 - 31 March 2020
Phase 2	1 April 2020 - 14 April 2020
Phase 3	15 April 2020 - 28 April 2020
Phase 4	29 April 2020 - 3 May 2020
<b>Conditional Movement Control Order (CMCO, 4 May 2020 - 9 June 2020)</b>	
Phase 1	4 May 2020 - 12 May 2020
Phase 2	13 May 2020 - 9 June 2020
<b>Recovery Movement Control Order (RMCO, 10 June 2020 - 31 March 2021)</b>	
Phase 1	10 June 2020 - 31 August 2020
Phase 2	1 September 2020 - 31 December 2020
Phase 3	1 January 2021 - 31 March 2021
<b>Full Movement Control Order (FMCO, 1<sup>st</sup> June 2021 - further notice)</b>	
Phase 1	1 June 2021 - 14 June 2021
Phase 2	15 June 2021 - 28 June 2021
Phase 3	29 June 2021 - Further Notice (Daily cases less than 4,000)

Source: Prime Ministry's Office (PMO)

MCO, Sabah went through various phases of MCOs in response to an increase in confirmed COVID-19 cases in several districts throughout the state. By mid-October, Sabah had surpassed both Selangor and Kuala Lumpur in terms of total COVID-19 cases, indicating that it had the highest number of confirmed COVID-19 cases in the country during the third wave (Yeo, 2020; Lim *et al.*, 2021).

### ***Impacts***

At the beginning of the COVID-19 pandemic, the Organization for Economic Cooperation and Development (OECD) forecasted that global GDP growth would slow by 2.4% in 2020 (OECD, 2020). Malaysia would also be under pressure as a small country that relies on other countries such as the United States and China for its economic activities. According to the Malaysian Institute of Economic Research (MEIR), Malaysia's GDP would reduce by 2.9% in 2020 (Zainul, 2020).

A survey conducted by the Department of Statistics Malaysia (DOSM) (Department of Statistics Malaysia, 2020) after the first MCO implementation revealed that nearly half of self-employed respondents (46.6%) lost their jobs during the MCO implementation in March 2020. The survey findings also revealed that 71.4% of self-employed respondents had only enough savings to last them less than a month. Simultaneously, 67.8% of firms announced that they had no source of income during the MCO era.

Therefore, 53.4% of firms would only survive between one and two months if they failed to provide workers with full or partial paid leave. Although the survey was designed for all industries, the findings indicated that the long-term effects of the COVID-19 pandemic should not be underestimated, especially in the tourism industry.

The historical record demonstrates that pandemics have an immediate effect on the tourism industry due to international travel bans and individual government actions (Hanafiah *et al.*, 2021). COVID-19 has made an already

difficult situation even more difficult for a growing number of tourism micro-entrepreneurs such as food delivery people, Grab drivers and Airbnb hoteliers (Sigala, 2020). Because gig tourism is an unregulated and sometimes illegal economy (e.g., Airbnb), gig tourism workers may be ineligible for government subsidies offered to affected employees or firms due to the COVID-19 pandemic. Furthermore, low hotel occupancy rates show that business and vacation trips have been cancelled and employees have been laid off (Zubair & Shamsudin, 2021) railway services, cruise/ship services, public transport services. These situations have had an impact on all business sectors in tourism, both directly and indirectly, in terms of revenue and supply chains.

A study by Karim *et al.* (2020) indicated that two main tourism business sectors, i.e., the airlines and hotel sectors are among the worst affected sectors in Malaysia. Since the COVID-19 pandemic, the airline industry has suffered the most revenue losses due to decreased demand for global passengers, especially from and to China. Apart from travelers' concerns about their safety, MCO implementation has also contributed to Malaysia's low tourism product demand. Therefore, Malaysia Airlines had to reduce its operating costs by reducing its workforce and flight schedule.

The hotel and leisure industry is one of Malaysia's most important service industries and a substantial driver of Malaysian economic growth (Menhat *et al.*, 2021; Zubair & Shamsudin, 2021) railway services, cruise/ship services, public transport services. Their contribution to the economy's growth has unexpectedly decreased. The cancellation of tourist trips significantly impacted the hotel industry, as all travelers cancelled hotel reservations.

