

**THE IMPACT OF INFORMAL INSTITUTIONS ON
TOURISM DEVELOPMENT IN SRI LANKA:
WITH LESSONS LEARNT FROM JAPAN**

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Abstract

Tourism is recognized as an effective strategy for economic development by both developed and developing nations. Its importance is most felt in developing countries. These countries also take the brunt of the negative impacts of tourism than developed countries. Therefore destinations have introduced various institutions to regulate the industry by achieving a balance between positive and negative effects of tourism. Institutions are twofold: Formal and Informal Institutions. Formal institutions are laws, policies, rules and regulations enforced by an executive body, and the organizations responsible for formulating and enforcing them. Informal institutions are unwritten rules reflected in norms, values, beliefs, attitudes and folkways of the people in a society.

Popular theories argue that countries with an abundance of natural and human resources are at an advantage in the tourism sector than those without these resources. However, institutional economic theory argues that differences in performance of the tourism sectors between countries are mainly due to differences in institutions in these countries and not simply due to availability of resources. In other words, the institutional approach explains why destinations with an abundance of related resources do not perform as much as those without resources.

Sri Lanka being a developing country blessed with an abundance of natural and human resources has made tourism a key strategy for economic development in the post-colonial era. The role of tourism in economic development in Sri Lanka is very much pronounced as its total contribution to the national GDP is more than 11 percent. It is the third highest foreign exchange earner to the country, providing employment to 10 percent of the work force. Yet despite the fact that Sri Lanka is blessed with natural and

human resources, other countries in the region that do not have as much resources perform much better in terms of tourism indices. The country stands only at the 62nd place in terms of travel and tourism's direct contribution to GDP and 43rd place in terms of its direct contribution to employment. Even after the end of the civil war in 2009 with the main obstacle to development removed, the growth rate of foreign tourist arrivals still slowed down along the years; tourist guest nights showed contradictions against arrivals and news reports on tourist scams increased. This is mainly because the country overemphasized formal institutions and underplayed the importance of informal institutions.

It was under such circumstances that the study was conducted in four tourist areas in Sri Lanka, first to gain an insight into the level of satisfaction of foreign tourists with formal institutions providing tourism goods and services in Sri Lanka and the local people's hospitality; second, to understand attitudes of the host communities to tourism and tourists; third, to discern the level of community participation in tourism-related activities and fourth, to understand how informal institutions are affecting the functioning of formal institutions, and their combined effect in the sum-total tourist satisfaction. It was hypothesized that both formal and informal institutions are important to improve the hospitality industry of a country, but the usually unrecognized importance of informal institutions is pervasive. Informal institutions directly influence the hospitality of a destination, and also in a circular manner by influencing the functioning of formal institutions. The research was complimented with a comparative study (based on secondary sources) on how formal and informal institutions have affected the performance of the tourism sector in Japan and the Saga Prefecture.

Satisfying a foreign tourist is important to ensure repeat visitors and potential first time visitors. The Sri Lankan culture has the seeds of hospitality, but certain values, norms, attitudes and beliefs of the local people lead to behaviors that impede on tourists' satisfaction with the tourism goods and services of the destination. In other words, some informal institutions are not favorable towards tourists and /or tourism. The most prominent informal institution impeding the hospitality industry was *attitudes* of the local people towards tourism and tourists. The most prevalent attitude that was seen influencing both the general public and those employed in the tourism sector was that tourism is a quick form of earning money. This attitude led into various other unfavorable attitudes and stereotyping of foreign tourists. The 'White Complex' is a result of this attitude that trigger discriminative treatment of foreign tourists based on their racial appearance. Manifesting these attitudes in behavior was defined as unprofessionalism, and the study realized that unprofessionalism invariably leads to the breaking of *trustworthiness* of institutions; especially formal institutions. This shows how informal institutions can influence the functioning of formal institutions. The study argued that professionalism can be achieved through formal institutional training, but the barrier against formal institutional training is again an informal institution: the attitude that tourism needs little or no training. This ring of attitudes and behaviors perpetuate in a vicious cycle. The scenario is especially damaging to small and micro enterprises because tourists associate trust with the size of the enterprise. This means that they trust large institutions over medium, small or micro enterprises. The study also showed how politicization, nepotism and poor leadership combined with other unfavorable informal institutions are directly affecting the safety and security of the tourists negatively. It then showed how they indirectly affect the tourism sector by penetrating the formal

institutions that mete out justice for safety/ security breaches, and preventing justice being made.

One of the most important findings of the study was that these attitudes could be improved with community participation in tourism activities. Currently, local people lack access to the tourism sector. They are not empowered to influence the sector in any sense (flow of information, decision making, resource allocation, etc). Lack of access has created two groups of locals: ‘insiders’ (people who run tourism-related businesses/ engaged in tourism-related occupations) and ‘outsiders’ (people who are not engaged in tourism-related occupations or businesses) to tourism. Outsiders enjoy little or economic benefits from tourism, which has resulted in even lesser participation and lack of sense of ownership towards the tourism activities in one’s area. Economic benefits were thus seen as a powerful motivator to ensure any type of cooperation from the local people.

The study on Japan/ Saga Prefecture reiterated the importance of informal institutions in improving the tourism sector. It showed how local people’s favorable attitudes have made Saga a favorable destination for foreign tourists. This is mainly because local people have access to tourism activities in the area through a very transparent system. This formal institutional system is largely a result of the empowerment of the local people, which has made bottom-up decision-making a reality.

