

Tourism in Sri Lanka: Recent Trends

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Tourism is one of a major potential growth sector both in developed and developing countries. It contributes to economic growth of a country by earning foreign exchange and creating employment opportunities. Mathiesion and Wall (1982) explain tourism as the temporary movement of people to destinations outside their normal places of work and residence, and refer to the activities undertaken during their stay in those destinations and the facilities created to cater their needs. International tourism has been described by Louis Turner as the most promising, complex and understudied industry in the Third World (Turner, 1976). Thus, tourism is widely regarded as the world largest industry¹ (Hall, 1994:1). Tourism today has grown significantly in both economic and social importance. It has been the fastest growing economic sector of most developed and developing countries over the past several decades. Accordingly, tourism has become one of the largest segments of the service economy.

Tourism is an ancient phenomenon. The traveller of the past was a merchant, a pilgrim, a scholar in search of ancient texts and even a curious wayfarer looking forward to new and exciting experiences (Bhatia, 1982:1). Throughout the course of history, people have traveled for the purposes of trade, religious conviction, economic gain, war, migration and other equally compelling motivations (Theobald, 1994: 3). Modern tourism is distinctly a twentieth century phenomenon. "Historians suggest that the advent of mass tourism began in England during the industrial revolution with the rise of the middle class and relatively inexpensive transportation. The creation of the commercial air line industry following the Second World War and the subsequent development of the jet air craft in the 1950s signaled the rapid growth and expansion of international travel (Theobald, 1992:1). The performance of the tourist industry since the end of the Second World War has been very impressive. It can be seen in the increase of the num-

ber of tourists², spending, foreign currency earned, hotels built, capital investment and employment (Elliott, 1997:261).

A common theme running through the theoretical studies on the motivation of travel is the need by individuals to escape from their daily work and home and to seek new experiences (Sinclair and Stabler, 1997:29). Gray (1970) categorizes two types of tourists: (1) "wanderlust"- implies a desire to get away; (2) "sunlust"- implies a need, which cannot be experienced in the home environment. Some identify several motivations for travel. They are as follows: physical -health, refreshment, sport and pleasure; cultural -curiosity about foreign people, places and events; personal -visiting friends, relatives, a desire for change; and prestige and status-hobbies like flying or sailing, education, conferences, etc. (Lea, 1988:6 ; Bhatia, 1992 :46-52). The strength of these motivations and living standard of tourists generating countries determine the demand for tourism. As Lea (1988) notes, together with these motivations, a search for the four S's (Surf, Sand, Sun and Sex) ultimately determine the tourist destination.

However, tourism supply is a complex phenomenon because of both the nature of the product and the process of delivery. It cannot be stored. It cannot be examined prior to purchase. It is necessary to travel to consume it. Heavy reliance is placed on both natural and man-made resources (Sinclair and Stabler, 1997: 58). Accordingly, the elements of tourism supply are as follows: attractions such as natural (land forms, flora and fauna), man-made (historic and modern), cultural distinctions; accommodation; catering; entertainment; transport; other affiliated services (provided by banks, shops, travel

agents and tour operators, etc.) and infrastructure development (Sinclair and Stabler, 1997; Bhatia, 1982; Lea, 1988).

The receipts from international tourism can provide a valuable source of income for many countries (Bhatia, 1982:187). The large number of tourists and the scale of their expenditure have considerable effects on the income, employment, government revenue, balance of payment, environment and culture of destination areas (Sinclair and Stabler, 1997:15). Governments are trying to promote international tourism in order to boost the national economy and to improve their foreign exchange position (Elliott, 1997:29). A fall in demand for tourism can bring about decreases in living standard and increases in unemployment. Increase in tourism can result in higher employment, income, output and inflation and may threaten environmental quality and sustainability. Therefore, tourism demand affects all sectors of an economy-individuals and households, private businesses and the public sector. However, the impact of tourism on the economy depends upon the volume and profile characteristics of tourists such as their length of stay, activities, mode of transport, travel arrangements, etc. (Archer and Cooper, 1994:74). Many argue that the real benefit from tourism to a destination country has been far lower than the volume of tourists' expenditure. Part of tourists' expenditure in destination area is used to import foods and other needs of tourists (Sinclair and Stabler, 1997, 124).