Tourists withdrew 170,084 accommodation bookings from January to March 2020 before the lockdown period, resulting in a significant income drop of RM68,190,364 due to the increasing incidences of COVID-19 (Karim *et al.*, 2020). For example, the international

travel ban had a negative impact on Malaysian maritime tourism, which mainly relied on international tourists, especially from China and Singapore (Menhat *et al.*, 2021). Due to the low demand, some tourism business operators have reduced their operating costs by reducing wages and implementing unpaid leave, which was impossible to execute by small firms.

Goh (2021) argued that the impact of the COVID-19 pandemic on Sabah tourism began before the first MCO was implemented in March 2020. This is because the Sabah government had prohibited Chinese tourists from entering Sabah to control the spread of COVID-19. According to statistics, Sabah’s foreign and domestic tourist arrivals dropped by more than 70% in 2020 (Figure 1) (Sabah Tourism Board, 2022). This situation has had a direct impact on the tourism industry’s supply chain. Because of this pandemic crisis, demand for tourism products such as hotels, transportation services based on tourism such as taxis, tours and others and eco-tourism has decreased in Sabah.

Due to an increase in cases in several districts throughout Sabah, the situation is deteriorating with the implementation of a series of MCOs in Sabah, especially following the election in Sabah at the end of September (Zainudin *et al.*, 2020; Goh, 2021; Lim *et al.*, 2021).

The state government’s efforts to attract tourists to Sabah were hampered by border closures and the implementation of multiple series of MCOs. Because international movement was limited, the local tourism and hospitality industries had to depend on domestic consumers. However, the cross-district bans restrained government efforts to boost domestic tourism demand (Goh, 2021).

According to a survey conducted by the Institute for Development Studies (IDS) in Sabah, the implementation of the first MCO in March 2020 resulted in a 26% reduction in employment in the Sabah tourism industry (Daily Express, 2020). Additionally, the survey found that 32% of workers had their wages reduced and another 43% had taken unpaid time off from work. The survey also revealed that tourism businesses in Sabah were hit the hardest and were struggling to stay afloat because the industries relied on international visitors from China and Korea to stay afloat.

**Measures**

Due to the lack of vaccine and limited medical options for treating this disease until 2020, hygiene measures, social isolation, quarantine and traffic limitations were the key method for combating the pandemic (Vărzaru *et al.*, 2021). However, these measures simultaneously had the potential to slow down the tourism industry.

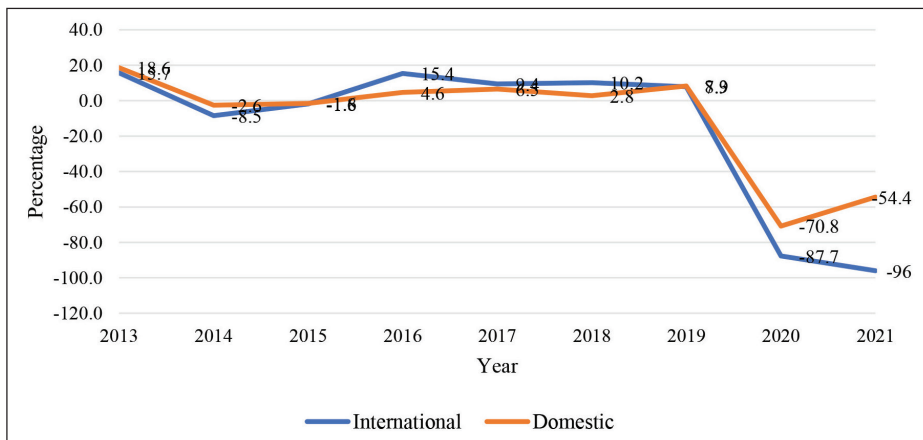


Figure 1: Sabah tourist arrival growth (%) from 2013 to 2021  
 Source: Sabah Tourism Board

Recognising the negative impacts of the COVID-19 pandemic and MCO implementation, the Malaysian government had offered economic stimulus packages that address both the demand and supply sides, as well as the healthcare sector (Idris *et al.*, 2020; Shah *et al.*, 2020; Menhat *et al.*, 2021). The package includes a variety of grants and incentives to assist affected tourism firms and individual business operators to continue to operate. The package includes tax reliefs, wage subsidies, loan supports, moratoriums, employment fund deferrals and subsidies to alleviate the financial burden on affected businesses and individual business operators (Foo *et al.*, 2021).

