

## **“INTERNATIONAL TOURISM OF POST-WAR SRI LANKA” DEVELOPMENT, CHALLENGES AND OPPORTUNITIES**

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### **Abstract**

*Sri Lanka is one of the most attractive tourist destinations in Asia. The tourism industry started to form as a formal industry in 1960s and developed gradually over the years. However, the ethnic conflict which began in early 1980s and dragged over three decades largely obstructed the progress of the tourism industry. With the end of the war in 2009, the tourism industry came to the fore as a strategically important growth sector under the new development policy framework. The main objective of this article was to examine the progress of post-war tourism industry in Sri Lanka. In addition, it attempted to identify the challenges and the existing opportunities for progress. The analysis was mainly based on descriptive approach. The enquiry exposed that many aspects of the tourism sector have improved significantly in the post-war period but the achievements are far behind the targets and the potential of the country and also compared to the accomplishment of peers in the region. Further, estimated ANOVA models suggested that the war has negatively affected tourist arrival and tourism earnings. The SWOT analysis identified the entitlement of tourism capital endowment as the biggest asset for the progress of the tourism industry. Increasing competition of regional peers, anti-Sri Lankan campaign of Tamil Diaspora and increasing trend of the arrival of budget travelers were identified as main threats to the progress.*

*Keywords: Economic Development, Employment, Foreign Exchange, Tourism Industry, Ethnic Conflict, Sri Lanka*

## INTRODUCTION

The tourism sector is one of the largest and rapidly growing service sector industries in the world at present. Due to the dynamic nature of tourism, many changes are taking place in its various facets. The attention of researchers, policymakers and international organizations has been attracted by this entity due to its unique nature and important role it plays in socioeconomic development of nations.

The growth effects of the tourism industry spread to other economic sectors whereby improving country's macroeconomic performance. For example, it contributes to the economic progress through generating employment opportunities, raising national income and improving country's balance of payments. Directly and indirectly, the tourism industry contributes significantly to the GDP in developing countries. In addition, it plays a leading role in poverty reduction (World Economic Forum, 2009: xiii) and regional development in developing countries. Though the tourism industry is mostly beneficial to developing countries, in absolute term, the economic impact of tourism is significant and large in developed countries too. Contribution to the GDP by tourism in these countries ranges from 2 per cent to 10 per cent depending on the comparative size of tourism in the economy (United Nations, 2013). Although domestic tourism is significant particularly in developing countries in generating employment opportunities and promoting social values, when considering the ability to generate foreign exchange and the capacity to provide opportunities to exchange knowledge and promote investments, international tourism has the highest capability in bringing about the economic development than domestic tourism (United Nations, 2013).

Even within the contribution towards the socioeconomic development, there is also a negative impact of tourism industry that should be taken into consideration. Among these, the impact made on the environment takes the foremost place. In fact, environment is one of the main sources of tourist products. However, unfortunately, unplanned and uncontrolled growth of tourism destroys the environment. Therefore, for the overall sustainable development as well as sustainability of the tourism industry, the environment should be protected and the growth of tourism has to be compromised (Creaco and Querini, 2003). In addition, it is alleged that the tourism industry affects the socio cultural values, livelihood options of traditional communities and causes spreading illegal drugs and arms.

Even though there are certain consequences, it is believed that the tourism industry is playing a greater role in the economic growth and development. Therefore, the tourism industry has been given the first priority in growth and development strategies particularly in developing countries. In Sri Lanka, the tourism industry gained much attention of policymakers in 1960s. However, the separatist war which began in early 1980s centering the North and East of the

country negatively affected international tourism. Fortunately, the war which evolved over three decades ended in May, 2009. By then, the war had made a huge damage to the economy, social life of people in the country, and international relations and credibility of the international community and international agencies. Many aspects of international tourism such as tourist arrival, earnings, and livelihood of the employees of the country's tourism sector were largely affected by these circumstances directly as well as indirectly.

With the end of the war, government of Sri Lanka (GOSL) paid attention to make the best use of the fresh avenues opened up under the new situation. Accordingly, the tourism industry gained the highest priority in the post-war development strategy framework. It includes a number of strategies such as promotional programs, infrastructure development and development of human resources relating to the tourism sector. As evidence reveals, during the past six-seven years after the war, the face of the tourism industry has considerably changed. It is important to look closely at these changes in order to identify strengths, weaknesses and challenges for progress. Literature reveals that few researchers have attempted to review the post-war tourism development of Sri Lanka including Fernando *et al.* (2012; 2013; 2015), Mathivathany, (2013); Kiriella, (2011); Silva, (2011) and Perera, (2015). The main purpose of this article is to examine the development of post-war tourism industry in Sri Lanka and to identify the challenges faced by the tourism industry as well as the existing opportunities. In addition, it is expected to examine the impact of war on different aspects of the tourism industry. Even though domestic tourism also contributes to the economic growth and development similar to international tourism, when market and the forward and backward linkages are taken into account, it is believed that contribution of international tourism is more important than that of domestic tourism. Therefore, this analysis focuses only on the international tourism of post-war Sri Lanka.