It is reported that until mid 1960s, the potentials of Sri Lanka's tourism as a foreign exchange earner and

employment generator were not fully utilized. However, the establishment of the Ceylon Tourist Board in 1966 and attractive incentives for the development of tourism offered by all governments lead to a rapid expansion of international tourist traffic from the late 1960s onwards (Sanderatne, 1995). Further, the 1977 policy reforms related to foreign currency dealings, and banking facilities liberalized the functioning of the industry. Adoption of a floating exchange rate system replacing the fixed exchange rate and the establishment of foreign currency banking units made foreigners' dealings much easier. Further, the government has promoted the industry by giving incentives through fiscal measures such as the five year tax holiday for construction and operation of hotels and restaurants, capital allowance for plant and machinery and lump sum depreciation allowance for buildings providing facilities for tourists. These efforts raised the industry to a fast growing phase in which the volume and earnings of tourism grew faster than ever before in the late 1970s and early 1980s. Therefore, present paper intends to examine the performance and recent trends of inbound tourism of Sri Lanka.

Tourism Capacity

The volume of tourism can be gauged by the number of tourist arrivals³, number of tourist nights⁴ and duration of tourist stay. As indicated in Tables I and 2, the number of tourist arrivals increased by an average rate of 6.3 per cent growing from 192,592 persons in 1978 to 366,165 persons in 1997. The increase was quite significant during the period. However, there were marked periodic variations in the number of tourist arrivals. Further, the number of total tourist nights spent in Sri Lanka has increased from 2,061 thousand in 1978 to 3,680 thousand in 1997. It has recorded a 6.8 per cent growth on average during the period. Nonetheless, in mid 1990s, the recorded number of tourist nights was much higher than that of 1997. Figure I gives an interesting snapshot of tourism in Sri Lanka. It clearly decomposes the past twenty years into several tourism boom and tourism recession periods. Booms are recorded during 1978-82 and 1990-94. Recession periods are clearly seen during 1983-1989 and 1995-96. In the boom periods, the volume of tourism has risen to its peak levels of around 400 thousand persons while in recessions it has fallen sharply.

As Table 2 indicates, the number of tourist arrivals and total tourist nights grew at an unprecedented rate of 22

per cent in the period 1978-82. During the period, 1978-82, the number of tourist arrivals increased from around 192 thousand to 407 thousand persons. The increase was mainly brought about by improved facilities for tourists in terms of accommodation, transportation and deregulation of foreign currency market. Yet the tourist boom in the late 1970s and early 1980s collapsed with the eruption of the ethnic conflict in 1983. The escalation of violence throughout the country in July 1983, known as the "Black July" in history, badly damaged the country's foreign image especially in West European countries. As a result, tourist traffic fell sharply during the period 1983-87. The recession during 1983-87 was the worst in terms of duration and loss of earnings. It lasted for about seven years and the number of tourist arrivals fell below 200 thousand persons. The number of tourist arrivals declined by an average rate of 15 per cent and the number of tourist nights declined by nine per cent during this period. It seems that the tourist industry was one of the most affected by the unfavourable security conditions since mid 1983.

In the mid 1980s, the government encouraged the industry by providing incentives such as re-scheduling of loans, suspension of levy of penal interest rates and granting access to interest free loans for working capital requirements for the worst affected hotels and buildings. Further, efforts made by the Ceylon Tourist Board to re-build the country's adverse publicity worked effectively in Europe and the North America. These tasks succeeded considerably in increasing the tourist traffic and the total number of tourist nights in the late 1980s. The number of tourist arrivals and total tourist nights increased by 19 per cent and 14 per cent on average respectively in the period 1988-92. These favourable conditions increased the number of tourist arrivals to their highest recorded level of 407,511 persons in 1994.