The government also introduced Penjana Tourism Financing (PTF), which provides financial support to affected micro-entrepreneurs and SMEs in the tourism sector (Andi Kele *et al.*, 2020). These subsidies are intended to alleviate the cash flow burden, encouraging businesses to retain rather than retrench employees.

Moreover, due to the pandemic crisis, local tourism and the hospitality industry had to depend on domestic consumers. International travel was restricted, owing to the government's ban and restrictions on international travel, as well as international travelers' concerns about safety. Therefore, to boost domestic tourism, eligible individuals received individual income tax relief for domestic travel expenses up to RM1,000 until 31 December 2021.

In conjunction with the first MCO implemented by the federal government, the state government in Sabah announced recovery plans. In a statement issued on 25 March 2020, Sabah announced an RM670 million stimulus package to help mitigate the effects of the COVID-19 pandemic on residents in the state (Fong, 2020).

According to the Chief Minister, Datuk Seri Mohd Shafie Apdal, the package includes 15 initiatives including assistance to business operators, frontline operators and those affected in Sabah. In June 2020, Sabah launched the second phase of the COVID-19 stimulus package, worth RM240 million (TheSunDaily, 2020).

The package had three objectives: To facilitate the transition to a digital economy, capitalise on and expand economic opportunities in the agri-food sector, motivate human resources and to create new job opportunities.

Although the stimulus package is intended to benefit all business operators, tourism operators can also benefit from it. For instance, eligible tourism business operators can apply to Sabah Credit Corporation for a zero-interest loan in the range of RM300 to RM2,000 with a maximum repayment period of three years. Additionally, SMEs are eligible to apply for the loan at a 3.5% interest rate. Due to the international travel ban, the state government also introduced a Domestic Travel Stimulus in September 2020.

According to the Tourism, Culture and Environment Ministry (MATTA, 2020), all licensed tour operators in Sabah selling domestic tour packages that include accommodation, transportation and tours will be eligible for an RM50 per traveler incentive.

Besides, the Malaysian government announced in February 2021 that it would begin a COVID-19 vaccination campaign to reach 80% of the country's population by February 2022 (Hutchinson, 2021). The federal government budgeted for 66.7 million vaccine doses, more than enough to vaccinate every Malaysian and launched a three-phase vaccination campaign.

The first phase, involved a target population of 500,000 front-liners was completed in April 2020. The second phase, which began that month and ran through August, targeted 9.4 million over-60s and vulnerable people in the community. The final stage served the remaining population.

Measures were taken to mitigate the effects of the COVID-19 pandemic on tourism business operators. Due to the tourism industry's sensitivity to economic, safety and health factors any changes in these factors will have a direct impact on the demand for tourism products (Hanafiah *et al.*, 2021). The pandemic caused a lower demand for tourism products and hotel and tour operator businesses have suffered income losses from trip cancellations as a result.

Therefore, to keep the businesses afloat, hotel and tour operators have reduced operating costs by reducing the workforce, closing the business temporarily, giving staff unpaid leave or laying off workers (Foo *et al.*, 2021; Zubair & Shamsudin, 2021) railway services, cruise/ship services, public transport services.

According to the Institute for Development Studies (IDS), some of the measures taken by tourism business operators in Sabah include job cuts, salary reductions and unpaid time off from work (Daily Express, 2020). This is because the affected business operators are having difficulty maintaining their businesses because of the low demand for tourism products in conjunction with the MCO implementation.

In brief, the pandemic had negatively impacted the tourism industry, especially in Sabah, where tourism is one of the primary economic activities. Tourism deteriorated further following the implementation of the various MCO, resulting in a significant decrease in tourist arrivals and related business income. Recognising this negative impact, the Malaysian government and the Sabah state government have implemented economic stimulus packages to help mitigate the pandemic's negative aftereffects.

## Methodology

This research paper makes use of the pragmatist paradigm of the concurrent triangulation to determine its hypothesis and test its theories. From November 2020 until March 2021, both qualitative and quantitative data collection was done concurrently. This approach typically allows data collection from the same participants or similar target demographic to gain a better understanding of the phenomena being investigated (Warfa, 2016) better contextualize or explain results, or minimize the weaknesses of a single method. This article provides practical guidelines on how to conduct such research in biology education, with a focus on mixed-methods research (MMR).