### **Tourism, Economic Development and War**

Relationship between tourism and economic development has been discussed mostly in the development literature. Accordingly, it has been recognized that the tourism industry largely contributes to the economic development of many countries and particularly, of developing countries through earning foreign exchange and generating employment opportunities etc. As a whole, the tourism sector accounts for 5 per cent of the world's GDP and 6 per cent of the world's exports in services. The number of employees in this sector worldwide is about 235 million (WTO, <http://step.unwto.org/content/tourism-and-poverty-alleviation-1>).

As empirical studies have disclosed, there is a positive relationship between earnings from tourism and economic growth, particularly in poor countries (Sequeria and Nunes, 2008).

Moreover, encouraging investments on new infrastructure, research and development, disseminating modern technology, capital formation etc. are the very important functions of tourism (Juan Gabriel Brida, Wiston Adrian Risso and Annarita Bonapace, 2008). Tourism can be identified as one of the key engines of growth and development in the Sri Lankan economy (Ranasinghe and Deshapriya, 2012). Moreover, it is considered as an important tool, which leads to the regional development (Creaco and Querini, 2003). As literature discloses, the tourism industry contributes to the national and regional economy through several channels including balance of payments, regional development, diversification of the economy, income levels, state revenue and employment opportunities (Pears, 1991). Contribution of tourism towards economic growth and employment in the least developed, small island nations is significantly high. It is high as 25 per cent of the gross domestic products (GDP) of some of these countries. Mostly, in developing countries, about 12-15 percent of their total export earnings are contributed by tourism (United Nations, 2013). However, one of the most acute problems faced by international tourism at present is the wide spread threat of terrorism and civil unrests in many tourist destinations. Peacefulness and quietness of tourist destinations are imperative to stimulate tourist arrivals. In other words, tourism is highly sensitive to conflicts and violence. Tourists do not like to travel to any country for leisure or for happiness or to spend their holiday's etc., if the destination is not free from risk. They are willing to travel in mass numbers to a foreign country only if their journey and their stay are safe and shielded from events threatening a joyous holiday experience (Neumayer, 2004). They must feel that the place is safe. Otherwise, they will move to alternative places with similar attributes but free from risks. If the destination is at risk, the authorities in travelers' mother countries issue warning advice and sometimes ban citizens to travel to such ends.

Large number of studies have been conducted to analyze or to explain the impact of violence or war on tourism because many tourist destinations are suffering from civil unrest or violence or terrorism. Although there are some opinions that war positively affects tourism in the long-term (Weaver, 2000), many studies have revealed that war has negative repercussions (Radmic, 1999; Mihalic, 1996; Currier, Skare and Loncar, 2004). The study conducted by Basu and Marg employing a set of econometric models has found that terrorism has negatively affected the tourism receipts of Egypt, Jordan and Lebanon though the effective duration differs among the countries. The terrorist attacks immediately affected Lebanon while in other two countries, with a time lap (Basu and Marg, [http://www.ijbts-journal.com/images/main\\_1366796758/0002-Kaushik.pdf](http://www.ijbts-journal.com/images/main_1366796758/0002-Kaushik.pdf)). Yaya (2008) examined the impact of terrorism on the tourism industry in Turkey during the period from 1985 to 2006 and has found that the impact is negative but the magnitude of the impact on tourism inflow is small. Drakos and Kutan (2003)

found that international terrorism has negatively affected tourism in Turkey, Greece and Israel for the period of 1991–2000. Based on the OLS regression analysis, Ranasinghe and Deshapriya (2012) have claimed that war has negatively affected the tourism sector in Sri Lanka.

Undoubtedly, the literature confirms that the tourism industry plays a significant role in economic growth and development in developing countries. It contributes substantially to the economic performance of many developed countries too. Meanwhile, as expected, literature confirms that war, conflicts and violence negatively affect the progress of the tourism sector.

### **International Tourism in Sri Lanka during the War Period**

As an island nation, Sri Lanka inherits many attractions as a tourist destination due to the lovely atmosphere, beautiful natural beaches, waterfalls, mountain sceneries and rain forests which are gifts of the nature, tea estates in the hill country, archeological and historical places and ruins which are indications of the ancient civilization. Social and cultural values, generosity and friendliness of the people are some other factors that attract tourists. As it is a small island with 65,000 square kilometers in extent, everybody can enjoy different climatic conditions within a short period of time. However, the situation that emerged since 1980s in the tourism sector clearly proves that peacefulness, safety and security, human rights, political stability and democracy etc. are more important in tourism than other factors.

