

The Significance of Tourism in Sri Lankan Economy

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Abstract

Tourism is a fast growing industry in the world, due to its importance and economic significance. Sri Lanka also emphasizes on its contribution to the future development goals. Tourism is in a significance position in generation of income, foreign exchange and provision of employment opportunities. Sri Lanka is a tourist destination and the impact of Tourism in Sri Lankan context is lesser than the international context, but there are considerable amount of ways that influence the total revenue of the tourism in Sri Lanka. The analysis has emphasis on the different ways of earning income through tourism and raising the Gross Domestic Product of the country. Also there are many factors affecting the stability of the tourism: political stability, stability of human relationships and etc. However Tourism that has a direct impact on various areas such as shopping destination, marina development and etc.

Key words: *Tourism, Revenue, Foreign exchange, Employment opportunities, Gross Domestic Product*

Introduction

Today's world tourism is a fast growing and a competitive industry. According to Foster (1985) Tourism is an activity involving a complex mixture of material and psychology elements. The material ones are accommodation, attractions and entertainment to which are available in all tourist destinations. The psychological factors include a wide spectrum of attitudes and expectations. Tourism is a combination of several products and services. The main components of tourism are tourist transportation, accommodation, restaurants,

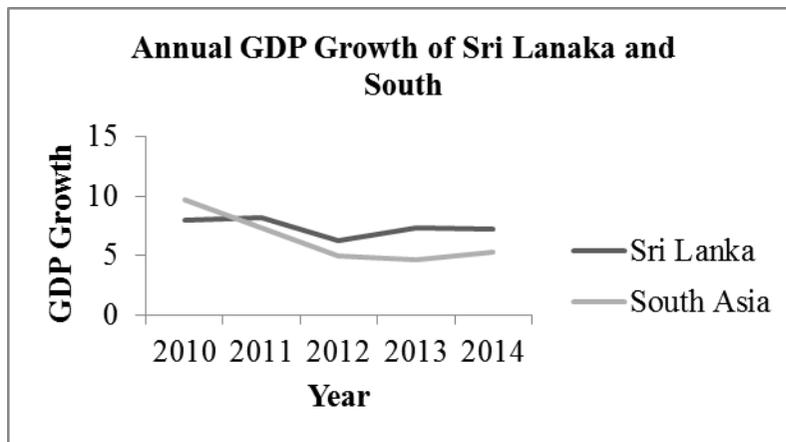
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recreation, shopping complexes, well known places, religious destinations and outing (Kapoor, 2007).

Gross domestic product (GDP) is defined by Organization for Economic Co-operation and Development (OECD) as an aggregate measure of production equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). According to OECD, (1948) Gross Domestic Product (GDP) in Sri Lanka was worth 67.18 billion US dollars in 2013. The GDP value of Sri Lanka represents 0.11 percent of the world economy. GDP in Sri Lanka averaged 13.32 USD Billion from 1960 until 2013, reaching an all-time high of 67.18 USD Billion in 2013 and a record low of 1.42 USD Billion in 1960. World Bank (2013).

Figure 01: Annual GDP Growth of Sri Lanka and South Asia



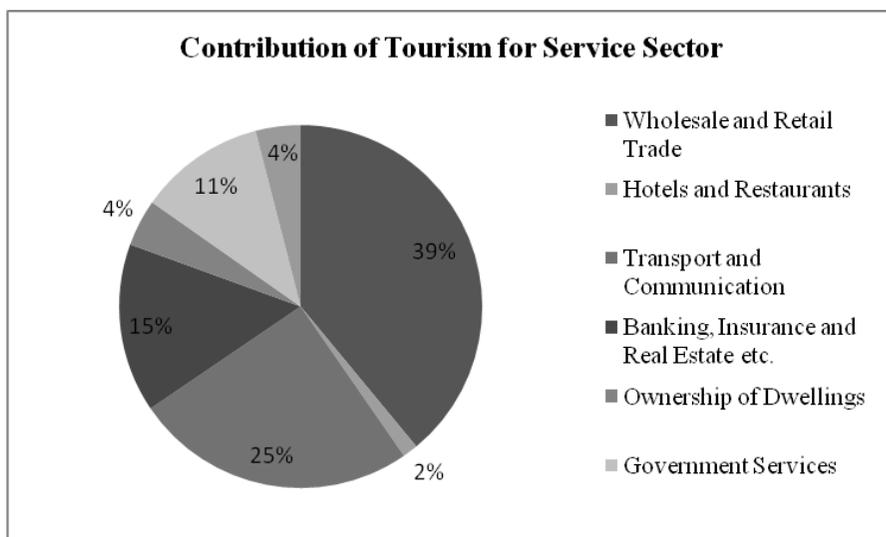
Source: World Bank, (2013)

According to the figure 01, there was a significant growth of GDP in Sri Lanka when comparing to the South Asian region. The World Bank, (2013) forecasted the grown level will be equal after 2016.