An open-ended survey questionnaire and focus group of registered tour operators and hotel managers in Sabah was conducted in a bid to collect the data required. By administering an open-ended survey questionnaire, the researchers can elicit spontaneous replies from participants and avoid the bias associated with response recommendations. Nonetheless, open-ended questions have certain drawbacks over closed-ended questions, including the requirement for extensive coding and a higher rate of item non-response (Kim *et al.*, 2017). A focus group interview was conducted with key industry players, specifically tour operators from all of Sabah's districts to elicit information about the participant's views and opinions on the research issues (Parker & Tritter, 2006). This approach was practical to highlight a population's diversity of perspectives and is a feasible means of methodological triangulation.

This research paper used a non-probability sampling method for selecting participants based on Lincoln and Guba's (1986) purposeful sampling technique. While this approach may result in an unrepresentative sample (Marshall & Rossman, 2011), Patton (2002) argues that the research's goal and context should decide the sampling strategy for qualitative studies. A large sample size was not required for a qualitative study; hence, the number of interviews conducted was determined by redundancy and theoretical saturation of significant data from additional informants (Lincoln & Guba, 1986). Thematic analysis is preferred for data analysis because it permits the disclosure of rich contextual data via communication and discussion between researchers and participants, as well as to generate a holistic view of the impact of the COVID-19 pandemic on the tourism industry in the state (Creswell, 2014). The data analysis procedure follows Braun and Clarke's (2006) six-step data analysis procedure which requires:

1. Appropriate familiarity with the data: This step entailed reading and re-reading the interview transcripts to comprehend and become acquainted with the subject.



2. Succinct Code: This phase provides succinct codes to develop themes.
3. Organisation to generate themes: This phase analyses and organises the data to find significant broader patterns of meaning or possible themes. The researchers then will organise the material into several themes.
4. Reviewing themes: This phase focuses on specific themes. Several themes were redefined and compared to the data set to determine whether there were any significant relationships between the data and the research questions.
5. Conceptualising the themes: This phase established a comprehensive examination of each topic and defined its scope and emphasis to ascertain the theme’s narratives. Additionally, it necessitated the categorisation of data by themes.
6. Writing-up the research report: This final process included synthesising the analytic story and information extracts and positioning

the research within the existing body of knowledge.

**Results and Discussion**

**Demographic Analysis**

According to Table 1, 72.4% of respondents represented vacation rental companies, 17.2% represented travel agencies and 3.4% represented hotels, resorts and jungle lodges. Most respondents were concentrated in Kota Belud (34.5%) and Kota Kinabalu (27.6%). In terms of business size, most business operators employed between one and five full-time employees (69.0%) and five or fewer part-time employees (65.5%). Furthermore, most of the businesses were in operation between one and five years (37.9%). Also, most businesses had a domestic and inbound market share of 51.7% and 44.8%, respectively, for a market share of 51% and above. Moreover, Table 3 shows the tourism associations participating in focus group discussions.

Table 2: Profile of respondents

Categories	Frequency	Percentage (%)
<b>Business Location</b>		
Kota Belud	10	34.5
Kota Kinabalu	8	27.6
Kuala Penyu	3	10.3
Tuaran	3	10.3
Penampang	2	6.9
Kinabatangan	1	3.4
Kota Kinabalu and Sandakan	1	3.4
Sandakan	1	3.4
<b>Types of Business</b>		
Vacation rental	21	72.4
Travel agency	5	17.2
Hotel	1	3.4
Resort	1	3.4
Jungle lodge	1	3.4
<b>Years of Operation</b>		
1-5 years	11	37.9
6-10 years	9	31.0

11-15 years	2	6.9
16 years and above	7	24.1
<b>Full-time Employee</b>		
1-5 persons	20	6.9
6-10 persons	2	6.9
11-15 persons	1	3.4
16 persons and above	6	20.7
<b>Part-time Employee</b>		
0-5 persons	19	65.5
6-10 persons	4	13.8
11-15 persons	2	6.9
16 persons and above	4	13.8
<b>Domestic Market Share</b>		
0-10 percent	5	17.2
11-20 percent	4	13.8
21-30 percent	1	3.4
31-40 percent	2	6.9
41-50 percent	2	6.9
51 percent and above	15	51.7
<b>Inbound Market Share</b>		
0-10 percent	8	27.6
11-20 percent	3	10.3
21-30 percent	2	6.9
31-40 percent	1	3.4
41-50 percent	2	6.9
51 percent and above	13	44.8
<b>Outbound Market Share</b>		
0-10 percent	21	72.4
11-20 percent	3	10.3
21-30 percent	1	3.4
31-40 percent	2	6.9
41-50 percent	2	6.9
51 percent and above	-	-