Chapter 1

Institutions and Tourism Development: An Overview of Theories and Concepts

I. Introduction

Tourism is no longer a privilege enjoyed by the rich and elite. It is neither a luxury offered to and by the developed nations of the world. Instead, tourism has become one of the leading and fastest growing economic sectors in all parts of the world. Data for 2014 indicate that tourism generates ten percent of the world Gross National Product (GDP) and one in every eleven jobs is directly linked to tourism. In the year 2014, tourism earned 1.5 trillion US \$ by tourism, which accounted for six percent of world's exports and 30 percent of world's service exports (UNWTO, 2015: 14). Its implications to development are pronounced with every passing year as annual world tourist traffic grows rapidly. There was a 4.3 percent growth in tourist movement which totaled up to 1.133 billion tourists travelling across the globe in 2014 (UNWTO, 2015: 14). Recent statistics and studies have also shown that emerging nations, less developed countries and small island developing states (SIDS) are more likely to benefit from tourism than developed countries due its capacity to contribute to a country's GDP and employment generation (UNWTO, 2015: 11-14; Holden, 2013: 58-64; Telfer and Sharpley, 2008: 15-25).

While positive effects of tourism are promising, destinations are not blind to the negative effects of tourism in the long run. Therefore, all destinations have introduced humanly devised arrangements known as institutions, to exploit positive effects and buffer negative effects of tourism operating as a double edged sword. The aim of this chapter is to define

the key words/ concepts used in the study, and discuss the theories that have examined possible associations between the said concepts.

II. Institutions and Economic Development: Definitions, Theories and Concepts

① Institutions

Despite the frequent usage of the term, defining ‘institutions’ is still the bone of contention among different disciplines, various schools of thought and academics. There is much disagreement on what institutions are, their scope, content, function and their relationship with agency. This disagreement is irrational and uncalled for to the extent that Lionel Robbins (in Hodgson, 2004: 3) once wrote that institutionalism “served as a war-cry congenial to quite a number of muddled and slightly disturbed spirits”.

Much of this chaos stems from the attempt to incorporate theories from other disciplines such as psychology, anthropology, history and sociology (Hodgson, 2004:5) to explain economic phenomena in terms of institutions. This rift in ideas exists not only among different disciplines but also between old institutionalists and new institutionalists within the same discipline of institutionalist economics (Von Staden and Bruce, 2015: 111-112).

Schmoller’s definition of institutions gives the purpose of this entity: “[an institution] is a partial order for community life which serves specific purposes...” (in Furubotn & Ritcher, 2000: 6). The purpose so defined, probably the simplest definition to how this purpose is achieved is given by North who defines institutions as “rules of the game” (North, 1990: 3). His definition suggests that human needs are achieved by sculpting them with rules. He also adds to the purposes of institutions as reducing uncertainty; establishing a stable structure to human behavior and reducing transaction costs in humans’ attempt to meet their numerous needs. Hodgson has a similar definition which

defines institutions as “systems of established and prevalent *social rules* that structure social interaction” (Hodgson. 2006: 2). According to Ostrom, institutions are,

“Sets of working rules that are used to determine who is eligible to make decisions in some arena, what actions are allowed or constrained, what aggregation rules will be used, what procedures must be followed, what information must or must not be provided, and what payoffs will be assigned to individuals dependent on their action... All rules contain prescriptions that forbid, permit, or require some action or outcome” (in Furubotn & Richter, 2000: 6).

This becomes clearer in Commons who has explained that “institutions are analogous to a building, a sort of framework of laws and regulations, within which individuals act like inmates” (quoted in Hodgson. 2006: 8). These ‘rules’ that stipulate human behavior transform into a way of life, or ‘natural behavior’ of a given society as Veblen defines institutions as “settled habits of thought common to the generality of men” (in Hodgson. 2006: 8). All of these definitions agree on four basic matters. First, no definition contends the fact that institutions are humanly devised arrangements to fulfill complex needs of the members of a society. Secondly, the repeated use of the word ‘rules’ in all of the given definitions suggest that they all agree on the fact that institutions guide human behavior in a particular context by setting parameters on which course of action is allowed and which is not. This instills predictability to otherwise unrestrained human action¹. Thirdly, guidance is achieved through a set of ‘rules’ which make up the quintessence of

¹ North views institutions as constraining human behavior or placing limits on choices of behavior available to actors (North, 1995: 36-53). By constraining behavior of one actor, institutions are simply defining the duty of one person by another whose rights will be protected in the process. In other words it is impossible to ‘enable’ one without ‘constraining’ another. Thus the sum total effect of institutions is both constraining and enabling.

the institutions. Fourth, as years progress to decades and centuries these 'rules' become the way of life of a society as the 'rules' will become embedded in the social fabric.