There are several sectors contributing to the GDP in Sri Lanka, of which Tourism sector has gain importance during the last few decades. Tourism is indicated as “hotel and restaurants” in the Annual report of Central Bank of Sri Lanka. Tourism is an important sector in service sector in Sri Lanka; the other two sectors are

agriculture and industrial sector. Contribution of Tourism for its sector and for Gross Domestic Product (GDP) is indicated as follow.

Figure 02: Contribution of Tourism for Service Sector.



Source: By Author, (2014)

According to the Figure 02, Tourism consists of 2% from the total contribution for its relevant sector but there is an increase in GDP value from year 2012 to year 2013. According to Central Bank of Sri Lanka (2013) service sector has acquired 58.1 share of GDP but tourism has contributed only 0.8 to the share of 58.1.

Over the decades, tourism has experienced continued growth and deepening diversification to economic sectors as one fastest growing industry in the world (World Tourism Organization). In an earlier century, the explorer Marco Polo wrote that Sri Lanka was the finest island in the whole world. Also according to the World Tourism Organization, Sri Lanka has the advantage of having 49 sites classified as unique attractions, 91 as rare attractions, and 7 world heritage sites, and 6 of the 300 ancient monuments in the world.

Tourism which is one of the fastest growing sectors in the economy requires a clear, market driven strategy as it aims to reach its target of 2.5 million tourist arrivals by 2016 (Central Bank of Sri Lanka, 2013).

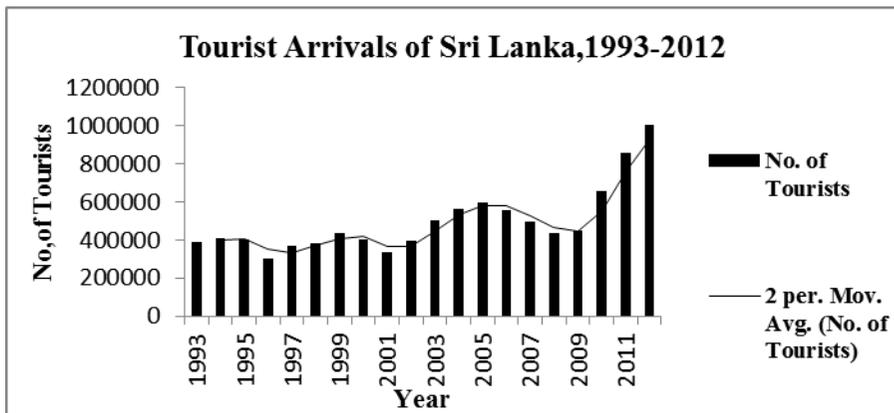
Sri Lanka is one of the most popular tourist destinations in the region, as it contains mixture of golden beaches, rare unique wildlife, breathtaking landscapes and a rich cultural heritage which confirmed by the Sri Lanka Tourist Board while they are stating that eight main areas of tourist attractions are attracting tourists to Sri Lanka. Those areas of tourist attractions lead to are pristine, heritage, thrills, wild, bliss, scenic, essence and festive. Pristine refers to beach which is located all around the Island. An Island Sri Lanka is surrounded by sea and a perfect destination for a beach holiday. Sri Lanka is reported for its historical value and it's than 3000 years of recorded history. Also there are 8 world heritage sites within the country which include; the hill capital Kandy, the sacred city of Anuradhapura, the Dutch fort of Galle, the ancient city of Polonnaruwa, the rock fortress of Sigiriya, the golden rock temple of Dambulla, the beautiful Horton plains and the Singharaja rain forest.

