

Tourist Industry in Sri Lanka: Future Scenario

Sri Lankan Tourist Industry: Present Trends & Contribution to the Economy

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Sri Lanka is a small tropical island located to the south of India and endowed with varieties of fascinating attractions. It lies between 5.55' and 9.55' north of the equator and between the eastern longitudes 79.42' and 81.52'. Its total land area is 65,610sq km. and is astonishingly varied. It encompasses beautiful tropical beaches, verdant vegetation, ancient mountains and thousands of delights to please all tastes. It has a very long history of isolated customs, culture and most importantly, the hospitality of the people, above all, the Sri Lankans are famous for their friendly smile. Sri Lanka has therefore attracted the attention of foreigners from times unmemorial.

Tourist industry is not a new concept for Sri Lanka. From pre-historical times Sri Lanka was the en route the east west silk trade and a lot of foreign traders were attracted Sri Lanka. Moreover, there is evidence that there were international trade links via Sri Lanka. However international tourism gained due recognition only after 1930s. Though Ceylon Tourism Bureau was established in 1936, its activities related to the development of tourism in Sri Lanka were limited. After 1960s, when there was bloom in tourist industry all over the world, Sri Lankan government had realized the importance of tourism especially its contribution for the country's economic developments. By 1965, tourism had become a major source of income for the country. 1966 is generally recognised as the year of birth of modern tourism in Sri Lanka with the establishment of Ceylon Tourist Board (CTB), which had as its objectives the promotion and development of tourism.

Since then, tourism has become a major economic activity in Sri Lanka.

A major outcome of the Ceylon Tourist Board was the development of ten-year master plan called Tourism Master Plan (1991 to 2001) which aimed at achieving the following objectives and targets:

1. An optimum target of 874,000 international tourist arrivals by air in 2001, 175% increase over the 317,700 arrivals attracted in 1991.
2. A doubling in real terms (excluding inflation) of the average daily tourist expenditure from US \$43 to US \$86 by 2001.
3. A 350% increase in real terms in foreign exchange receipts from US \$156 million in 1991 to US \$ 706 million in 2001, 70% of which is retained within the country and stimulates economic growth in other sectors.
4. A doubling of hotel rooms from 9,679 rooms in 1992 to 18,953 rooms in 2001, with an emphasis on high and medium quality hotels.
5. A 155% increase in the number of people employed as a result of tourism, from almost 54,000 in 1990 to over 136,000 in 2001.
6. A real increase of over 500 percent in the net contribution of tourism to the Government's budget, from Rs.983 million in 1990 to Rs.6,171 million in 2001.

With the establishment of Ceylon Tourist Board in 1966, to accelerate the development and to maximize economic benefits, successive governments have undertaken various development measures. In the overall industrial performance, the development and contribution of tourist industry is easily identifiable. However, when we compare with the progress of development in other countries like Maldives, Kenya our level of development is very poor. Many other tourist destinations perform better than Sri Lanka due to various reasons, such as internal crisis, poor marketing and promotion programs, projection of negative image and so on. However, with

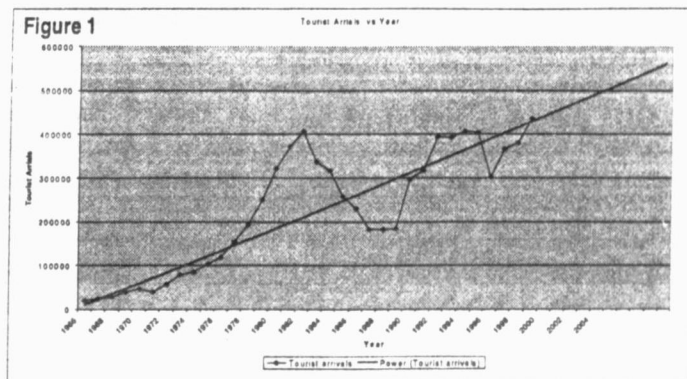
the implementation of the Master Plan, we could overcome some of the shortcomings. Therefore, after 1995 the tourist industry concentrated really on the Master Plan and has carried out many promotional activities to attract tourist arrivals and increase income for the country. Some significant factors can be identified for these rapid changes. For example, this industry could obtain services of an expert and establish a competent authority to promote and develop the tourist industry. These possibilities