It is at the third point that the disagreement resurfaces about what constitutes institutions. Yet viewing all theories closely, it is discernible that the disagreement runs merely on what terms should be used to label the concept rather than on the concept itself. This matter is apparent when comparing a number of writings by experts in the field. For example according to North, institutions are made up of 'formal rules' and 'informal norms' (North, 1990: 36-53), both of which he terms 'constraints'. The difference between formal and informal constraints is simply the fact that formal constraints are explicitly written laws and informal constraints are norms that are implicitly known to members of a society. Carl Menger on the other hand argues that there are two types of institutions: 'organic institutions' or spontaneous institutions that arose from collective human action, and 'pragmatic institutions' defined as institutions that are the result of deliberate design (in Furubotn & Richter, 2000: 6-7). Hayek uses the terms 'grown order' and 'made order' while Williamson calls them 'spontaneous' and 'intentional', and Coleman uses two simple and comprehensive words 'spontaneous' and 'constructed' to refer to informal norms and formal rules respectively (in Furubotn & Richter, 2000: 6-7). This tempest in a tea-cup is enlightening in a way because it shows that scholars agree on one common matter despite the differences in the terms and labels they use: that institutions have two components- formal and informal.

For the purpose of this study, institutions are defined as all socially constructed arrangements, systems and/ or mechanisms to fulfill human needs. This study maintains that there are two types of institutions: formal and informal institutions. Formal

institutions are defined as all government and private organizations related to the tourism sector, and their laws, regulations, policies, their enforcement and policing practices. Informal institutions are defined as all implicit codes that govern human behavior such as norms, folkways, taboos, beliefs, values, customs and traditions. This study also defines community participation in tourism activities as an informal institution as it reflects the degree of empowerment of a community².

There are two important arguments that underlie theories of institutions. The first argument is that formal and informal institutions interact. Not only do they interact, they are also interdependent on each other. Which is more influential is on the other hand a matter of debate. While formal and informal institutions apply reciprocal influence, informal norms have a greater capacity to influence the implementation and functioning of formal institutions. The main reason for this is because institutions saw their inception as informal norms, folkways, customs and traditions which moved along a continuum as societies grew in complexity and were subsequently transformed with human intervention into formal rules that were codified or written down (North, 1990: 46). Informal norms were what regularized societies as “the invisible hand” (Furubotn & Richter, 2000: 25) in the early stages during which formal arrangements were absent. Institutional economists agree that even in the modern era, public policies (what is referred to as formal institutions in this study) should reflect the values and thinking patterns of public at large (informal institutions) in order for the society to run smoothly (Sen, 2000: 274-276; Furubotn & Richter, 2000: 25). Informal institutions have such immense force, that they do not require the support of formal institutions to operate. In

² Section ② of IV will define community participation and theories that discuss its relationship with tourism development.

other words, they can replace formal institutions if needed. Amratya Sen shows that the ‘social cost of corruption’ that manifests in the form of negative social sanctions against breaking of norms can be more powerful than enforcing formal rules (Sen, 2000: 275-276). North exemplifies how informal institutions are a pervasive feature of both traditional and modern societies, and how, even in the absence of formal institutions, they can be influential in the smooth functioning of a society (North, 1990: 36-45). He also argues that simply changing the formal rules may not prompt the changing of the informal institutions, but instead may give rise to tensions that will have important implications to economic development (North, 1990: 44-45). On the other hand, while “rationally designed formal institutions have to leave room for the development of informal arrangements... feelings and traditions cannot be created ad hoc by rational acts” Furubotn & Richter, 2000: 25).

The second argument is on the interaction between the structure (institutions) and the agent (actors/ individuals). Many scholars including Veblen and Commons advocated that institutions have the power to change agents, including their choices and preferences. For example, Veblen argues that institutions give rise to new or changed habits (dispositions or propensities of actors) by providing incentives, sanctions or constraints. This process however, which translates as the power of structures over individuals/actors is known as the reconstitutive downward causation (cited in Hodgson. 2004: 188, 301) does not by any means dispute or reject the importance of individuals in shaping social structures and institutions. They are very much dependent upon human thoughts and actions but are not reducible to them. As the debate between methodological individualism (power of individuals over social structures) and methodological collectivism (power of structures over individuals) continues, a satisfactory solution has

been proposed by Anthony Giddens. He explains that structure and agency present a duality (interdependent parts) as opposed to dualism (parts are separable and mutually exclusive). His Structuration theory maintains that individuals are both free and constrained; structure is both enabling and constraining like two sides of the same coin (Giddens.1984: 25-26). While the importance of actors/ agents deserves its due respect, this research will be particularly be concerned about the importance of informal institutions in shaping human action; in other words, the impact and effect of reconstitutive downward causation to shape or change people's habits. In this approach, it is believed that habits affect reason, and they interact with each other in an ongoing process of adaptation to a changing environment. This ability to adapt to change is the reason why institutions sustain in rapidly changing environments (Hodgeson, 2004: 189), which is the very essence of this study.

② Institutions and Economic Development

Disagreement on matters pertaining to institutions should not lead to its relinquishment as a mode of analysis because of its undeniable importance in understanding economic development. Mainstream economics attempts to understand development in terms of a narrow minded approach that involves basically income and price that has left an unexplained gap in academic literature. Wolfgang Sachs boldly attacks this approach under the premise that "...[the] economic view point is notoriously color blind" (1999: 17) and "...not everything that looks like an economic activity is necessarily a part of economics" (1999: 17-18). Justifiably, not only has this kind of theory failed to grasp a holistic view of the term *development*, it has also failed to assist in overcoming any of the multitude of issues plaguing the world such as poverty, discrimination, widening gap

between rich and poor, gender issues and the like. In its worst form, mainstream economic theory can misguide entire nations to follow a distorted path towards development (Sachs, 1999: 3-23) and as a result, leave them with burning and unresolved issues if not new issues due to forcibly changed systems (Hodgson, 2004: 5; North, 1990: 45; Sachs, 1999: 16).