However, again in 1995 and 1996,

Table 1

Volume and the value of tourism (1978-97)

Year	Tourist Arrivals (Persons)	Tourist Nights ('000)	Official Receipts from Tourism (a)			
			Total (Rs. million)	Per Tourist (Rs.)	As a % Service	As a % of GDP
1978	192,592 (25.3)	2061 (25.3)	1589.0 (113.7)	8251(70.5)	3.89	2.10
1980	321,780 (28.6)	3548 (27.7)	2393.4 (20.0)	7488 (-6.7)	4.91	2.81
1985	257,456 (-20.0)	2365 (-17.5)	1656.9 (-17.5)	6432 (1.7)	2.65	1.51
1990	297,888 (61.0)	3225 (59.3)	2187.9 (59.3)	7345 (-1.2)	3.00	1.69
1995	403,101 (-1.1)	4024 (-5.9)	2922.7 (-5.9)	7251 (-4.9)	3.05	1.74
1996	302,265 (-25.0)	2947 (-28.6)	2086.1 (-28.6)	6901 (-4.8)	2.06	1.20
1997	366,165 (21.1)	2680 (24.9)	2490.9 (19.4)	6803 (-1.4)	2.31	1.34

(a) At 1982 prices.

Note. Figures in Parenthesis give the growth rate against the previous year. Source: Based on Ceylon Tourist Board, Annual Statistical Report, 1997.

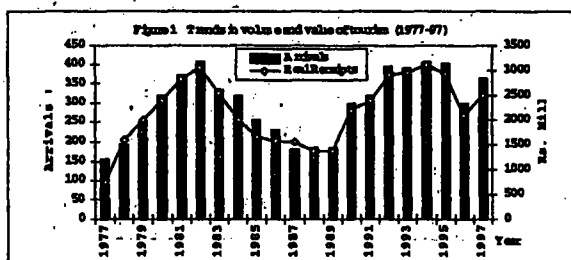


Table 2

Average growth rates of volume and value of tourism (1978-97)

Period	Tourist Arrivals	Tourist Nights	Receipts from Tourism				GDP Growth %
			Growth %	rge*	wgo*	Per Tourist	
1978-82	21.8	20.1	27.0	6.2	0.60(10.0)	12.2	6.0
1983-87	-14.8	-9.2	-12.2	-2.6	-0.30(-7.1)	3.1	4.2
1988-92	18.6	13.8	15.9	2.6	0.21(5.2)	-2.4	4.0
1993-97	-0.3	-0.5	-1.7	-0.9	-0.05(-0.9)	-1.6	5.6
1978-97	6.3	6.1	9.8	1.4	0.12(2.4)	2.8	5.0

Note: Figures in parenthesis give the percentage contribution to the GDP growth.

* rge and wgo stand for "real growth elasticity" and "weighted growth of output". The rge obtains by dividing percentage growth of tourism receipts by percentage growth of GDP. The wgo measures how much of GDP growth brings about by tourism (see Jayawickrama, 1999:6).

Source: Based on Ceylon Tourist Board, Annual Statistical Report, 1997.

the industry experienced a decline in the number of arrivals by 01 per cent and 25 per cent and in the number of total tourist nights by 05 per cent and 27 per cent respectively. This was attributed to the adverse impact of a series of terrorist incidents in the capital, Colombo, during the period. However, the rapid expansion of the industry in 1997 mitigated the adverse growth during the period 1993-97. In the year 1997, the number of tourist arrivals and tourist nights grew by 21 per cent and 31 per cent respectively against the number of the previous year. As a whole, during the past twenty years, 1978-97, tourist industry grew by about 6.3 per cent in relation to the number of tourist arrivals and by 6.8 per cent in terms of total tourist nights.

The duration of tourist stay can be used as another gauge of the volume of tourism. In the period 1978-97, the average duration of tourist stay was 10.6 nights. It was somewhat higher than that of periods 1978-84 and 1992-97 and considerably less than that of the period 1985-91. In the periods, 1978-84 and 1992-97, most tourists who visited Sri Lanka were reluctant to stay longer periods in the country. This directly affected the amount of income from tourism; the fewer the nights spent by a tourist, the smaller was the amount of money spent in the country. Only around two or three per cent of total tourist traffic spent over one month and less than 20 per cent spent more than two weeks in the country. About 80 per cent of tourists stayed less than two

weeks of them more than 20 per cent stayed just only two or three days in the country.

However, this pattern had changed in the period 1985-91. The number of short stay visitors declined and over 32 per cent of tourists spent more than three weeks in the country where around 17 per cent stayed over one month. As a result, the average duration of stay increased up to 11.3 nights per tourist during the period. In the entire period 1978-97, many tourists visited the country for a short duration. Only about seven per cent of the total tourists stayed more than one month and 15 per cent stayed more than three weeks. The nature and the preponderance of short visits have limited the earnings of tourism at its current level.