Year Tourist arrivals

1966	18969
1967	23666
1968	28272
1969	40204
1970	46247
1971	39654
1972	56047
1973	77888
1974	85011
1975	103204
1976	118971
1977	153665
1978	192592
1979	250164
1980	321780
1981	370742
1982	407230
1983	337530
1984	317734
1985	257456
1986	230106
1987	182620
1988	182662
1989	184732
1990	297888
1991	317703
1992	393669
1993	392250
1994	407511
1995	403101
1996	302265
1997	366165
1998	381063
1999	436440



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are revealed by the diagram and the trend line in Figure 1.

According to the above diagram, the tourist arrival in 1966 was 18,969, in 1970, it had increased to 46,247 but in 1971, it decreased to 36,654. This indicates a set back within the five years after the establishment of CTB, mainly because of youth strife in the country and world economic recession. With the return of normalcy in 1973, tourist arrivals increased. This upward trend to 77,888 continued and reached 407,230 of tourist arrivals in 1982. The industry experienced highest performance during that year. Unfortunately, due to the civil disturbances in 1983, the industry experienced a severe set back and the slump continued up to 1989. Thereafter tourist arrivals returned to normal level and increased gradually up to the highest level of 407,511 tourists in 1994. It declined again to 302,265 tourists in 1996. There was a general feeling that the Master Plan was going to be a failure but fortunately the situation turned for the better following the restructuring of the Ministry of Tourism and adoption rational tourism policies. The result was that in 1999 there was an increase of

tourist arrivals to 436 440. The consequence of the innovative and dynamic functioning of the private and the government sector was the achievement of this success. The trend indicates that though the targets of the Master Plan are unlikely to be achieved within the planned period, there has been a large increase in tourist arrivals between 1998 and 1999. If this trend continues the planned targets would be accomplished in seven or eight years.

An analysis of the market trend, reveals that the tourist sector is within a dynamic and a complex environment. Therefore, this market trend changes due to various factors like competitors' promotional strategies, generation of country's income and fluctuation of other factors relating to living conditions, technological advancement of both tourist destination and generating country as well as our marketing and promotional budget and strategies. These factors, therefore determines the growth of Sri Lankan tourist industry. Our tourist market comprises three segments, viz :

Primary market: - Germany, France, UK, Japan and India

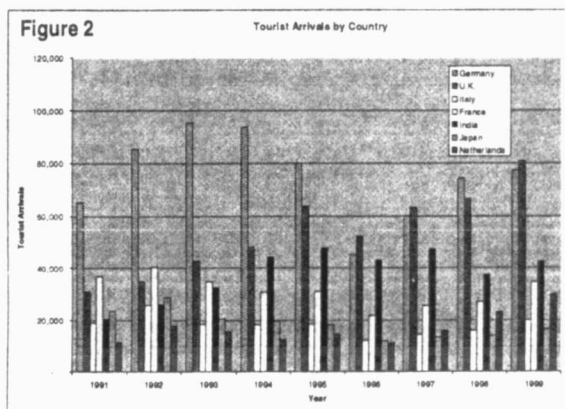
Secondary market: - Italy, Netherlands, Scandinavia, Austria, Switzerland,

South Korea, Taiwan, Hong Kong, Thailand, Singapore and the Maldives.

Opportunity market: - Spain, Greece, Eastern Europe, Malaysia, Indonesia, Pakistan, USA, Canada, Middle East, and Russia.