N=29

Table 3: Tourism associations

No.	Tourism Associations
1	Kuala Penyu Tourism Association (KAPTA)
2	Kuala Penyu Tour Operator Association (PPPKP)
3	Kota Marudu Tourism Association
4	Penampang Tourism Association
5	Ranau Tourism Association
6	Kiulu Tourism Association
7	Nabawan Tourism Association (NATA)
8	Kota Belud Tourism Association (KoBeTA)
9	Tempasuk Community Tourism Association
10	Inanam Tourism Association (ITA)

**Impacts**

Based on the results of the survey, Table 4 provides a summary of the business impacts associated with the pandemic and the series of MCOs implemented in Sabah. From the survey the MCO impacted all respondents, resulting in either a business interruption (58.6%) or an income loss (41.4%).

A cross-tabulation analysis shows that businesses that had operated for less than five years experienced more income loss while those

that had operated for between six- and 10-years experienced business interruptions (Table 5). In the meantime, Table 6 shows that vacation rental businesses were the most affected business in terms of income loss and business interruption.

Most of the business operators in Kota Belud and Kota Kinabalu suffered the highest levels of income loss or the most severe business interruptions (Table 7).

Expressing income loss as a percentage, 75.9% of respondents reported a loss of income

Table 4: Impacts on business

Impact	Frequency	Percentage (%)
Business affected	17	58.6
Income loss	12	41.4
<b>Total</b>	<b>29</b>	<b>100</b>

Table 5: Impacts by years on operations

Years in Operations	Key Impact		Total
	Income Loss	Business Affected	
1-5 years	6	5	11
6-10 years	1	8	9
11-15 years	1	1	2
16 years and above	4	3	7
<b>Total</b>	<b>12</b>	<b>17</b>	<b>29</b>

Table 6: Impacts by type of business

Types of Business	Key Impact		Total
	Income Loss	Business Affected	
Hotel	0	1	1
Resort	0	1	1
Vacation rental	11	10	21
Jungle lodge	0	1	1
Travel agency	1	4	5
<b>Total</b>	<b>12</b>	<b>17</b>	<b>29</b>

Table 7: Impacts on the business location

Types of Location	Key Impact		Total
	Income Loss	Business Affected	
Kinabatangan	0	1	1
Kota Belud	4	6	10
Tuaran	2	1	3
Kota Kinabalu	3	5	8
Sandakan	1	0	1
Kuala Penyu	2	1	3
Penampang	0	2	2
Kota Kinabalu and Sandakan	0	1	1
<b>Total</b>	<b>12</b>	<b>17</b>	<b>29</b>

of at least 81% (Table 8). Further investigations revealed that businesses that had been in operation for between one and five years lost between 81 and 100% of their value (Table 9).

Likewise, according to Table 10, vacation rental businesses were the most severely affected, with losses ranging from between 81% and 100%. In addition, businesses in Kota Belud and Kota Kinabalu had reported financial losses of more than 80% (Table 11).

Discussions with the focus group showed that the MCO affected tourism operators' business, especially those involved in homestays, cultural performance and handicrafts. The reason for this was those foreign tourists were the primary source of demand for these businesses as mentioned by the Kuala Penyu Tour Operator Association. The closure of these business due to

fall in demand and the desire to reduce operating costs resulted in a loss of jobs and sources of income for the local community, said the Kiulu Tourism Association and Nabawan Tourism Association president (NATA). Meanwhile, the Kota Belud Tourism Association (KoBeTA) and Tempasuk Community Tourism Association presidents added that the MCOs restricted even domestic tourists. This contributed to and compounded the decline in demand for tourism products at travel agencies in Kota Belud.