It is under such circumstances that an institutional approach was proposed to analyze development from a different and a more wholesome point of view. Institutionalists have drawn attention to the fact that the magnitude of differences in development between countries that otherwise have similar settings can be attributable to differences in their institutional setup. This theory has been exemplified through a number of comparative examples between countries/ societies (North, 1990:107-117; Furubotn & Ritscher, 2000: 1; Keating, Loughlin & Deschouwer, 2003: 72-74; Acemoglu, 2013: 1-69).

Much of the failure of traditional economic theories to understand this vital matter is attributable to two reasons: negligence of the fact that human action is not always 'rational' in a sense of utility value, and complete abandonment of transaction costs. First, traditional economic theory takes rationality of human beings for granted. It ignores the fact that individuals are constrained by incomplete information and processing capabilities when making decisions of behavior that all actors cannot always behave as 'rationally' as traditional economics stubbornly advocates. The bottom line is that individual action is not always led by objective utility-driven rationality. Rather, it is determined by whatever limited information available to the actor and his/ her means of processing information. Moreover, behavior could also be led by altruism (Margolis, 1982), emotions or traditions (Weber, 1978: 4) other than rationality. These subjective

matters such as culturally induced emotions, altruism, traditions, values and beliefs are part of a society's informal institutional set up that affects the direction of development of that society. Max Weber was one of the earliest scholars to argue that a country's economic direction could be highly influenced by religious institutions. According to him, institutions, particularly religious institutions control the ideas (what is termed as incentives by other scholars) that propagate behavior. Even though his ideas are subject to much criticism, the essence of his argument consists of noteworthy substance. He shows how the representation of wealth and accumulation in a peoples' strongly held religion can influence their attitude and actual practices towards accumulating wealth, which inevitably decides the amount of economic development they may achieve (Weber, 1992: 102-125). He exemplifies how the caste system in India, which is arguably an informal institution, inhibits India's economic progress by affecting India's formal institutions and the function of the entire system. Weber is, in the process, emphasizing the importance of informal institutions in economic development. These are factors that have been ignored by traditional economic theory.

The second reason why traditional economics is erroneous in its explanations is due to their assumption that human actions occur in a frictionless vacuum, where 'all other variables are held constant' and the absence of what is termed as 'transaction costs'³ is misleading entire theories of development. This blindness to transaction costs pushes one further away from the reality where no variable can be held constant in practical situations, and human transactions are inundated with costs, inconsistencies in the supply of information, and concerns of compliance by actors. It is the very existence of

³ Transaction costs are the costs involved in carrying out economic exchange (North, 1990: 27). These may include costs implicated with banking, transportation costs, costs of hiring relevant personnel for a task, and costs in terms of time spent on a job.

transaction costs that paved the way to the creation of institutions (North, 1990: 5-6). In other words, institutions emerged to reduce transaction costs and make human life more efficient.

Even though institutions were created to make human life more efficient, it is questionable if they always produce this effect. Existence of inefficient institutions and compliance to these inefficient systems by actors can affect development adversely, and therefore has been discussed vastly by scholars. A sizeable number of scholars argue that path dependence is the reason for the persistence of inefficient institutions. They stipulate that institutions are a product of culture and they constantly change and evolve over time in a never ending process. In considering the role of historical processes, colonization is critically important in determining the institutional path that a country might take in its future. The influence of different Colonial Masters speaks for the differences in development between Latin America (mostly under Spanish rule), South Asia (mostly under British rule) and Africa (mostly under French rule) (Acemoglu & Robinson, 2013: 7-44) in comparison with the rest of the world. Colonial Masters snuffed out or changed existing institutions or introduced new institutions that promised the best economic returns to themselves with absolutely no sympathy shown to existing local institutions. In other words, they violated the entire institutional setup of their 'subjects' by either forcing alien formal institutions without considering if they would ever agree with native informal institutions or trying to replace local informal institutions with their own norms etc. The revamp took long to take foothold under considerable resistance by natives but it nevertheless did, and subsequently left behind many issues including the rise of inefficient institutions in developing countries.

A careful examination of the histories of developing countries reveal the fact that they have been colonies of powerful European countries. The hatching of inefficient institutions as a result of colonization has hampered their development since their subjugation, and these inefficient institutions have persisted to the present despite the havoc they have caused. This calls for an explanation for the persistence of inefficient institutions. According to Acemoglu & Robinson, the endurance of extractive institutions⁴ is chiefly due to prevailing political conditions of the post independent society. For example, those wielding power may choose not to change the status quo (Mills, 1956) that supports institutions either created by the society or more likely forced on the society by colonial masters, because the status quo is beneficial to them even at the cost of those 'ruled' by them. This is the main reason why inefficient institutions persist (Acemoglu & Robinson, 2013: 79-87) and as long as politicization prevails in the backdrop of poor or selfish leadership, inefficient institutions cannot be done away with, because it paves the way to nepotism, and this process repeats itself in a vicious cycle (Seelagama, 2014: 199-200). Countries with such extractive institutions are known to be lagging far behind others in terms of economic development. On the opposite end, "economic institutions that create incentives for economic progress may simultaneously redistribute income and power in such a way that a predatory dictator and others with political power may become worse off" (Acemoglu & Robinson, 2013: 84).