Apart from these famous sites there are abundance of heritage sites in the island. As stated by the Sri Lanka Tourism Industry with varying climates and geography packed into a small island Sri Lanka offers a range of adventures from the top of the mountains to the depths of the oceans. One of most common reason to treat it as a tourist attraction in Sri Lanka that is home for a wide variety of mammals, birds, fish, butterflies and snakes. The big five Sri Lankan wildlife are the elephant, the leopard, the sloth bear, the blue whale and the sperm whale. Yala, Udawalawa, Kumana and Bundala National Park etc. are some famous attraction for tourists. Another form of tourist attraction is traditional Ayurveda hospitals and spas, yoga training and a large number of meditation centers. Also Sri Lanka attract by the tourists due to their scenic beauty; waterfalls such as Bambarakanda, Dunhida, Devon and Ramboda falls etc. and Botanical Gardens such as Royal Botanical Garden and Haggala Garden etc. Traditional festivals such as Peraahera, Sinhala and Tamil New Year and Katharagama festival attract tourist worldwide Sri Lanka repeated records on its gems plays a significant role in attracting worldwide tourists to Sri Lanka.

When considering the past three decades 12,631,445 tourist arrivals lead to earning of Rs.753, 786.1 million of revenue to the country. As Abeysekera (2014) stated Sri Lanka’s tourist arrivals rose 14.3 percent to 103,195 in June 2014 from a year earlier. Most importantly in the first half of 2014, arrivals increased from 24.6 percent. This percentage is equal to 727,353tourist.

Earnings from tourism has not yielded high where daily earnings per tourist currently stands at USD 105 as per Central Bank of Sri Lanka data in contrast to countries such as Maldives which attracted daily earnings of USD285 per tourist (Sri Lanka Tourism Sector, 2013).

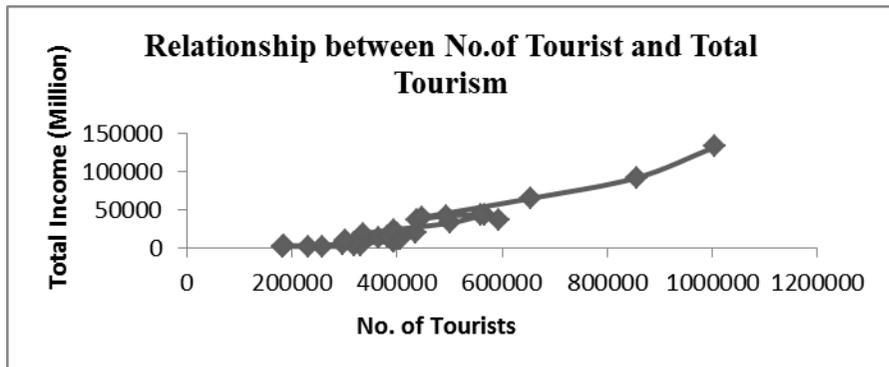
Figure 03: Tourist Arrivals of Sri Lanka, 1993 - 2012



Source: By Author, (2014)

There can be seen some fluctuations in tourist arrivals. Figure shows there is a gradual increase from year 1993 to 2005 with minor fluctuations but there is a significant decline in the period of year 2007 to 2009. This huge decline may be due to terrorism which was clapped overall Sri Lanka. As well as there is a gradual increase from year 2010 up to now. However this may be due to victory of the government forces and the economic development emerged as a result of the end of the war.

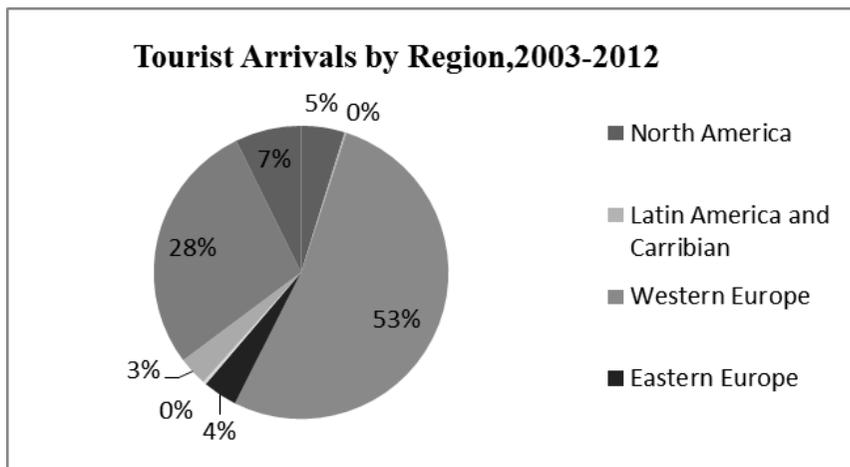
Figure 04: Relationship between No. of Tourists and Total Tourism Income



Source: By Author, (2014)

According to the Figure 03, there is a strong positive relationship between number of Tourists and tourism income in Sri Lanka which is calculated as 0.953. The overall income of tourism depends on the arrival of tourists rather than other factors.