The primary market, which comprises our foothold tourist generating countries, generates a large number of tourists to Sri Lanka. The secondary market also generates many tourists. If CTB can adopt good marketing and promotional programs, the potential can be exploited to increase the arrivals further. The opportunity market can be promoted in the future, but there is a lack of adoption of promotional programs due to budgetary constraints. Among these market segments, Germany was the first primary market up to 1995 but thereafter U.K. assumed this position. Due to one or more of the factors contributing to market fluctuation, Germany once again became the top tourist generation market in 1999. Similarly there have been changes in the secondary market and opportunity market. The following diagram shows the present trend in major tourist generating markets. (Figure 2)

Another important factor influencing the trend in tourist arrivals is the purpose of tourists visit. Earlier the main attraction to tourists were the beaches and the coastal region. The recent trend indicates a move to diversify the tour products such as eco-tourism, adventure tourism, sports, ayurvedic and health therapy, culture, and community tourism. Recently there is a great demand for nature based tourism. Since Sri Lanka is endowed with abundant tropical rain forest and enough natural heritages



TOURIST ARRIVALS BY COUNTRY OF RESIDENCE - (1991-1999)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Germany	65,226	85,443	95,430	93,528	79,698	45,075	59,814	74,058	77,259
U.K.	31,011	34,602	42,474	47,766	63,582	52,095	62,997	66,432	80,919
Italy	18,897	25,575	18,267	18,069	18,378	11,988	14,424	15,867	19,815
France	36,801	40,227	34,779	30,522	30,996	21,480	25,392	26,874	34,458
India	20,352	25,944	32,433	44,142	47,488	42,822	47,010	37,356	42,315
Japan	23,403	28,797	20,421	19,497	18,180	11,724	13,374	13,785	16,332
Netherlands	11,244	17,541	15,387	12,219	14,274	10,995	15,957	22,977	29,670

like Sinharaja, we have been able to attract this segment of the market. This trend is indicative of a changed in the type of tourist arrivals in an expected way. According to the trends, we have rationalised our tour products to reach the exact need of clients.

Contribution to the Economy

The tourist industry contributes better to the economy and society in a number of ways than any other sector of the economy. Employment generation, earning government revenue, and foreign exchange promotion of regional development, and income distribution are the major items of contribution of the tourist industry to the economy in Sri Lanka.

Employment Generation

Tourist industry generates employment directly and indirectly for skilled and semiskilled human resources of Sri Lanka. There are many other industries and services directly linked with the tourist industry such as hospitality, transport, accommodation, entertainment, travel agencies, and related services. Many other industries are indirectly linked with tourist industries. These include construction, agriculture, and manufacturing. A country like Sri Lanka with a large potential of human resources and low capital resource is unable to develop wider range of industries, but they may not have problems in developing tourist industry, because tourism is a highly human resources intensive industry which requires a

less capital and technology. The past performance and present trends show that the tourist industry is vital in employment generation and human resources planning. According to statistics, the direct and indirect employment of 5138 and 6940 respectively in 1970 indicated had increased in 1982 (direct 26,776, indirect 37,486). But after 1982 due to the civil disturbance in the country there was a drastic decline in the number of arrivals. However, it recovered in 1998 generating direct and indirect employment 34,780 and 48,692 respectively. The following graph illustrated the employment generation of tourist industry in Sri Lanka in fast few decades. According to the tourism master plan, the target for the year 2001 is to generate 136,000 employment opportunities both direct and indirect. Though it has been possible to reach the target of the master plan, it has been possible to improve the employment generation to a great extent. This target could be, therefore, reached in eight years. (Figure 3)

Regional Development

Tourism industry is a major contributor to regional development. If a country wants to develop attractions or entertainment facilities to make itself a tourist destination, it need to promote the development of superstructure and infrastructure facilities to make itself a tourist like airports, harbors, roads, accommodation, water supply, electricity, telecommunication, health services and shopping facilities etc, in various areas of the country and many of its regions will be developed automatically. This has a different spillover effect on rural

areas extending its backward linkages of the industry to sub sectors of suppliers. A typical example is the Kandalama area. When developing the infrastructure and super structure facilities in the attraction area, a balanced development should be ensured; otherwise the negative impacts might be higher than the benefits.