The same situation was also present in Ranau, said the Ranau Tourism Association president. The impact seems to have been worse for businesses that relied solely on the tourism such as tour companies, hotels, restaurants, parks, souvenir shops, taxi services, petty traders and the airline industry as indicated by

Table 8: Percentage loss in financial income

Percentage Loss (%)	Frequency	Percentage (%)
0 - 50	2	6.9
51 - 80	5	17.2
81 - 100	22	75.9
<b>Total</b>	<b>29</b>	<b>100.0</b>

Table 9: Financial loss percentage by years in operation

Years in Operation	Percentage (%)			Total
	0 - 50	51 - 80	81 - 100	
1-5	1	0	10	11
6-10	0	3	6	9
11-15	0	1	1	2
16 and above	1	1	5	7
<b>Total</b>	<b>2</b>	<b>5</b>	<b>22</b>	<b>29</b>

Table 10: Financial loss percentage by type of business

Types of Business	Percentage (%)			Total
	0 - 50	51 - 80	81 - 100	
Travel agency	0	3	2	5
Jungle lodge	0	0	1	1
Vacation rental	2	1	18	21
Resort	0	0	1	1
Hotel	0	1	0	1
<b>Total</b>	<b>2</b>	<b>5</b>	<b>22</b>	<b>29</b>

Table 11: Financial loss percentage by business location

Business Location	Percentage (%)			Total
	0 - 50	51 - 80	81 - 100	
Kota Kinabalu and Sandakan	0	1	0	1
Penampang	0	0	2	2
Kuala Penyu	0	0	3	3
Sandakan	0	1	0	1
Kota Kinabalu	0	2	6	8
Tuaran	0	0	3	3
Kota Belud	2	1	7	10
Kinabatangan	0	0	1	1
<b>Total</b>	<b>2</b>	<b>5</b>	<b>22</b>	<b>29</b>

the Penampang Tourism Association president. The Inanam Tourism Association (ITA) also highlighted that the series of MCOs has led to the cancellation of hotel room booking. Hotel booking cancellations have caused income loss for business operators.

In terms of the financial losses incurred, most of the associations agreed that members suffered from massive financial losses. The Kuala Penyu Tourism Association (KAPTA) and Ranau Tourism Association indicated that most of their members experienced full losses. For example, the Ranau Tourism Association mentioned that the main tourist attractions such as rabbit village and fish spa that saw about 100 visitors a day have seen no visitors since the implementation of the MCO. Other associations reported that members had lost between RM5,000 and RM200,000 each in Kuala Penyu and at least RM50,000 in Kota Marudu while others in Nabawan have lost more than RM1 million. In general, the survey and focus group findings complement each other and are very clear as to the impact of the pandemic and subsequent controls on the tourism sector in the state.

The findings reveal that the COVID-19 pandemic has had an undeniable impact on businesses and revenue in Sabah which is heavily reliant on foreign tourists for its economic prosperity and growth. Moreover, tour operators suffered a significant loss within a short period (more than 81% reduction) with some losing thousands of Ringgit Malaysia. High levels of booking cancellations from tourists' arrivals on tour packages has indirectly led to low occupancy rates in tourist accommodation, a low demand for transportation and logistics, local products, restaurants and others tourism related industries.

The findings are consistent with those in previous studies (e.g., Zainudin *et al.*, 2020; Goh, 2021; Menhat *et al.*, 2021; Zubair & Shamsudin, 2021) which highlighted that the tourism industry was the most badly affected by the COVID-19 crisis especially in countries that rely heavily on foreign tourists.

Additionally, tourism is extremely sensitive to economic, health and safety concerns which means that any negative impacts on the economy, health and safety will significantly affect the demand for tourism products (Idris *et al.*, 2020; Hanafiah *et al.*, 2021).

As was the case of Sabah, which relied on international tourists such as China and South Korea (Mysabah, 2022), the international travel ban has made it difficult for local tourism businesses to keep the door open following the low demand for tourism products in Sabah.

In 2019, Sabah welcomed 4,195,903 tourists (international and domestic) but only 977,460 and 371,187 tourists in 2020 and 2021, respectively (Sabah Tourism Board, 2022). The sudden decline in tourist arrivals had a direct impact on tourism-related activities such as hotels, transportation and others.

Because the majority of tourism operators in Sabah are small businesses, they are vulnerable to sudden economic changes (Danting *et al.*, 2018). If this trend continues within the tourism industry ecosystem, Sabah experience high employment rates due to business closures and staff layoffs as indicated in IDS's study (Daily Express, 2020; Idris *et al.*, 2020).

### **Measures**

Tables 12 and 13 show the short- and long-term measures implemented by survey respondents. Appendix 1 lists an explanation of the measure theme. The findings indicate that most tourism business operators try to maintain their business operations in the short term by reducing operating costs (e.g., by reducing staff wages and office hours) (31%) while implementing new business strategies (e.g., focusing on the domestic market) accounts for 27.6% of the total to become the second important measure.