Figure 05: Tourist Arrival by Region, 2003 - 2012



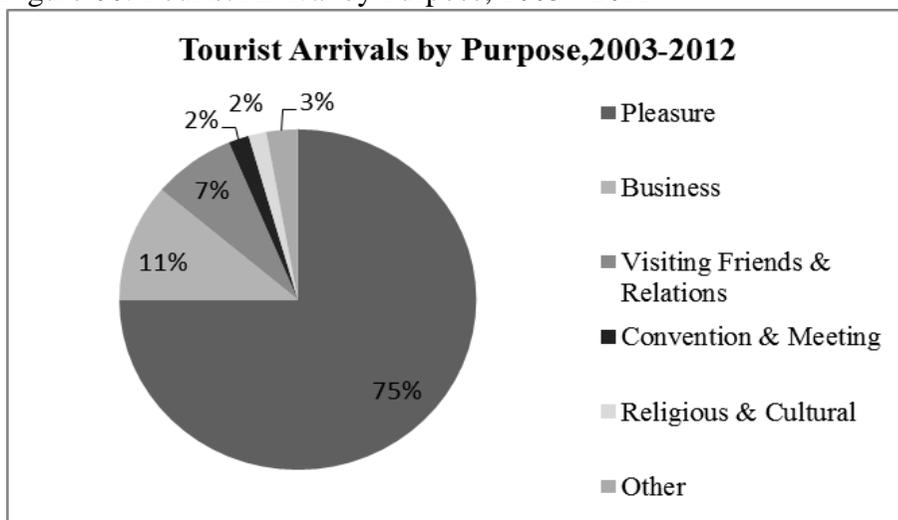
Source: By Author, (2014)

When considering the number of tourist arrivals to Sri Lanka, tourists from indicates the Western Europe countries fill the highest proportion which is 53% of total arrival of tourists including the countries such as Austria, Belgium, Denmark, Finland, France,

Germany, Italy, Netherland, Norway, Spain, Sweden, Switzerland and United Kingdom. Next highest arrival of tourists emerged from Asian countries including both Eastern Asia and Western Asia such as Russia, Ukraine, Bangladesh, India, Maldives, Nepal and Pakistan. Africa, Middle East, North America, Australia and Latin America make a small proportion of tourist's arrivals.

The tourists from above countries have different purposes to come to Sri Lanka which are categorized as pleasure, business, visiting friends and relations, conventions and meetings, religious and cultural and other purposes.

Figure 06: Tourist Arrival by Purpose, 2003 - 2012



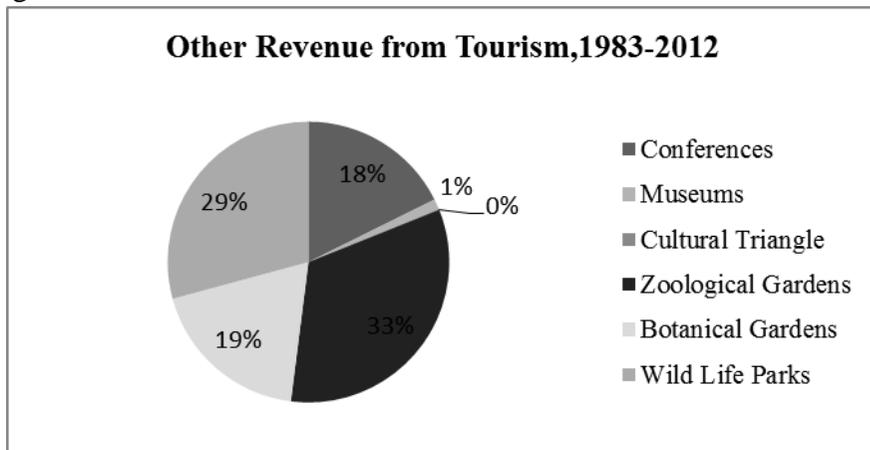
Source: By Author, (2014)

The figure shows three-fourth of the total arrivals are for pleasure, This means there is a good opportunity to expand the entertainment activities dedicated for the wellbeing of the tourists. Among the total number of tourist arrivals, 11% of arrivals are for business purposes visit friends and relations which is 7% of total arrivals of tourists. Other purposes such as conventions and meetings and religious and cultural purposes are indicated similar proportion which is each of

2% and there are 3% of other purposes not specifically measured by the Sri Lanka Tourism respectively.