Despite the fact that some scholars recognize the importance of institutions, some others may not agree totally. For example, Aggarwal and Koo argue that regional institutions

⁴ Extractive institutions, as opposed to inclusive institutions are those that do not encourage inception of public services, secure property rights and economic opportunities for every citizen. Societies that have extractive institutions are plagued by poverty, poor or no education for children and practically no incentives for educating themselves (Acemoglu & Robinson, 2013: 73-76).

are a key ingredient to transfer power politics and economic competition into cooperative internationalism in Asia (Agarwal & Koo, 2008: 31), whereas Ravenhill argues that institutions in Asia have made little difference to boost economic development in the region (Ravenhill, 2008: 56). The latter could be correct due to the reason that constructs the main argument of this study: the importance of informal institutions is so pervasive that the establishment of formal institutions alone cannot have the desired impact on development. Formal institutions will have to be coupled with a common binding force i.e. conducive informal institutions if development is to take place as expected. No matter how conducive the formal institutional setup can be, it will not be effective or accepted by the people if it is not complemented with informal institutions which is the common language that speaks to the people.

Some scholars contradict the importance of informal institutions on development which leaves a gaping gap in their theories. Acemoglu and Robinson, despite their much acclaimed and widely read theoretical approach on the impact of institutions on development, entertain confused ideas about the role of culture in development. Not only is their argument poorly constructed in this respect, it is also self-contradictory:

Is the culture hypothesis useful for understanding world inequality? Yes and no. Yes in the sense that social norms, which are related to culture, matter and can be hard to change, and they also sometimes support institutional differences, this book's explanation for world inequality. But mostly no, because those aspects of culture often emphasized-religion, national ethics, African or Latin values-are just not important for understanding how we got here and why the inequalities in the world persist (Acemoglu & Robinson, 2008:57).

This study begins by refuting this part of their theory. In other words, for the purpose of this study, culture is the foundation on which institutions are built. Thus culture is embedded in institutions; an inseparable part of them. Culture is the very reason why institutions exist. Thus norms, values, beliefs and other components of culture are not mere outcomes of institutions as the scholars suggest. Rather, they are entwined with institutions in an everlasting relationship: they make institutions and affect the outcomes of institutions. It is a futile task to try to disembodiment them into input and outcome. Culture is institutions and 'institutions' is culture.

III. Tourism and Economic Development: Definitions, Theories and Concepts

① Tourism

Tourism is just as debatable as the concepts discussed in the foregoing analysis. The debate is largely attributable to the narrow traditional definition of tourism which was confined to those who travel for leisure. Disagreement intensifies with regard to who should be considered as a tourist and more complex concepts such as ecotourism, alternative tourism, slow tourism, sustainable tourism etc that have made their way into the tourism glossary in the recent times. The result of this confusion has been a proliferation of operational definitions that differ vastly from each other. In order to avoid misconceptions and measurement errors that arise from such confusion, the United Nations World Tourism Organization (UNWTO), World Travel and Tourism Council (WTTC), The Organization of Economic Cooperation and Development (OECD) and the Pacific Asia Travel Association (PATA) have attempted to define tourism in a more encompassing manner. Today, the most widely accepted definition was given by the UNWTO as “a social, cultural and economic phenomenon which entails the movement

of people to countries or places outside their usual environment for personal or business/professional purposes” (<http://media.unwto.org>). This definition includes a range of travel purposes such as *holidays, leisure and recreation, business, health, education or other purposes, which throws open the scope of tourism, breaking free from the former ‘leisure restricted’ definition.* The UNWTO distinguishes travel from tourism. Travel refers to the activity of travelers, in which a traveler is defined as “someone who moves between different geographic locations for any purpose and any duration” (UNWTO, 2010: 9). Such travelers could be domestic or otherwise. Yet trips made by all types of travelers do not qualify to be included in tourism. Tourism thus refers to the activities of only one special subset of travelers known as visitors. Visitors are those who take “a trip to a main destination outside is/her usual environment, for less than a year, for any main purpose (business, leisure or other personal purpose)” (UNWTO, 2010: 10). Visitors are twofold: tourists and excursionists. Excursionists or same day visitors are those who spend less than 24 hours in a given destination, while tourists are those who spend at least one night but no more than one year in the place they visited (Goeldner & Ritchie, 2012: 6). Further, even if a traveler abides by the duration that qualifies him/ herself to be a tourist, he/ she is not considered a tourist if the person arrives in a destination to engage in a remunerative activity, reside permanently in the country, intends to stay over one year as a student, arrives on a diplomatic/ some government mission or arrives in a country on transit for less than 24 hours (Swain & Mishra, 2012: 6).

It is important to clarify a few more terms that are commonly used in tourism studies. Inbound tourism comprises the *activities* of a non-resident *visitor* in a country while outbound tourism refers to the activities of a resident of a country in another country.

Thus international tourism refers to *inbound tourism* plus *outbound tourism*, that is to say, the *activities* of *resident visitors* outside the *country of reference*, and the *activities* of *non-resident visitors* within the *country of reference*. Internal tourism refers to activities by residents and non-residents of a country. *National tourism* on the other hand deals with internal tourism and outbound tourism. Domestic tourism comprises the activities of resident *visitors* within the country of reference (Goeldner & Ritchie, 2012: 5-6).