According to the historical sources, Sri Lanka has been identified as one of the tourist centers in the ancient times too. There are a number of very famous stories about travelers who arrived in Sri Lanka in the ancient times including Fa-hien (in 5<sup>th</sup> century), Marco Polo (in 13<sup>th</sup> century), and Ibn Batuta (in 14<sup>th</sup> century). The potential of tourism had been realized by the colonial governments too. Accordingly, the government had taken certain steps to establish and promote tourism during this period. Establishment of Government Tourism Bureau in 1937 aiming at developing tourism is an example. However, international tourism in the modern sense was recognized in 1960s. Establishment of Ceylon Tourist Board and Hotel Corporation in 1966 was the milestone of the Sri Lankan tourist industry (Silva, 2011). Since then, the tourism sector improved significantly. Introduction of market economic policy and opening up of the economy in 1977 favorably affected the tourism industry. As a result of the effects of these policies along with the adoption of various promotional strategies, tourist arrivals increased considerably from 19,000 to 407,230 during the 16 years period from 1966 to 1982. Foreign exchange earning of tourism and employment generation in the tourism sector increased over 200 per cent and 100 per cent respectively in this period (Bandara, 1997). However, the three-decade long ethnic conflict which began in early 1980s largely affected the country's economy

as well as the development of the tourism industry. In fact, there were two battles concurrently in 1980s. One was the Tamil Eelam war which began in 1983 and the other was the youth insurrection during 1987-89 led by JVP movement. It is reasonable to identify the former as a separatist struggle and the latter as a politically motivated rebellion. Whatever the identification, it is no doubt that all these conflicts made serious damage to the country as such that the country has missed many opportunities in terms of economic growth and development (Sriyantha *et. al.* 2013). This downturn of the tourism sector negatively affected not only the economy but also the social lives of the people. Sri Lankan position among the global competitors of the tourism industry gradually weakened. Unsafe situation in the country, allegations over the issues of democracy and human rights, propaganda of Tamil diasporas against the country etc. discouraged international tourism and the arrival of tourists dropped sharply. Consequently, the share of tourism in the economy gradually declined. Although the tourism industry began to recover by early 1990s as a result of the promotional activities and the safe situation in the South, the third 'Eelam war' which began in 1995 pushed back the economy again. The insecure situation intensified with the LTTE attack to the Central Bank, Kolonnawa oil refinery, Dehiwala railway station, Army head-quarters in Slave-island in 1995-96 discouraging tourist arrivals. Tourist arrivals in 1996 were far behind the expected number according to the tourist plan of the Ceylon Tourist Board. Thus, it was difficult to reach the targets on the foreign exchange earnings and employment generation (Bandara, 1997). Contribution of the tourism industry to the Sri Lankan economy in this period was very small relative to the countries such as Thailand, Kenya and Malaysia and showed a declining trend. This was considered as an effect of political instability which prevailed during this period (Ranasinghe and Deyshappriya, 2010).

Throughout the war period, public and private sector institutions made immense efforts to sustain and promote the tourism industry. Meanwhile, the situation developed with signing of Ceasefire Agreement-CFA in 2002 favorably affected the tourism sector. Tourist arrival increased by 27 per cent in 2003 compared to the previous year (CBSL, 2003). However, this trend ended shortly with the resurgence of the war. In the meantime, New Tourism Act and Third Tourism Master Plan were introduced in 2005 and 2008 respectively in order to form a collective effort of public and private sectors to promote tourism. However, it was difficult to achieve the targets due to the escalation of the war in this period.

### **International Tourism after the War**

The guns became silent marking the end of the war in 2009 and the government sped up the development efforts under the war free situation. With the identification of the tourism industry as