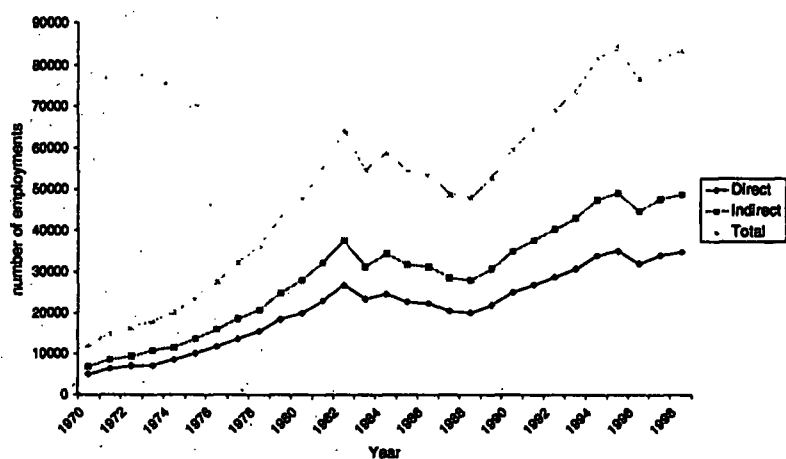
Income Distribution

Tourism industry's role in the reduction of the inequality of income among the Sri Lankan community is a vital factor in economic management of the country. Tourism, unlike other industries, helps to spread income to different areas such as airline, airport, porters, travel agencies, guides, hotels, other suppliers of tour products. The backward and forward linkages of tourism industry promotes income distribution. Other industries such as garments and manufacturing companies shared the income among stockholders and employees and a few suppliers. The income of the tourist industry is shared by a number of people in the country. In domestic tourism, income distribution takes place on a wider scale and spread over different income categories and different areas, which

Employment			
Year	Direct	Indirect	Total
1970	5138	6940	12078
1971	6397	8640	15037
1972	7040	9500	16540
1973	7134	10780	17914
1974	8551	11550	20101
1975	10148	13700	23848
1976	11752	15900	27652
1977	13716	18520	32236
1978	15404	20795	36199
1979	18472	24937	43409
1980	19878	28022	47900
1981	23023	32232	55255
1982	26776	37486	64262
1983	23374	31234	54608
1984	24541	34357	58898
1985	22723	31810	54533
1986	22285	31199	53484
1987	20338	28473	48811
1988	19960	27944	47904
1989	21958	30741	52699
1990	24964	34950	59914
1991	26878	37629	64507
1992	28790	40306	69096
1993	30710	42894	73704
1994	33956	47538	81494
1995	35068	49095	84163
1996	31863	44748	76711
1997	34008	47608	81614
1998	34780	48692	83472

Figure 3

Employment vs Year



it is argued as more beneficial than the spending patterns of foreign tourists.

Foreign Exchange Earning

In foreign exchange earning in Sri Lanka, Tourism ranks as second to garment exports. Tourism is indeed, an invisible foreign exchanges earner in the country. A good example is FECS, which contributed substantially through forcing in exchange earnings during 1960s. People started to invest in tourism because of the benefits of foreign exchange earnings. Totally, tourism industry in Sri Lanka relies very much on the foreign exchange which was Rs.14,816.0 million in 1998, which had increased by Rs.1,835.7 million compared to the previous year. Our foreign exchange earning through tourism was Rs.12,980.3 million in 1997, the high leakage being due to imports of equipment, liquor, and other ingredients for the tourist industry. If we can improve domestic production, we will be able to reduce the leakage as much as possible, and rationalise imports required by tourism industry to enhance foreign exchange earning.