For the purpose of this research, a tourist will be defined as a foreign national who visits Sri Lanka for more than 24 hours but less than one year for any purpose such as leisure, experience history or culture, education etc., yet do not engage in remunerative activities during the stay.

② Tourism and Economic Development

The emergence of a host of developing countries as middle income countries, and improvements in global transport and information communication technology in the post Second World War era saw a rapid increase in tourists trotting around the globe. In such a backdrop, its importance as a source of economic development was realized by countries and international agencies. As mentioned earlier, tourism eventually has become a tool for economic development used mostly by developing countries. For example, developing nations and SIDS depend more on tourism for economic growth because a lion's share of their GDP is earned through tourism. This share is usually a much larger share in terms of their GDP than that recorded by developed countries with their massive GDPs. For example in developing countries in general, seven percent of earnings from exports of goods and services and 45 percent of earnings from exports in commercial services come from tourism. These figures are even higher for least developed countries

(Fletcher. 2009: 170). For example, while the direct contribution of tourism to GDP was only 2.9 percent for the USA, 2.1 percent for Japan, 3.7 percent for France and 5.1 percent for Spain, it was 31.1 percent for Maldives, 24.8 percent for Seychelles, 18.5 percent for Bahamas and 20 percent for Aruba in 2011 (WTTC. 2012). Thus seemingly, tourism is a bandwagon that every country aspiring for growth should hop on to. However the academia is divided in their opinion about the role of tourism in economic development. One school of thought heralds tourism as a vehicle for development while the other school focuses more on the negative effects of tourism. Thus Sharpley opines that tourism figures and statistics should be treated with caution (Sharpley, 2004: 12).

According to the first school of thinkers, tourism is seen as a ‘safe and cheap development option’ because it can address balance of payment problems, bringing foreign exchange and revenue to the government while increasing employment opportunities for thousands of locals. For example, the direct contribution of tourism to employment in Maldives was 44.4 percent in 2014 while its total contribution (direct and indirect) was as high as 86.7 percent (WTTC, 2014: 1). At the same time, it also contributes to protection of natural, historical, cultural destinations, stimulates infrastructure development in the country, induces investment, and can act as a catalyst for development as it involves several sectors such as agriculture, transport, and communications. For some other countries, the reason to opt for tourism is simply because there is no other viable choice made due to their poor stock of resources. Governments of respective countries have realized the fact that tourism in fact is a better and more profitable way to use their resources than investing on other areas. Martha Honey, on ecotourism points out that:

“A study in South Africa found that net income from wildlife tourism was almost eleven times more than that from cattle ranching, and job generation

was fifteen times greater. In Kenya, it is estimated that one lion is worth \$ 7,000 per year in income from tourism, and an elephant herd is valued at \$ 610,000 annually. A 2001 study found that in the Turks and Caicos Islands, spiny lobsters are ... more valuable in the water, for ecotourists, than trapped for the dinner table. A study in Iceland found that the economic value of whale watching worldwide is \$ 1 billion, far more than any financial gain that would come from hunting should Iceland resume commercial whaling” (Honey, 2008: 23).

The major factors which thus encourage developing countries to use tourism as a major development strategy in their development policy can be summarized as follows. Tourism is a growth industry with a relatively stable growth of tourist arrivals over the years; redistribution of wealth from wealthier nations to emerging destinations; creation of backward linkages; ability to use necessary resources (natural and other facilities) with a relatively lower initial cost; lack of trade barriers; being a labor intensive industry; ability to increase foreign exchange within a short period; dependency on low and affordable technology; and the existence of multiplier effect. Thus “in over 150 countries, tourism is one of top five export earners, and in 60 it is the number one export. It is the main source of foreign exchange for one third of developing countries and one half of LCDs, where it accounts for up to 40 percent of GDP” (UNCTAD, 2010:2).

Adherents of the second school of thought reiterate that tourism is no panacea for poverty reduction or economic development. It has been shown that no matter how successful a destination could be in terms of tourist arrivals or receipts, they all face the oft-quoted negative impacts of tourism such as environmental pollution, economic leakages,

commodification and culture change, negative impact on women's roles and young generation (prostitution, drugs, alcoholism, pedophilia, etc). Moreover, disillusionment has dawned upon many pro-poor tourism experts as many mass tourist destinations in the developing world is still suffering from undying poverty and poor living standards. Siem Reap in Cambodia receives more than half of visitors to Cambodia, yet more than half of its residents still lived below the poverty line by 2006 (Dara, 2012). Belize, which is recognized as one of the first countries to implement ecotourism, is today one of the worst-hit (Telfer & Sharpley, 2008: 165) in terms of impact of eco-tourism. According to experts, very few tourists actually understand what eco-tourism is, and the image of Belize as a tourist destination leads to hedonistic behavior and Caribbean-type experiences that is environmentally destructive (Telfer and Sharpley, 2008: 165). In other words, the social cost of tourism that has usually been turned a blind eye to, sometimes overrides the economic benefits, desperately calling for proper tourism management in some destinations. In fact academics have warned about the disadvantages or risks of depending on tourism for general economic development. They include: poor countries' inability to provide necessary infrastructure required by tourists; economic leakage; insufficient training and education on tourism due to lack of financial and human resources; unexpected urbanization and environmental pollution; negative impact on cultural values and local environment; labor and capital away from other economic activities; diverting income from the local areas as a result of the involvement of Multinational Corporations (MNCs); seasonality of tourism can cause uncertainty of income and employment situation; and the negative impact of the international socioeconomic and political atmosphere on local tourism.