one of the highest viable growth sectors, it was given the highest priority in the post-war development strategies (Ministry of Economic Development, 2011). Accordingly, a number of programs including infrastructure development, strategic investments with the global hotel network, various promotion programs, and programs to attract new tourists were implemented by the public sector institutions including Sri Lanka Tourism Development Authority, Sri Lanka Tourist Board and Sri Lanka Tourism. 'Sri Lanka: Wonder of Asia' was the main theme of the tourism promotion programs. A comprehensive National Tourism Strategy was launched in 2011 with the purpose of achieving certain targets including the increase of foreign exchange earnings to 3.5 billion, to attract 2.5 million tourists and generate 50,000 direct and indirect employment opportunities by 2016 (CBSL, 2014). It further expected to complete 75,000 hotel rooms and attract 4million tourists per year by 2020 (Ministry of Economic Development, 2011). 'Visit Sri Lanka' program was introduced targeting the new markets. As a result, tourist arrivals from new markets such as Japan, Russia and China increased considerably during the past few years. In 2013, a number of promotion campaigns were launched with the collaboration of public and private sectors. 'Get Sri Lankan'ed', 'Visiting Journalists Programme' launched in India were among these promotion campaigns. The exhibition titled 'Reflection of Sri Lanka' and several tours were arranged for the visitors to the CHOGM, 2013. In 2014, the Sri Lanka Tourism Promotion Bureau (SLTPB) gave the highest priority to promotional campaigns. Accordingly, it participated in 30 travel fairs including the travel fair in Japan and in the International French Travel Market where the ancient glory of Sri Lanka was showcased. Through 'Sri Lanka Shines in Shanghai' which was held in Shanghai, Sri Lanka aimed at attracting Chinese tourists and trading partners, and a MOU was signed in order to promote tourism between the two countries (CBSL, 2014).

Along with these promotional strategies, the government paid its attention to develop tourism sector related infrastructure facilities. For this end, actions were taken to develop infrastructure facilities in famous local tourist destinations such as Arugambe, Pasikkudha, Trincomalee, Verugal, Nilaveli, Vakarai, Kalkudha, Yalaand Jaffna which were difficult to reach earlier due to the war. In the meantime, international tourist hotel chains such as Shangri-La, Sheraton, Hyatt, Movenpioc, RIU, Next, Best Western, CENERA, Marriott entered into the tourism industry in the country. Several new airlines and some airlines which stopped their operations during the war time started their operations. Sri Lankan Airline expanded its operations to cater to the increasing demand.

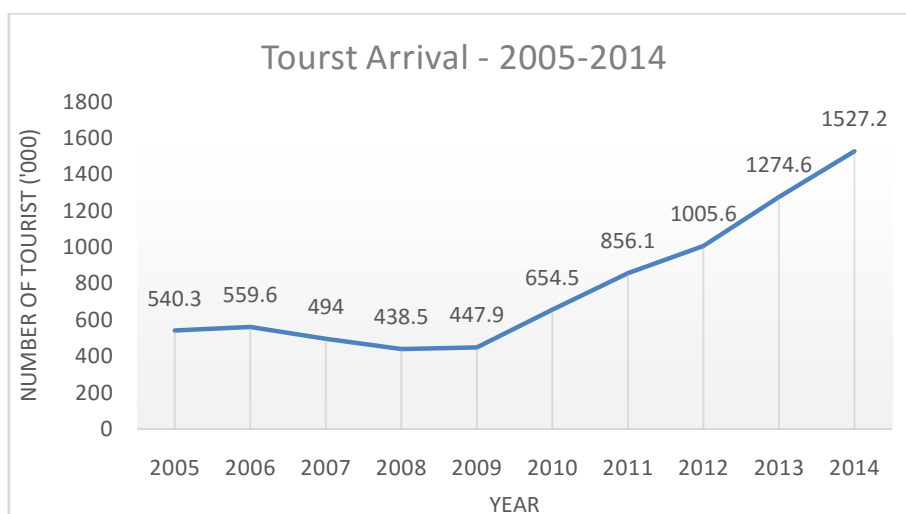
With these developments in the tourism sector, Sri Lanka's rank among the tourist destinations improved substantially. The article on "The 31 Places to Go in 2010", which was published in the New York Times ranked Sri Lanka the first among tourist destinations in 2010.

The country's rank of Travel & Tourism Competitiveness Index computed by World Economic Forum (WEF) went up from 78 in 2009 to 63 in 2015.

### Tourist Arrivals in the Post-war Period

With the end of the terrorist war in 2009, the state of safety and security of the country favorably increased. Due to this improvement of the security condition along with huge effort made particularly by the government including promotional campaigns, infrastructure development etc., and tourist arrivals gradually increased. The number of tourists arrived increased significantly by 240 per cent from 448 thousand in 2009 to 1527.2 thousand in 2014. This increasing trend is clearly shown in the Graph 1 below:

Graph 1: Tourist Arrivals 2009-2014



Source: Central Bank of Sri Lanka, Annual Reports

The progress of tourist arrivals was reinforced by the relaxing of warnings issued by some countries like UK and USA against traveling to Sri Lanka during the war time. This increase is largely contributed by the tourists arrived from Western Europe, Eastern Europe and Asia. The highest number of tourists came from India. However, in terms of tourist zones, Western Europe is still in the first place followed by Asia.

Amidst these hopeful views, some other unpleasant stories could be identified underneath this progress. One is that the progress achieved so far on tourist arrival is far behind the target of 2.5 million by 2016. This failure is mainly due to the fact that, although the security condition in the country has improved, the international community is still not satisfied with the



progress of good governance and human rights. On the other hand, influence of Tamil Diaspora is negatively affecting the tourist arrivals particularly from Europe.

