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**Department of MBA**

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RESEARCH PAPER

On

# Impact & Influence of Ukraine & Russia War on Tourism

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**Abstract:-** This research evaluates the tourism industry's response in the event that Russia had invaded Ukraine on February 24, 2022. We demonstrate that the effect of the war on stock markets differs across nations and sectors, depending on how much each is involved in the fight, using an event research technique.

According to sector-level study, the war has a significant negative impact on the manufacturing sector in EU countries while having a less significant negative impact on the financial and services sectors. In addition, Russian oil and gas firms are negatively affected by the war. Our findings suggest economic consideration could be a compelling force for the Russian government to halt its war in Ukraine.

According to a country-level analysis, businesses in regions close to the front lines or in EU countries have witnessed a significant decline in cumulative abnormal returns, although businesses in other countries that are not directly involved in the conflict don't seem to be significantly affected. The industrial sector in EU nations is significantly negatively impacted by the conflict, although the finance and services sectors are less significantly negatively impacted. In addition, the war has a severe impact on Russian oil and gas companies. Our findings imply that the Russian government may be persuaded to end its conflict in Ukraine by economic considerations.

**Keywords:-** The Russian Invasion, Global Stock Markets, Event Study, Economic Consideration.

## I. INTRODUCTION

Russian oil and gas firms were severely impacted by the conflict as well. According to our analysis, economic factors may be enough to convince the Russian government to put a stop to its conflict in Ukraine. On February 24, 2022, the Russo-Ukrainian War—which had been raging since 2014 and was widely recognized as the biggest conventional military operation in Europe since World War II—became an invasion by Russia. The chief of EU foreign policy, Josep Borrell, declared that these were the continent's worst moments since World War II. A Russian invasion, according to the

U.S. envoy to the UN, would cause one of the biggest refugee crises in recorded history, with up to five million people perhaps displaced. 5 Brent Crude prices drastically increased to \$105 on the day of the invasion, the highest level since 2014. Similar to this, gas prices rose that day in the UK and the Netherlands by 40 to 50 percent. 6 Actually, a substantial increase in geopolitical risks in Europe has been a result of the Russian invasion. Numerous empirical data show that geopolitical tensions or military confrontations always reverberate and reverberate across the world's stock markets (Antonakakis et al., 2017; Bouoiyour et al., 2019; Schneider and Troeger, 2006; Zussman et al., 2008). Geopolitical risks have an influence on global markets in addition to having a big impact on the expansion and excess returns of local stock markets (Bailey and Chung, 1995; Balcilar et al., 2018). (Lanouar and Refai, 2019; Buigut and Kapar, 2020). Thus, a fascinating topic is how the Russian invasion of Ukraine would affect the market value of companies in different countries and sectors. This essay's goal is to investigate how the Russian invasion has impacted the world economy. In this investigation, we examine if and to what extent the Russian invasion has impacted the abnormal returns of businesses from a collection of 95 various countries. In order to examine how investors compensated for the consequences of the Russo-Ukrainian War across several countries and economic sectors, we selected multinational firms. To evaluate how the market value of business shares changed following the day of the Russian invasion, we specially apply an event-study technique. We add to the literature by analyzing businesses from a varied range of countries and industries to determine how investors processed new information about the Russian invasion of Ukraine. We believe that our work is one of the first to quantitatively evaluate the impact of the Russian invasion in 2022 on stock market returns using an event research technique.

The main findings of this study suggest that the impact of the war on stock markets differs between nations and industries based on how much each is participating in the conflict. According to a country-level analysis, businesses in EU countries have experienced a dramatic decline in cumulative anomalous returns, but businesses in other countries that are not actively engaged in war seem to have experienced minimal change. According to a sector-level analysis, the manufacturing sector in EU countries suffers significantly from the conflict, but the manufacturing sector in other countries that are not on the front lines recovers fast

after hostilities begin.

Many countries have imposed sanctions against Russia in response to its invasion of Ukraine. Russia has retaliated by advising its citizens against travelling to these destinations (although many may not be able to afford to do so, given the rapid increase in air fares in the country). All of this is set to have a negative impact on Russia's airlines and a global tourism industry still reeling from the impact of the Covid-19 pandemic. Russians had been making up a larger proportion of tourists in many European, Asian and Middle Eastern countries over the past couple of decades, with some resorts on the Mediterranean basing their economies around visitors from the country. With most European countries imposing sanctions against Russia and therefore becoming off limits to Russian travellers – Zarina Doguzova, head of the federal tourism agency Rostourism, has stated that such trips carry the risk of the travellers being denied a scheduled, safe return to Russia.