Local Industrial Development

Tourism not only promotes the related industries but also indirectly other local industries. Tourists spend money on food and lodging and other ground services. Apart from these, they spend their money on souvenir purchasing, and other additional services. For example, a tourist buys batik cloths, gems, woodcarv-

ing, handicraft, brassware, and leather goods. Tourist patronage for these goods encourages the development in local industries of Sri Lanka. Today some of the local industries mostly rely heavily on the tourist industry. Not only the mass scale industries but also self-employed industries such as coconut products, food product, and small farming are stimulated through the tourism.

Government Revenue

The government raises revenue in various ways. Generally other industries contribute to government revenue by way of taxes but the revenue contributed by the tourist industry is higher than that of others. The following table indicates the sectors wise, government revenue from the tourist industry during nine years - 1990-98. (See below).

As the figures in the table show government revenue Rs.204.7 million in 1990, this gradually increased to Rs.719.8 million in 1998. Therefore, Sri Lanka has a great potential to maximize the revenue from tourist industry but in order to realise this potential, there is great need for proper planning and implementation of sound development programs.

Tourists visiting Sri Lanka should be able to visit various places of attraction during their round tour and even within the same day. Therefore, we will be able to compete without much difficulty provided we offer specialized services and undertake marketing strategies to highlight the special features of interest and attraction in Sri Lanka.

Generally, not only the traditional markets of Western Europe, but also those of the Far Eastern, the Pacific rich countries need to be exploited. An important aspect of developing such marketing strategy should include provision for an improved value for money spent and a high quality service, a more regulated control of hospitality and allied services.

Underlying any strategy for the promotion of the tourism industry is the security concerns that presently plaque the image of Sri Lanka. Hence concerted efforts to boost tourism in Sri Lanka should include a composite short-term and long-term policy planing covering the above mentioned measures.

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opulation on the importance of securing the environment, for human and animal existence.

In view of above the following points must be reiterated at the conclusion. Law enforcement process must be freed from possible influences whether political or otherwise. Without totally depending on the regulations for the sustainable growth of the Industry mass awareness creation and active people's participation in the planning and implementation processes must be treated as prerequisites.

Developing success stories to follow would be ideal rather than mere preaching in abstract. This line of action must be further supported by voluntary initiatives of the interest parties such as environmentalists and nature lovers who are willingly involved in environment protection and are much closer to the general public than the officials. This goes to prove beyond doubt that sustainability in tourism is a dynamic process and a way of life rather than a mere academic concept.

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REVENUE FROM TOURISM (1990 - 1998)

(in Rs. Million)

Source of Revenue	1990	1991	1992	1993	1994	1995	1996	1997	1998
Hotels & Restaurants	20.2	8.4	76.7	80.2	78.3	79.5	59.6	116	143.6
Travel Agencies	28.0	15.8	40.1	20.73	26.2	28.0	26.4	39.1	58.8
Shops	2.0	2.5	10.1	9.2	10.0	10.8	9.3	12.1	14.4
Embarkation Taxes	99.0	123.4	177.1	196.1	203.8	201.6	151.1	183.1	190.5
Cultural Triangle	44.7	69.6	102.3	149.6	176.1	168.7	121.2	186	225.0
Botanical Gardens	4.3	6.2	9.6	10.3	19.6	25.2	16.8	21.8	26.7
Zoological Gardens	4.4	6.4	9.3	10.3	11.0	11.4	14.4	15.1	18.8
National Parks	1.2	1.7	3.4	13.5	29.4	38.5	27.8	34.5	41.2
Museums	0.9	0.8	1.0	1.2	1.2	1.2	0.6	0.7	0.7
TOTAL	204.7	234.8	429.6	491.1	556.1	564.9	427.2	608.4	719.8

Source: Ceylon Tourist Board