However, favorable views of the international community on the progress of good governance and human rights at present will positively affect the tourism industry in the future. It is also problematic that although tourist arrivals have increased gradually after the war, the occupancy rates of star class hotels have dramatically declined. Even though tourist arrivals increased 130 percent during the five year period from 2010 and 2014, room utilization ratio increased only by 6 percent. There are two possible reasons for this trend. One reason is that among the international tourists, a significant part might be the Sri Lankans who got the citizenships of other countries and come to visit their relatives. The other reason might be the arrivals of budget travelers who do not want to stay in star class hotels. The consequences of this trend will affect the foreign exchange earnings and employment generation goals of the country.

### Impact of War on Tourist Arrivals

As Graph 1 shows, there is a strong relationship between war and tourist arrivals in Sri Lanka. In order to quantify the impact of the war on tourist arrivals, ANOVA model could be estimated.

$$T_t = f(S_t)$$

Where,  $T_t$  is the number of tourists arrived at year  $t$  and  $S_t$  is the state of safety and security in year  $t$ . Variable  $T$  is a scale variable which measures the number of tourists arrived in  $t^{\text{th}}$  year. The 'state of safety and security' determines, in this particular model, whether the war prevailed or not. Thus variable  $S$  is a binary variable which takes two values depending on the prevalence or absence of war. Denoting  $S_t$  by  $D_t$ , and assuming this relationship is linear, following simple model was specified:

$$T_t = \beta_0 + \beta_1 D_t + \varepsilon_t$$

This simple model says that 'number of tourists arrived' in the  $t^{\text{th}}$  year ( $T_t$ ) is a function of the 'state of safety and security' in the  $t^{\text{th}}$  year ( $D_t$ ).  $\varepsilon_t$  is the error term which represents the influence of omitted variables, measurement errors, and specifications errors etc. Variable  $D_t$  is measured as follows:

$$D_t = \begin{cases} 1 & \text{if war prevailed in year } t \\ 0 & \text{otherwise} \end{cases}$$

Estimated model for the data pertaining to the years 2000-2014 is as follows:

$$\hat{T}_A = 0.887 - 0.414D_i$$

(0.108) (0.148)

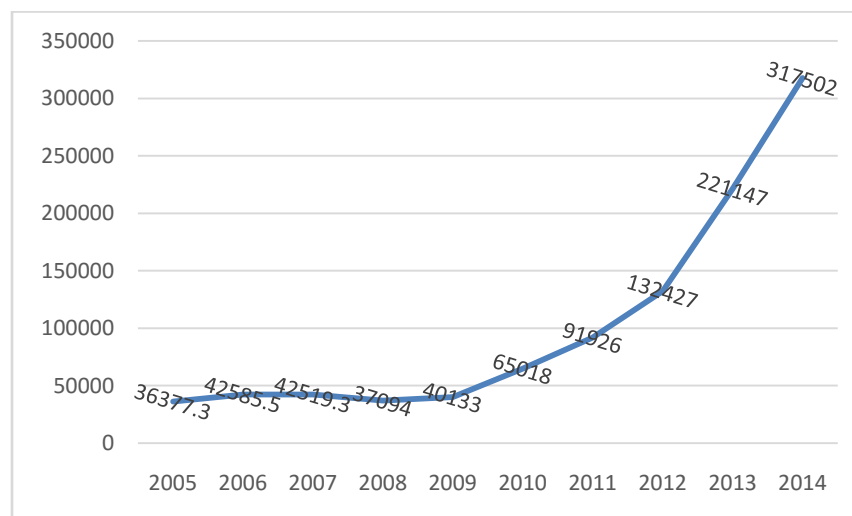
The overall model as well as individual parameters is statistically significant. The value of  $R^2$  is only about 0.4. This low value might be due to the omission of many variables which determine the tourist arrivals other than 'safety and security'. However, since the objective of estimating this model is to evaluate the impact of war on tourist arrivals, this low value of  $R^2$  might not be harmful to the validity of the estimated parameters.

According to the model, the situation engendered by the war has significantly and negatively affected tourist arrivals. Tourist arrivals decline by  $(0.887 - 0.414) = 0.473$  million annually due to the war. This implies that 0.473 million tourists hadn't visited annually due to the safety and security issues during the war time. The value of constant term implies that tourist arrivals increase by 0.887 million averagely annually if the war wasn't prevailing in the said period.

### Foreign Exchange Earnings from Tourism in the Post-war Period

In the post-war period since 2009 in line with the increase of tourist arrivals, foreign exchange earnings have also increased considerably and there is an increasing trend over the years. Earnings of tourism in year 2009 when the war had been intensified was 350 million dollars and it has increased to 2431 million dollars in 2014.