The tourist industry of Sri Lanka mainly depends on tourists from Western European and Asian countries. Around three fifths of total tourists to Sri Lanka came from Western European countries. However, the share of Western European tourists in Sri Lanka has fallen slightly from 61 per cent in 1991 to 59 per cent in 1997. This was

mainly due to the increase in the number of tourists from North America and other countries from 9,615 to 15,951 persons and from 9,633 to 12,885 persons in 1991 and 1997 respectively. The growth of arrivals from other countries was mainly due to the increase of visitors from South Africa. Nevertheless, the number of tourists from Western European countries has grown from 192,054 persons in 1991 to 212,052 persons in 1997. Meanwhile, almost 30 per cent of the tourists in Sri Lanka have come from Asian countries recently. Despite the financial turmoil in the region, the number of Asian tourists in Sri Lanka increased from 96,654 in 1991 to 113,565 persons in 1997. The number of tourists from Asian countries could have risen more but for the recent economic recession in the region.

The relative share of tourists coming from Australia, New Zealand and other countries in the region fell slightly though the absolute number increased from 9,747 in 1991 to 11,712 persons in 1997. Further, according to market growth indices, tourists from all regions to Sri Lanka increased at remarkable rates in which Western Europe and North America recorded the highest (11.3%) and the lowest (5.1%) rates during the period of 1987-97 respectively. Tourists from Asia, Australasia and other countries also increased at a higher rate absolutely during the past ten years (Ceylon Tourist Board, 1997).

Tourists mostly come to Sri Lanka for the purpose of holiday and pleasure. In 1987, around 87 per cent of the total tourists visited Sri Lanka

Table 3

Percentage distribution of duration of tourist stay (1978-97)

Year	Nights						Total	Average Duration of Stay (Nights)
	1-3	4-7	8-14	15-21	22-30	31 & Over		
1978-84	20.5	32.4	27.1	11.8	5.5	3.1	100.0	10.3
1985-91	4.3	13.7	27.3	23.1	14.6	17.0	100.0	11.3
1992-97	23.2	29.7	29.2	11.7	4.2	2.0	100.0	10.2
1978-97	16.0	25.3	27.7	15.5	8.1	7.4	100.0	10.6

Source: Based on Ceylon Tourist Board, Annual Statistical Report, 1997.

on 'pleasure' visits and the share of these increased to 95 per cent in 1997. The next category of tourists has come for business purposes and the share amounted to 7.4 per cent in 1987. However, the share decreased to 03 per cent by the end of 1997. The number of tourist visits for religious and cultural activities was not significant in the entire period (Ceylon Tourist Board, 1997).

Tourism Income

Generally, the amount of foreign exchange earnings from tourism grew remarkably over several decades despite severe fluctuations in some periods. The real value (at 1982 prices) of official receipts⁵ from tourism expanded from 1,589 million rupees in 1978 to 2,491 million rupees in 1997 recording over a three-fold increase (See Tables 1 & 2). However, the periodic growth trends in receipts followed the patterns of the volume of tourists. In periods, 1978-82 and 1988-92, the total receipts grew by 39 per cent and 16 per cent respectively. Owing to the rapid expansion in tourist traffic, receipts from tourism also increased at a faster rate. During the periods 1983-87 and 1993-97, the industry declined by 12 per cent and about 2 per cent respectively. Nevertheless, the total receipts from tourism increased by more than 19 per cent in 1997 than that of the previous year indicating signs of recovery of the industry. As a whole, in the period 1978-97, earnings from tourism increased by 10 per cent on average. The income from tourism grew more than the average growth of the economy and contributed 2.4 per cent to the GDP growth rate (see rge and wgo values in Table 2) during the past twenty years, 1978-97. However, in the boom periods, the rate of growth and contribution to the GDP growth were fairly high.