Simultaneously, all staff must follow the government's SOP (17.2%). Some business operators had to close their operations temporarily to reduce operational expenses (13.8%). Business diversification accounted for 6.9% of the respondents. Surprisingly, only

3.4% of the respondents applied for government assistance, although the government had announced various stimulus packages to assist affected business operators survive the pandemic.

For a long-term mitigation plan (Table 13), respondents (24.1%) primarily cited following standard operating procedures (SOPs) and implementing a new business strategy (e.g., more promotion to build market confidence, preparing a road map for new stages of open business) (24.1%). Other measures include diversifying their business (e.g., change business to agriculture, business change from accommodation to healing or rehabilitation center) (20.1%). Other options include scaling back business operations (10.3%) and ceasing the company’s operations (3.4%). As for short-term measures, only 6.9% of the respondents intended to seek government assistance while 10.3% of the respondents do not have a long-term mitigation strategy in place.

Findings from the focus group indicated three main measures in terms of the short measures. Firstly, some members of the association have diversified their businesses including agriculture as indicated by Kota Marudu Tourism Development Association, Kota Belud Tourism Association (KoBeTA) and Tempasuk Community Tourism Association (P2KT). Some associations such as Kuala Penyu Tourism Association (KAPTA), Penampang Tourism Association and Ranau Tourism Association argued for the importance of government assistance such as financial support to help the business operators in surviving a sudden drop in income.

Apart from that, other associations (Kiulu Tourism Association, Nabawan Tourism Association (NATA), Inanam Tourism Association (ITA) have suggested that all business players must adhere to the government’s standard operating procedures (SOPs) to prevent the virus from spreading.

Table 12: Short term measure implementation

Measure	Frequency	Percentage (%)
Reduce operating cost	9	31.0
New business strategy	8	27.6
Follow SOP	5	17.2
Business closure	4	13.8
Diversification	2	6.9
Government assistance	1	3.4
<b>Total</b>	<b>29</b>	<b>100</b>

Table 13: Long term measure implementation

Measures	Frequency	Percentage (%)
New business strategy	7	24.1
Follow SOP	7	24.1
Diversification	6	20.7
Reduce operating cost	3	10.3
No plan	3	10.3
Government assistance	2	6.9
Business closure	1	3.4
<b>Total</b>	<b>29</b>	<b>100</b>

Meanwhile, most of the tourism associations agreed that business operators should diversify their businesses to survive in the long run during this critical time. For example, the KoBeTA president stated that most of its members have changed their businesses to sell agricultural products to survive the MCOs.

At the same time, some tourism associations emphasised the critical role of the government in assisting the Sabah tourism industry in the long term. For instance, Kuala Penyu Tour Operator Association expressed hope that the government could help tourism business operators in resuming operations rather than providing temporary assistance. Furthermore, the Inanam Tourism Association has emphasised the importance of the government investing in health systems to benefit all populations beyond those affected by COVID-19 and preparing for future public health emergencies.

Long-term planning and investment in the healthcare system will enable the government to rebuild more resilient societies and help achieve the country's shared vision of becoming the healthiest and safest country.

Additionally, the Ranau Tourism Association argued that only herd immunity achieved through vaccination programme could help rebuild the tourism industry in the long run. The tourism industry will not benefit from restricting people to enter Sabah or travelling between districts. Therefore, increasing the rate of the vaccination programme in Sabah will only be effective in boosting the state's tourism industry in the long run.

Both the survey and focus group studies indicated that businesses should pursue two mitigation strategies to survive the current business turmoil: Developing new strategies and diversifying their operations. Government assistance, however was not the respondents' first choice either as short-or long-term measures.

As outlined in previous studies (Andi Kele *et al.*, 2020; Idris *et al.*, 2020), the government has provided many stimulus packages to affected

businesses. For example, the government has introduced Penjana Tourism Financing (PTF) and financial support for the affected micro-entrepreneurs and SMEs in the tourism sector (Andi Kele *et al.*, 2020). These subsidies were meant to relieve their cash flow constraints, thereby encouraging them to retain rather than retrench staff.

There are two possibilities why government assistance was not the primary measure indicated by the respondents. Firstly, it could be that the information does not effectively reach the rural tourism business operators, making it difficult for tourism players to apply for the stimulus package. Secondly, it could be that the rural tourism players do not meet the requirement for applying for government assistance. Both factors reduced respondents' access to stimulus packages.