Graph 2: Earnings from tourism (Rs. Million)



Source: Central Bank of Sri Lanka, Annual Reports

This graph clearly shows that earnings from tourism have considerably increased over the years after the end of the war. This implies that earnings from tourism ( $E$ ) is a function of 'the state of safety and security' ( $S$ ) of the country which is shaped by the war. Hence,

$$E_t = f(S_t)$$

Where,  $E_t$  is the amount of foreign exchange earnings of tourism in the year  $t$  and  $S_t$  is the 'state of safety and security' in year  $t$ . Variable  $E$  is a scale variable which measures the earnings of tourism in Sri Lankan rupees in the  $t^{\text{th}}$  year. The 'state of safety and security' determines, as explained earlier, whether the war prevailed or not. Thus, the variable  $S$  is a binary variable which takes two values depending on the prevalence or absence of war. Denoting  $S_t$  by  $D_t$ , and assuming this relationship is linear, following simple model was specified:

$$E_t = \beta_0 + \beta_1 D_t + \varepsilon_t$$

This model says that the amount of rupees earned by tourism in the  $t^{\text{th}}$  year ( $E_t$ ) is a function of the 'state of safety and security' in the  $t^{\text{th}}$  year ( $D_t$ ).  $\varepsilon_t$  is the error term which represents the influence of omitted variables, measurement errors, and specifications errors etc. Variable  $D_t$  is a dummy variable measured as follows:

$$D_t = \begin{cases} 1 & \text{if war prevailed in year } t \\ 0 & \text{otherwise} \end{cases}$$

Estimated model for the data relating to the years 2000-2014 is as follows:

$$\hat{E}_t = 12636487 - 9142682D_t$$

(2783474) (38144.28)

Overall model as well as individual parameters are statistically significant at 5 per cent level. Although  $R^2$  is low ( $R^2 = 0.31$ ) as in the previous model based on the argument cited earlier, the estimated parameters can be interpreted. According to the estimated model, there is an inverse relationship between tourism exchange earnings and the 'state of safety and security'. In other words, war has negatively affected tourism earnings. Country has lost approximately  $(126364.87 - 91426.82 =)$  Rs 34938 million annually due to the war which was possible to be earned through tourism. If the war wasn't prevailing in the said period, the foreign exchange earnings would have been increased annually by Rs 126365 million. What this model clearly prove is that war has affected the tourism earnings.

## **Employment in the Tourism Industry**

One of the goals a country expects to achieve through tourism is generating employment opportunities for the labor force. Tourism industry is capable of generating sizable amount of direct and indirect employment opportunities. A large number of people are employed directly and indirectly in various institutions and sectors in the tourism industry such as hotels and restaurants, travel and transport agencies, recreational agencies, tourist shops. In addition, some people work as tourist guides, and some people earn their livelihood selling various items to tourists etc. According to the ILO estimates, one direct job in the tourism sector generates 1.2 indirect jobs (United Nations, 2013). According to recent Sri Lankan data, this ratio is 1.4; one direct job has generated 1.4 indirect jobs.

With the progress of the tourism sector in recent years in the post war era, employment in this sector has increased significantly. While the number of direct employees in this sector has increased from 57900 in 2000 to 130000 by 2014, the number of indirect employees has increased from 53000 to 170000 during the said period. However, the contribution of the tourism industry to the total employment of the country is insignificant when compared not only with the countries where tourism is a major industry but also with the South Asian neighbors. The contribution of tourism to the total employment in India, Bangladesh, Nepal and Pakistan is 6.5, 3.2, 5.0 and 7.4 per cent respectively. It is 71 per cent in Macao and 25 per cent in Fiji (Silva, 2011:11). In Sri Lanka, the contribution of direct employment in tourism to the total employment is only about 0.65 percent, while the contribution of total employment in tourism to the total employment is 1.27 per cent. It is no doubt that the progress achieved in employment generation in the tourism sector is far behind its potential level. In fact, the employment generating ability of tourism in a country depends not only on the number of tourist arrivals but also on the degree to which the tourism sector is affixed with its socioeconomic process.

## **Potential for the Progress of the Tourism Industry**

Undoubtedly, every aspect of the tourism industry in Sri Lanka has improved remarkably during the last four-five years after the end of the brutal war which dragged over nearly three decades. However, the progress is far behind the accomplishments of other countries in the global tourism market. For an example, while total contribution of the tourism sector to GDP and to employment in Sri Lanka are 11 per cent and 10 percent respectively, it is high as 78.1%, 56.0%, 19.3% and 14.9% in Maldives, Seychelles, Thailand and Malaysia respectively.