## II. DATA AND RESEARCH METHODOLOGY

The daily stock costs of 95 countries, including the major economies of the globe, are covered in this study. Daily news programmes from 4 January 2021 to 1 March 2022, for example, were acquired from Compustat. Latent companies are excluded from our scenario. We include 149205/8 perceptions in our example. We conduct an event focused on how to handle distinguishing unexpected returns from the Russian war on Ukraine, following MacKinlay (1997). Day-to-day closing expenses for each company affect daily returns. In reference to Afik et al. (2021), we choose the evaluation window of 180 trading days starting from 200 days before to the event day (24 February 2022). Data leakage is possible up to a few days before the incursion day, therefore the event window begins 15 trading days before the Russian invasion of Ukraine and ends/trades trading days later.

In addition, we also consider the following three occasion windows:  $[-1, 0]$ ,  $[0, 1]$ , and  $[-1, 1]$ . There are a few expected return models in such instances that focus on writing, with the most readily available electronic copy being found at: [Ssrn.com/abstract=4051987](https://www.ssrn.com/abstract=4051987) 3 The market model is a frequently used model (MacKinlay, 1997; Buigut and Kapar, 2020). However, because there are so many tried-and-true companies in this study and because the normal unexpected returns are evaluated for a complete nation, the market model is unethical. In keeping with this, we employ the steady mean bring model back as per Afik et al. (2021). According to Brown and Warner (1980, 1985), the constant mean return model produces outcomes similar to those of more complex models.

In a press release, Carlos Cendra, director of sales and marketing at Mabrian Technologies, said: "Turkey and Greece... are among the [destinations] most dependent on the Russian market. It is possible that these countries, in the coming weeks, will have to increase their efforts to attract tourists from other markets, demonstrate greater competition and lower prices to counteract a possible decrease in tourism from Russia."

Another country that is braced to take a hit to its tourism sector is Cyprus. Michalis Antoniou, the president of the Cyprus Employers and Industrialists Federation, [stated in the Cyprus Mail](#) that the closure of Cypriot airspace to Russia will harm the country's tourism sector and any sanctions imposed on Russia will also impact Cyprus's economy ([high levels of Russian foreign direct investment have been channelled through Cyprus](#)).

Indeed, air restrictions are set to have a significant impact on international flights and the tourism industry in several countries across the globe. "A number of destinations, including some countries in Latin America, are no longer available to tourists due to the airspace restrictions of the EU and Canada," said Doguzova. "Such countries include Cuba, Dominican Republic, Mexico and Venezuela.

### III. METHODOLOGY

This article usually relies on supplemental sources, notably from daily newspapers and other online sources. Significant inferences would be made as a result of the methodical introduction of all the obtained and organised facts and information. The piece also makes a connection to the current situation. The collection of data was also dependent on many factors and this was collected to give a better idea about the impacts or the influences which may have due to this war. The research paper focuses on the both negative as well positive effects of this war keeping in mind of overall countries around the world.

Obtaining information from the internet sources which gives the rapid results and helps saving the time. The information has been collected and publishes in the research paper and they're totally accurate. The information also got collected from newspaper and news channel they were also the relaying sources for collection of this data.

All the gathered and ordered data and information are introduced methodically consequently significant surmising would be drawn .

### IV. CONCLUSION

The assessment reveals that the Russian incursion has a negative impact on the investors in the majority of enterprises everywhere, despite the fact that our example varies between countries and regions. Our investigation yields three important findings. Firstly, businesses located in the regions bordering Russia and Ukraine or in the EU have really poor exceptional returns throughout a variety of time frames since those regions are wholly affected by the conflict and the level of global hazards increases significantly in those regions. Second, depending on which countries are closest to the front line, different countries have different effects from Russia's encroachment on their manufacturing, financial, and service industries. More than assembling in EU countries, the financial and administrative sectors are affected.

Finally, when the share of Russia, the adjacent fighting zone, and the EU declines, oil and gas companies in various locations see favourable odd returns that may be caused by the regular additions to pie sizes. Also the impact of this war will misbalanced the tourism sector as it's a negative factor of expectations and countries will suffer because of this war, not just England or Russia other countries will also suffer due to this war. At last, oil and gas firms in different locales get positive strange returns potentially determined by the normal additions in piece of the pie as the portion of Russia, nearby regions to the combat zone and EU diminishes.

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