Leakage perhaps is the biggest economical damage that can incur to a destination. Leakage occurs when foreign exchange earnings generated through tourism leave the country through a number of channels such as payments made for imports; repatriation of income or profits made by foreigners; interest paid for loans and expenses for marketing and promotion (Lange, 2011: 18). Ironically, the developing countries that are most dependent on tourism are the ones that find their foreign exchange earnings systematically leaking out of the economy into the more prosperous economies whose lifeblood is not tourism. This is mainly due to how formal institutions in the global tourism sector is structured to allow very little power to developing countries and the small and medium enterprises in such destinations. Martha Honey (2008: 89) explains that there is an overwhelming number of players in both the host and guest countries vying to for tourist dollars. Usually dominated by powerful formal institutions in the developed countries⁵ much of the said money is spent even before the tourist arrives in the host country, which means that a considerable share of tourist expenditure does not even reach the destination. In 1990, it was estimated that half of every dollar that was spent on trips to Costa Rica never left the USA. By 2001, the situation had changed very little: only 20 percent of foreign exchanged earned through tourism reached the community in Costa Rica. (Honey, 2008: 89). Honey further elucidates how developing nations end up worse off in this leakage issue. While developed nations suffer only a 10 to 20 percent loss of revenue earned through tourism to leakage, developing countries lose up to 40 to 50 percent. Much of the leakage factor is due to the interference of large scale tourism enterprises and MNCs. Andrey Shelkov, an

⁵ Eighty percent of world's tourists originate from just twenty countries: all of which could be categorized as developed. They include, USA, Canada, Japan, and 17 others in Europe (<http://www.responsibletravelreport.com/component/content/article/2642-mass-tourism-effects>).

official with the WTO is quoted saying that “Just four global distribution systems dominate electronic reservations, while five global air alliances control 60 percent of international air traffic” (*ibid*, 2008: 39). This boils down to the premise that it is a David and Goliath battle in which poor countries and small players are not on equal footing due to their inferior bargaining power (*ibid*: 37-48).

The case of Bolivia presents the ideal solution: since leakage is larger in larger hotels and smaller in smaller hotels in the country, small tourism enterprises are perceived as the best option to allow tourism benefits to trickle down to the local community and curb leakage. This could be relevant to other developing countries as well. In other words, rucksack tourism is the healthiest to the small local economy. Rodenburg presents a similar view through his study in Bali, in which he concludes that small scale enterprises best suit the tourism industry of a developing country, and that large scale enterprises do not meet the economic development objectives of such countries (Rodenburg, 1980: 177). Unfortunately, this is only an ideal situation which is hardly in practice due to unfavorable institutional support.

The foregoing section suggests that one of the most important reasons for this unbalanced trend is that developing countries are new to the tourism industry. The developed countries are comparatively experienced in the industry as they entered business first. As the rule of thumb, first come are first served. Thus developed countries are at an advantage as they entered business when there was less competition; they had decades to establish and gain foothold. Developing countries on the other hand, as late comers face greater competition from competitors who are superior in terms of capital, know-how and experience

IV. Institutions and Tourism Development

Stabler opines that according to the Heckscher and Ohlin Theory, a country's endowment of factors of production such as land/ natural resources, labor and capital, determine its comparative advantage (Stabler et.al., 2010: 240). This means that a country like Sri Lanka, which is blessed with an abundance of natural resources and manpower should possess a comparative advantage in tourism over regional competitors. This study refutes this idea by arguing that such endowments without the support of institutions are redundant. In other words, a country with panoramic landscape and a large workforce cannot be counted towards comparative advantage if visitors are not felt welcome due to the behavior of the hosts. On the contrary, there are destinations such as Singapore that are at a 'disadvantage' in both the afore mentioned areas, yet have performed miracles in the tourism sector. This shows that the traditional approach to understanding tourism supply has tunnel vision. This study proposes the application of institutional theory to rectify the shortcomings of the traditional approach. For example, Sri Lanka is blessed with beautiful landscape, natural resources and an ample workforce which, according to theory should create advantages for the country in tourism. However, the next chapters will exemplify how formal and informal institutions in the country have not adapted appropriately to make good use of these 'advantages'. In other words, human capital in the tourism sector is largely untrained, the attitude of the local people is not favorable towards tourism, and the natural resources are not promoted through marketing or conserved suitably to make the industry sustainable. In other words, the industry is not regulated by formal institutions. This makes the industry all the more vulnerable to exploitation by MNCs, large companies and developed countries.