### **Conclusion and Recommendation**

The objective of this study was to explore the impacts of the COVID-19 pandemic and MCO implementation on rural tourism business operators and their measures to mitigate the negative impacts of the pandemic.

This study made two significant findings. Firstly, the COVID 19 pandemic has had a significant impact on Sabah's tourism industry, compelling tourism business operators to rethink their current strategies in response to the after-effects of the pandemic, especially its adverse effect on the revenues, profits and sustainability of the hotel and other tourism industry-based industries.

Most importantly, the findings imply that the series of MCOs implementation has worsened Sabah's tourism industry, which is heavily reliant on customer movement across districts and states.

However, the effects may not be consistent across the entire tourism industry. For example, the COVID-19 has a different impact on tourist operators depending on their characteristics, such as the nature of the business (types of attraction), their location, their years in operation



and market segments. As one of Sabah's most critical industries, the consequences include other economic chain problems such as increased unemployment rates.

Secondly, the findings imply the ineffectiveness of government stimulus packages and their dissemination to rural tourism business operators. Although the government has announced substantial stimulus packages to help SMEs in maintaining their current businesses, government assistance was not the primary mitigation strategy for businesses whether in the short or long-term.

Whether the cause is a communication breakdown or the ineligibility of tourism operators, these issues demonstrate the ineffectiveness of the government programmes aimed at assisting the Sabah tourism industry.

These findings have two main implications. Firstly, tourism business operators should re-evaluate their current strategies with a view towards sustainability and innovation to ensure that the businesses continue to prosper despite such disruptions in the future. Tourism is a chain of stakeholders, resources and activities that spans several industries and destination environments.

Tourism suffers significantly due to its economic, health and safety sensitivity. The tourism operator should not heavily rely on tourists from outside Sabah (foreign tourists or non-Sabahan tourists) in their new business strategy to restart their affected business. They should also capture and encourage internal, Sabahan tourists to be their primary consumers.

Simultaneously, tourism business operators should also diversify their market segments and business activities such as agricultural activities as an alternative business, especially those involved in eco-tourism.

Although the findings indicated that tourism business operators acted to survive, some suffered substantial financial loss. The government plays a vital role in ensuring the industry's survival. Furthermore, not all

business operators can diversify their business into agricultural business, especially those with restricted resources and budget. As indicated earlier, Sabah also provided financial assistance to boost domestic tourism through its Domestic Travel Stimulus Package which can help domestic tourism business operators in maintaining their businesses.

Therefore, the policy objective is to ensure that affected tourism businesses gradually resume pre-crisis operations, thereby resuming contributions to the country's economic growth. However, the government must ensure that the stimulus packages reach the tourism operators that require it.

Effective communication and flexible requirements are required to ensure that all tourism players, including those involved in gig economy such as Airbnb hoteliers can take advantage of government stimulus packages. Simultaneously, domestic tourism must be promoted as foreign tourists will not travel soon if the virus is not eradicated and while current SOPs and travel restrictions are still in place.

Further research should be conducted to determine the effectiveness of the government's stimulus packages aimed at assisting the state's tourism industry. The current study revealed that government stimulus packages were not the primary measures implemented by respondents, either in the short or long run, raising an important issue for future research as to why hoteliers and tourism industry players shun government aid.

Besides, the research scope should be expanded to include other tourism business sectors such as food and beverage providers and restaurants, as well as tour operators to assess better the impact of the pandemic and MCOs on tourism industry and its subsectors.

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**Appendix**

Measures	Particulars
New business strategy	A new business strategy outlines the plan of action to improve the current company's financial stability. These include more promotion to gain the market confidence, focusing on the domestic market and preparing a road map for new stages to open business and online business.
Follow SOP	Adhere to the Standard Operating Procedures (SOP) outlined by the government such as the practice of social distancing, to control the spread of the COVID-19 infection.
Diversification	A strategy to enter new markets by launching or acquiring new products. These include agriculture and business change from accommodation to healing or rehabilitation center.
Reduce operating cost	Reducing the ongoing expenses incurred from the normal day-to-day of running a business.
No plan	There is no official plan now.
Government assistance	Requiring the federal and state governments stimulus packages.
Business closure	The permanent or temporary closure of one or more facilities or operating units or the entire business.