As evidence shows, the country has a great potential for the development of the tourism industry. In the meantime, there are some weaknesses and threats which interrupt the progress at present and future. In order to identify these factors, a SWOT analysis was conducted among

the stakeholders in the tourism sector including hotel and restaurant managers, tourist guides, shop keepers in tourist destinations, mobile venders, representatives in travel agencies and other private sector institutions, interested parties and government officials etc. The identified components are briefly shown in table below:

Table 1: SWOT Analysis for the Tourism Sector in Sri Lanka

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Natural tourism capital endowment               <ul style="list-style-type: none"> <li>○ Natural resource endowment including natural coasts around the country, waterfalls, rain forests, rivers and lakes etc.</li> <li>○ Geographical location with easy access</li> <li>○ Climate: different weather conditions</li> <li>○ Safe from natural disasters</li> <li>○ Mountain sceneries</li> </ul> </li> <li>• Ancient heritage sites</li> <li>• Wildlife sanctuaries</li> <li>• Cultural and social values</li> <li>• Commitment of the government</li> <li>• Friendly people and hospitality</li> </ul>	<ul style="list-style-type: none"> <li>• Poor linkage between public and private sectors in tourism management</li> <li>• High prices: the cost in terms of accommodation and food is higher than peers in the region</li> <li>• Poor infrastructure facilities</li> <li>• Lack of skilled human resources</li> <li>• Less diversity of tourism</li> <li>• Poor management of destinations</li> <li>• Lack of concern about the environment</li> <li>• Lack of proper lodgings and boarding facilities outside the Colombo.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Increasing credibility in the international community on the government</li> <li>• Scope for tourism diversification: opportunities for health tourism, sport tourism, religious tourism, ecotourism etc.</li> <li>• Developing means of transportation: expressways, Maththala airport and Hambantota port etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing competition of regional peers</li> <li>• Anti-Sri Lankan campaign of Tamil diaspora</li> <li>• Increasing trend of the arrival of budget travelers</li> <li>• Global economic downturn</li> </ul>

It is no doubt that the country possesses the sufficient strengths to develop it as a main tourist destination. As many studies have highlighted the, tourism capital endowment including natural and other tourism capital which the country has in possession is the key strength. Among these, most important factor is the location of the country. Although it is a small island with only about 65,610 square km in extent, it is situated in the Indian Ocean at the center of the main air and sea routes between Europe and Far East. In addition, natural capital endowment such as beautiful and safe beaches around the country, giant lakes, picturesque waterfalls, natural rain forests, attractive mountain sceneries and wildlife sanctuaries etc. give precious value to the country in tourism perspectives. Moreover, the ability to experience different weather conditions within a short period of time, and the absence of the risk of natural disasters etc. are the important gifts of the nature. Historical places and majestic heritage sites of ancient civilization

are a rare and invaluable strength that the country possesses. Enormous historical sites which attract tourists are located in the ancient cities including Polonnaruwa, Anuradhapura, Kandy, Dambadeniya, Yapahuwa, Panduwanuwara, Dambulla and Sigiriya.

Friendly people with unique social and cultural values are also considered a favorable factor for the progress of international tourism. These qualities based mainly on Buddhism are unique to Sri Lankans. The most important factor that is required to capitalize these tourism capital endowments is the government commitment. As explained earlier, the government has given priority in its post-war development agenda to the tourism sector. Huge efforts have been made to promote the tourism sector including various promotional programs and programs on infrastructure development and human resource development during the past few years after the war.

Amid these strengths, the SWOT analysis identified some of the weaknesses which obstruct the development of the tourism sector. Poor linkage between public and private sectors in tourism management and high cost of tourism in terms of accommodation and food compared to the regional competitors are critical weaknesses.

Lack of skilled human resources and poor infrastructure facilities relevant to the tourism sector remain as issues which cannot be tackled in a short term. Another weakness in the Sri Lankan tourism sector is that it is limited only for few areas such as leisure and recreation, though there are ample opportunities for diversification.

Poor management of tourist destinations is identified as another weakness. Although some of the beach sites are maintained properly by hotels which are surrounding the beaches, the condition of many others which are maintained by the government or local authorities is very poor. Also the condition of many heritage sites is the same. Inefficiency, lack of attention and lack of coordination among the authorities who are responsible for maintaining of these sites are the major causes for this unfavorable situation.

An inherent weakness of the Sri Lankan tourism sector is the ignorance of the impact of tourism industry on the environment. Lack of consideration of negative externalities of tourism projects and inability of the local communities to participate in policy formulation, decision-making and implementation, inefficiency of law and order and interventions of politicians etc. are the major reasons for this dreadful situation. During the past two-three decades, the coastal belt of the country has been destroyed under the label of tourism development. Mangrove forests along the coast have been cleared to facilitate tourism.