According to the above figure, there are wide concerns of purposes of arriving to Sri Lanka such as religious and cultural. Sri Lanka is a country that have a unique cultural values as well as religious activities throughout the year. These opportunities can be enhanced by providing information and raising awareness about those cultural and religious activities which are unique to Sri Lanka.

Figure 07: Other Revenue from Tourism, 1983-2012



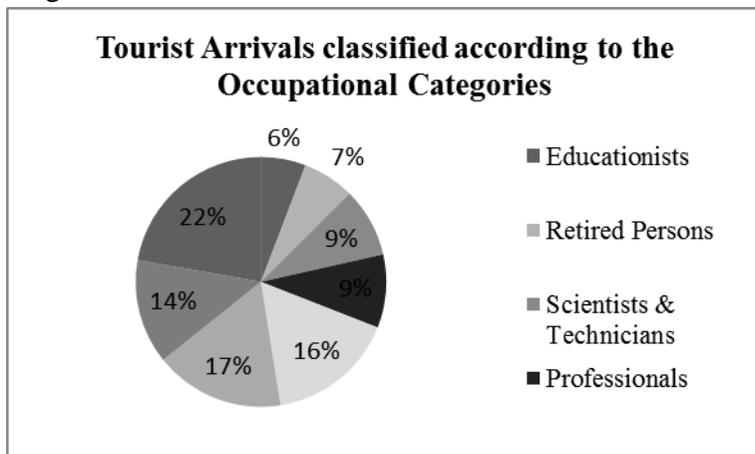
Source: By Author, (2014)

Figure 7 indicates tourists are arriving to Sri Lanka to participate in Conferences, to visit museums, to visit zoological gardens, botanical gardens and wild life parks. Among these identified criteria zoological gardens are the most attractive places for tourists. For the past 3 decades, the revenue earned from zoological gardens marked significant increase and which was 33%. of time. The other criteria except to visit museums and to visit places of cultural triangle earn similar proportion of average revenue for past three decades of time. The other criteria except to visit museums and to visit places of cultural triangle earn similar proportion of average revenue for past three decades.

As denoted in the above figure visiting places at cultural triangle. There can be seen an opportunity for Sri Lanka Tourism to grow and earn which can be contributed to the Gross Domestic Product in Sri Lanka. To enhance the above fields, a consistent and convenience system of infrastructure including transportation, accommodation, food and beverages, shopping complexes and etc. Among these components mainly the accommodation should be provided in a satisfactorily level to the tourists. The tourist may choose to the hotels according to their preference, and financial stability: one star, two stars, three stars, four stars and five star.

Another main growing area is occupational categories, According to the past two years tourist arrivals can be denoted as follows,

Figure 08: Tourist Arrivals classified according to the Occupational Categories

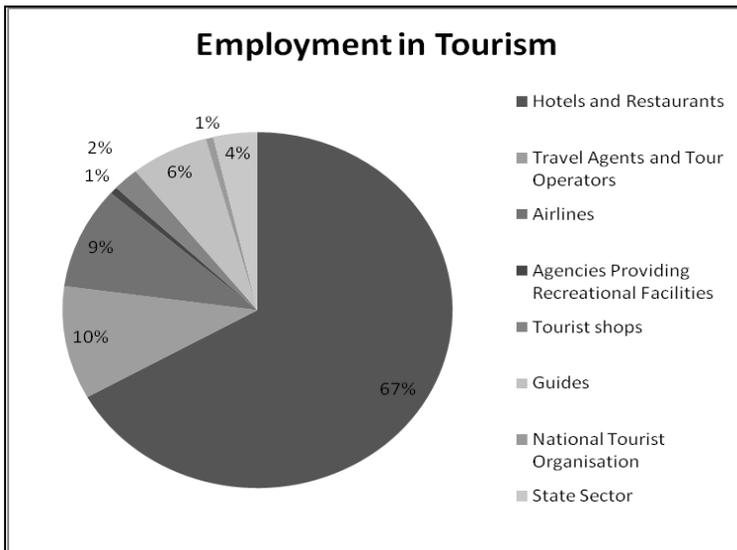


Source: By Author, 2014

According to the above figure the highest number of tourists arriving to Sri Lanka is classified according to their occupations. Executives are the next highest category of occupation. Likewise businessmen, non-occupational people, professionals and scientists and technicians are arriving to Sri Lanka for different purposes. The moral of the figure is there is a need to provide awareness to the educationists on Sri Lanka as this category denotes the lowest proportion. Government

can intervene can increase the arrival of educationists to Sri Lanka. There are two main areas which can be used to enhance GDP in relevant to tourism as a foreign exchange earnings industry. This will help to increase the available employment opportunities at home.