The percentage share of tourist income contributed to the service sector income and to the GDP has ranged between two per cent to five per cent and one per cent to three per cent respectively during the past twenty years. Nevertheless, these

shares were much higher in boom periods especially in the late 1970s and early 1980s. Meanwhile, the real value of receipts per tourist decreased from Rs. 8,251 in 1978 to Rs. 6,803 in 1997. In 1978, it grew by around 70 per cent against the previous year. Subsequently, the rate of growth slowed considerably. According to the periodic growth trend in receipts per tourist, during the first five years after policy reforms, they grew at an average rate of 12 per cent. During the next five year period, 1983-87, they grew by three per cent on average. Thereafter, the amount of receipts per tourist declined by about two per cent. This reflects a decrease in the amount of receipts per tourist than that of the first ten years since 1978. This decline can be explained in terms of the dominance of short visits. Accordingly, though the number of tourist arrivals increased considerably, it did not contribute effectively to the process of income generation.

According to Ceylon Tourist Board, income from tourism comes mainly from receipts of hotels and restaurants, embarkation tax, receipts of the Cultural Triangle and other sources. Nevertheless, the share of earnings of travel agencies and tourist shops fell considerably in 1997. Receipts from other establishments increased remarkably from two per cent of the total receipts in 1987 to about 14 per cent in 1995. Yet they declined to 12 per cent in the year 1997. A recorded increase in the receipts from botanical and zoological gardens and national parks contributed to the increase in the relative share of the "other" category. Receipts from these sources increased by an average rate of 50 per cent during the period, 1988-97, from Rs.2.2 million in 1988 to Rs. 71.4 million in 1997 (Ceylon Tourist Board, 1997).

Accommodation Facilities

Incentives offered by the government for tourism-related activities helped to expand accommodation facilities for tourists throughout the country. In 1997, there were 143 "graded establishments"⁶ including seven 5 star hotels, two 4 star hotels, three 3 star hotels, thirty 2 star hotels, eighty six 1 star hotels, eighty six unclassified hotels and 222 "supplementary establishments"⁷ providing accommodation facilities spread throughout the whole country. As indicated in Table 4, the number of rooms and beds in the graded establishments grew continuously from 5,347 to 12,370 units and from 10,431 to 22,944 units in 1978 and 1997 respectively. Both the number of rooms and beds in graded establishments recorded about five per cent growth during the period. The average room occupancy rate was about 45 per cent with yearly fluctuations and it grew at an average rate of two per cent during the period.

The number of rooms and number of beds in supplementary establishments rose from 936 to 2,635 units and from 1,893 to 4,584 units in 1988 and 1997 respectively. The percentage distribution of tourist nights spent in these establishments is as follows: in 1988, graded-63.7; supplementary-2.5 and others-33.8; and in 1997, graded-79.8; supplementary-5.0 and others-15.2. It was clear that more than 20 per cent of the provided accommodation for tourists was supplied by the graded and supplementary establishments in recent years among which the share of graded establishment was fairly high. The relative share of the other establishments decreased considerably during the period.

Table 4
Accommodation capacity in graded establishments (1978-97)

Year	No. of Rooms	No. of Beds	Room Occupancy Rate
1978	5347 (10.2)	10431 (10.4)	47.7 (13.6)
1980	6042 (7.9)	11790 (5.2)	57.8 (9.5)
1985	9826 (2.1)	19352 (2.0)	32.7 (-8.1)
1990	9556 (1.0)	18669 (1.0)	47.2 (51.9)
1995	11255 (4.8)	21680 (3.6)	52.6 (-7.1)
1997	12370 (6.6)	22944 (4.1)	49.1 (21.8)
Average (1978-97)	9233 (4.9)	18000 (4.9)	44.9 (2.0)

Note. Figures in parenthesis give the growth rate against the previous year.
Source: Based on Ceylon Tourist Board, Annual Statistical Report, 1997.

According to the geographical distribution of the accommodation capacity (number of rooms) in graded establishments, more than 75 per cent of total accommodation was concentrated in Colombo and the South Coast, though the relative share of Colombo based accommodation declined from 46 per cent to 39 per cent in 1987 and 1997 respectively. The relative share of rooms in the South Coast graded establishments rose from 36 per cent in 1987 to 38 per cent in 1997. About 18 per cent of the total accommodation facilities was located in ancient cities like Anuradhapura and Polonnaruwa. The number of graded rooms in the hill country increased from 292 units in 1987 to 469 units in 1997 increasing the relative share from three per cent to four per cent in respective years. Meanwhile, by the end of 1997, there were about 114 rooms or one per cent of the total graded accommodation facilities in the East Coast where the tourist visits declined sharply with the escalation of terrorist activities since mid 1980s (Ceylon Tourist Board, 1997).