Although star class hotel and other facilities are available around Colombo and southern coastal belt sufficiently, the situation in many other destinations such as Anuradhapura, Polonnaruwa in the south and eastern and northern provinces are extremely poor.

The SWOT analysis also identified several opportunities available for the development of the tourism sector in Sri Lanka. The previous regime came under the scrutiny of the international community over democracy, war crimes and human rights issues of the country. This negatively affected not only the tourism sector but also many other spheres including diplomatic relations. However, at present, the situation is favorably and progressively changing due to the steps taken for reconciliation, harmony and development by the new regime. It is supported by the international community as well as the United Nations (UN). This would be a good opportunity to reconstitute the country's image in the international community as such to attract tourists more and more from Europe and other regions.

As mentioned earlier, the tourism sector of the country is confined only to certain areas such as leisure, recreation, beach tourism, even though there are ample opportunities for diversification. For an example, the tourism sector can venture into areas such as health, sport, religious, adventure and ecotourism.

Poor transport system has been identified as one of the major obstacles for the progress of the tourism sector. However, this situation is gradually changing with the improvement of the road network of the country due to the rehabilitation of existing highways and construction of three expressways (Southern expressway (126 km), Colombo-Katunayake expressway (25.8 km) and outer circular highway (29.2 km)) during the last decade. Also, Northern expressway (300 km) which is planned to be completed within few years' time would further improve land transport system. In addition, Mattala airport and Hambantota port are now in operation expanding the air and maritime transport. These measures enhance the transport system of the country and help in attracting tourists.

The SWOT analysis identified some serious threats that the tourism sector has encountered. As identified by many studies, major threat is the competition of regional peers. The countries like Thailand, Singapore, Malaysia, China, Hong Kong, Philippines, Indonesia and Japan are much ahead compared to the situation of the tourism sector in Sri Lanka. In fact, this is partly due to the difference of entitlement of tourism capital endowment and the differences of diversification of the tourism sector. Additionally, the high cost of tourism and other weaknesses of the tourism sector mentioned earlier have caused this ineffectiveness.

Another threat that the tourism sector has encountered is the anti-Sri Lankan campaign of Tamil Diaspora based on alleged war crimes during the last phase of the ethnic conflict. Although the agitations are weakening with the fresh approach of the present government on reconciliation, the threat remains further as an obstacle for the progress of the tourism sector.

As evidence reveals, there is a tendency of increasing arrivals of budget travelers. Even though this trend would be beneficial to non-graded accommodation establishments, it would



negatively affect some areas and aspects such as income generating from the tourism sector, employment generation, and star grade hotels, traveling agencies etc. of the tourism sector in the long-run.

Apparent global economic downturn is one of the serious threats the tourism industry would have been confronted. Although there is no global economic crisis at present, there are symptoms of a crisis such as falling of share markets, low commodity prices, risk of debt crisis in developing countries, and risk of deflation. Both IMF and the World Bank have revised their global growth expectations downward for year 2016. This situation would critically affect the progress of the tourism industry and it would not be easy to achieve the targets.

## **DISCUSSION AND CONCLUSION**

It is undoubted that as a large and rapidly growing service sector industry, international tourism is playing a greater role in the growth and economic development of Sri Lanka as in many developing countries. It contributes to the development of the country through a number of channels including generating employment opportunities, raising national income, improving balance of payment, reducing regional imbalance of development and alleviating poverty.

The tourism industry is highly sensitive to the state of safety and security of tourism destinations. Therefore, three-decade long ethnic conflict in Sri Lanka has obstructed the development of the tourism industry as well as the overall progress of the country. It has negatively affected every aspect of the tourism industry. However, as evidence proves, after the end of the war, the tourism industry is improving significantly as a result of the massive efforts made by the government through various policies and programs. Accordingly, tourist arrivals, earning from tourism, employment opportunities have increased significantly. However, these achievements are far below the potential of the tourism sector and the set targets. Moreover, these achievements are much lower when compared with the achievements of other countries in the region.

Although the country is entitled a rich tourism capital endowment, inherent weaknesses have obstructed the efficient utilization of this endowment. Thus, the priority should be given to address these weaknesses. Then only the threats could be eliminated and existing opportunities could be utilized competently in order to direct tourism industry towards the expected targets. In this endeavor, establishing a partnership of government institutions and private sector is paramount important because public sector alone cannot address all the issues. This partnership can firmly tackle the severe shortage of skilled human resource in the tourism sector, poor management of tourist destinations and shortage of proper boarding and lodging facilities in the tourist areas outside the Colombo. Moreover, it should concentrate to diversify

the tourism in the country to the viable areas such as health, sport etc. This is an important area which should pay the attention of the policy makers and researchers.

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