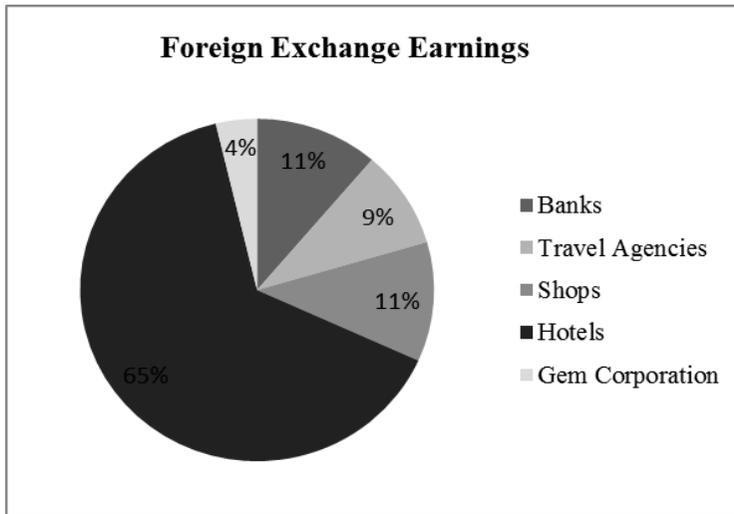
Figure 09: Employment in Tourism



Source: By Author, (2014)

According to the figure 08 and Figure 09, Hotels and restaurants provide more employment opportunities to Sri Lankan which is equal to 67% from the entire employment generation. Travel Agencies provide the highest number of employment. Thirdly the travel agencies play major role in providing employments. The quality of their service can lead to increase the income as well as its GDP. When considering the employment in tourism the guides sometimes work as licensed guides and non-licensed guides (Theory contribution is calculate and added to GDP. By enhancing the quality and quantity of the licensed guides, it help to increase contributed to the GDP in Sri Lanka.) The major component of Gross Domestic Product (GDP) is consumption, which is driven by demand for goods and services.

Figure 10: Foreign Exchange Earnings



Source: By Author, 2014

The tourism industry has paved its way to contribute. The economy of the country through employment generation as well as the increments in foreign exchange earnings. Tourism and related recreation activities play a significant role in the generation of income/ foreign exchange and provision of employment opportunities. Ranasinghe & Deshapriya, (n. d) According to the TKS research there are growing concerns of making Sri Lanka as a destination of shopping, Casino Tourism, movie and marina (Sri Lanka Tourism Sector, 2013).

Conclusion

This study emphasizes on significance of tourism in Sri Lankan economy with the perspective of how the tourism industry can be specified and organized towards attaining the higher GDP. Tourism can bring foreign exchange earnings, employment opportunities and income. In Sri Lankan economic context, tourism is under service sector which contributes only 2% of service sector total income. The proportion of contribution is very low but there are large number of ways and means through which it can bring more profit and income. This can be done through encouraging different types of tourism such as pleasure, business, visiting friends and relations, convention and

meetings, religious and cultural. Tourists are coming from all over the world including Western Europe, Eastern Europe, North America, Latin America and Caribbean, Africa, Middle East, Asia and Australia. There is a growing opportunity to Sri Lanka to increase arrivals as most of them are arriving due to pleasure. Conferences, museums, cultural triangle, zoological gardens, botanical gardens and wild-life parks are some tourist attractions that can bring additional income to the tourism industry. This will be durable solution as Sri Lanka can promote uniqueness. (As well as when considering employment opportunities there is a significant gap between the required qualified employees and existing employees who can gain more and more income to the industry which can lead to the GDP growth.) Scholars identify Sri Lanka as a shopping destination, places with developed marina, developed movie industry and casino tourism in near future. Sri Lanka can hope a better economic stability through promotion of tourism industry. Long term policy can help to integrate tourism as a development strategy.

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