Tourism Employment

As the number of tourist arrivals and tourism-related service establishments expands, the volume of tourism-related employment is likely to increase. Tourism has generated opportunities for both direct and indirect employment. Direct employment is generated in activities like selling goods and services for tourists by establishments such as hotels and restaurants, travel and tour agencies, tourist shops, recreational outlets, airlines, national tourist office and provincial offices. On the other hand, indirect employment is generated in activities related to the supply of goods and services to these tourist establishments.

Direct as well as indirect employment in the tourism sector has expanded rapidly during the past twenty years. They have more than doubled from 15,404 to 34,006 persons and from 20,795 to 47,608 persons in 1978 and 1997 respectively. In other words, direct and indirect employment grew by an average rate of five

per cent during the last twenty years, 1978-97. The volume of indirect employment was much higher than that of direct employment at all times in the respective period. Thus, the total employment created by tourism had also more than doubled from 36,199 persons in 1978 to 81,614 persons in 1997. However, in boom and recession in the industry, the volume of the employment varied with the direction of the volume of tourism.

Further, the composition of direct employment of tourism in 1997 among occupational and establishment groups was as follows: (1) occupational groups; technical, clerical allied and supervisory related works - 53.4%, manual and operative works-33.5% and managerial, scientific and professional works-13.1%. (2) establishment groups; hotels and restaurants-62.9%, travel agencies and tour operators-12.6%, airlines-12.5%, tourist shops-4.7%, State bodies-4.2% and others including agencies providing recreational facilities, guides and national tourist organizations-3.0%. According to these figures, most of the employment of tourism in the categories of technical, clerical, supervisory and manual and operative related occupational groups. On the other hand, hotels and restaurants, travel and tour agencies and airlines created the bulk of the employment opportunities in tourism-related services.

Summary

It is clear that tourism has a major beneficial impact on the process of economic growth of the country. It contributes to economic growth by earning foreign exchange and creating employment opportunities. This contribution has been quite significant during the past twenty years of the economy. The country's tourism was mostly fed by visitors from Western European and Asian countries. Further, most of the tourists come to Sri Lanka on short pleasure visits. The standard accommodation facilities for tourists expanded rapidly islandwide during the past twenty years.

However, the growth of tourism in Sri Lanka has not been a smooth process. The performance of the industry has

experienced severe fluctuations over time. The industry recorded several trends of boom and recession during the period of this studies. The expansion of the industry with the introduction of policy reforms in 1977 was soon arrested by the escalation of violence in the country in mid 1980s. A similar trend occurred again in the late 1980s to early 1990s and mid 1990s. The performance of the industry was highly susceptible to civil disturbances in the country.

Nevertheless, tourism should receive high priority in the development of the economy. The expansion of tourism would substantially contribute to economic growth in the next century. A continuous expansion of tourism through the restoration of peace and provision of improved facilities for visitors would assist the economic progress of the country consistently. Tourism development programmes need to focus not only on increasing the volume of tourism but also the duration of tourist stay in the country. The improvement of facilities for visitors can be achieved via increased participation of domestic private and foreign investors in providing such services. It ultimately links with the participation of trade in services internationally.

End Notes:

¹ Given its vitality and capacity as an income generator and employment creator, mostly in developing countries, tourism is reckoned to be an industry.

² An "International Tourist" is an international visitor who stays at least one night in a collective or private accommodation in the country. Those who do not cross the frontiers are not regarded as visitors.

³ Every single visit (or entry) of a tourist to the country, either in cause of the same trip or different trips, is accounted as arrivals where the visit (or entry) last at least one night in the country.

⁴ The term "Tourist Night" is defined a night spent in the country by a tourist in any type of immobile accommodation.

⁵ Official receipts constitute the purchase and acceptance of the foreign exchange by authorized dealers and commercial banks from foreign visitors either directly or indirectly.

⁶ Graded Establishments are defined all tourist hotels which are reckoned to be up to international standard of operation.

⁷ Supplementary establishments are defined all guest houses, rest houses, inns, youth hotels, etc., which are approved by the Ceylon Tourist Board as being suitable for occupation by foreigners. ■