① Formal Institutions and Tourism Development

As analyzed in the foregoing section, tourism could be a very effective strategy for economic development for developing countries if its negative impact could be minimized and positive impact maximized. This study argues that to achieve such an outcome, the most fruitful of all approaches is to empower informal institutions. In other words, it is important to increase community participation in tourism activities in order to distribute economic benefits of tourism more equitably among the host community. This means that the destination will have to protect its small and medium tourism enterprises. Existing literature however suggest that the formal institutional structure of most developing countries or tourist-receiving countries is such that they neither ensure the survival of, nor give incentives to the development of small and medium enterprises. Small hotels and accommodation facilities go bankrupt against MNCs and small souvenir shops while cottage industries and small vendors are kept 'at bay' by large and powerful players. With regard to the accommodation subsector, Honey claims that while only about 2 percent of the hotels in Western Europe are linked to Multinational corporations, the proportion is exorbitant in developing countries. It is 75 percent in the Middle East, 72 percent in Africa, 60 percent in Asia and 47 percent in Latin America (Honey, 2008:45). Not only are these chains covering more territory on the map with their mushrooming branches, they are growing into enormous conglomerates, driving small and medium enterprises out of business simply because, according to Tanh-dam Troung, the latter are late-comers to the industry with few opportunities, little know-how, and negligible market information for mass production and global quality standards (Quoted in Honey, 2008: 39). A similar idea was put forth with regard to Cambodia in which, lack of skills/ education and lack of capital were

quoted as the top two barriers against tourism development in Siem Reap (CDRI, 2007: 68). Other qualitative studies have shown where local formal institutions have failed to create the necessary skilled labor and facilities, regional powers and MNCs have taken matters into their hands and make profit at the cost of the poor destination. As a country with inferior infrastructure, Cambodia was in a debilitating competition with the powerful institutions of Thailand until the year 2000 for not just their air space, but also Thailand's interference with the tourist attractions of Cambodia (Winter, 2007: 86-87).

Britton also gives a very succinct institutional explanation as to how and why there exist power imbalances in the tourism sector where small and medium enterprises are ousted by large scale and foreign enterprises in the developing world. He draws powerful examples of how tourism in developing has become an 'enclave industry'⁶ which is controlled by former colonial masters and powerful local elites. Britton theorizes that their institutions have been reduced by Colonial Rulers to one that is 'dependent' on their Masters. This feature of dependency has persisted to the present day which manifests in all economic sectors⁷. He elucidates how the tourism industry is structured in a three-tiered hierarchy in which control is exerted from the top (with their superior bargaining and mercantile power) to bottom and revenue flushes upstream to the top, leaving the bottom-most players enjoying negligible economic benefits of tourism. According to him, the three tiers are:

⁶ Most of the developing nations have been Colonies of European powers for decades if not for centuries.

⁷ The repeated use of the phrase 'periphery tourism' in countless sources, academic and otherwise, has gloomy connotations of a persisting form of neo-colonialism. This is a highly debated matter, which will not be taken into consideration in this paper.

1. Metropolitan market countries – This is where the headquarters of hotel, transport and other tourism supplying companies are located. They dominate the lower levels of the hierarchy.
2. Developing countries – This is where the branch offices and other commercial partners of the first tier operate.
3. Small scale tourism enterprises of the destination that are dependent on the intermediate level operations. They get the bear the brunt of repercussions for a meager amount that makes their living (Britton, 1982: 341-346).

In sum, what Britton suggests is that developing countries cannot reap expected benefits from tourism because they are simply enmeshed in an industry that is controlled and dominated by the formal institutions of developed countries or large companies.

② Importance of Informal institutions in Tourism Development

While the importance of informal institutions on economic development has been established in a foregoing section, its application to the tourism industry has been limited. On the other hand, it would be justified to argue that though its importance on the tourism sector has been recognized, it lacks the strength of a solid theoretical base. Goeldner and Ritchie in their model that classifies components of tourism supply, recognize “the attitude of residents towards visitors, courtesy, friendliness, sincere interest, willingness to serve and to get better acquainted with visitors, and other manifestations of warmth and friendliness” as the ‘spirit of hospitality’ of a destination which pervades all of the physical elements of the built infrastructure and superstructure (Goeldner & Ritchie, 2012: 264). Other scholars have opined that the attitude and behavior of the hosts form an important part of the tourism product, and therefore will have a strong effect on tourists’

satisfaction with a destination (D'Amore, 1983: 143). Informal institutions can be so influential in making an impression on tourists that Taylor has observed that a friendly community plays the role of advertising for a destination (Taylor, 1995: 488).

Moreover, scholars have argued that the goodwill and support of local people is vital for the sustainability of tourism projects, and they can have a debilitating effect if they do not reflect the aspirations and capabilities of the host community (Murphy, 1985: 153). Doxy's Irritation Index (Irridex) is perhaps one of the earliest attempts to examine this matter from a theoretical approach. According to Doxey, local people's reaction to tourists will evolve from euphoria to apathy, animosity and finally aggression as tourism grows into a mass industry and people lose control over tourism activities happening in their community. When a destination reaches this stage, tourists will become the scapegoats for all vices that plague the host community (Povey & Van Wyk, 2010: 11-12). Actual events in Thailand stand testimony to Doxy's theory. Stapleton, in his celebrated book *Thailand: Deadly Destination*, discusses how the Land of Smiles has become one of the most dangerous destinations in the world for a tourist as a result of the country transforming into a mass tourist attraction. This phenomenon has led to the loss of the support of informal institutions and thus the traditionally friendly Thais have turned into aggressive warriors with "murderous indifference" towards foreign tourists (2015:1).

However, hosts' reaction to stages of tourism will vary according to other defining characteristics of the hosts such as degree of community participation in tourism and socio-economic status of the hosts as opposed to the visitors (Iranlu, 2004:148⁸).

⁸ The complete opposite scenario is also possible i.e. different levels of participation and economic benefits derived from tourism activities may induce an otherwise perfectly homogenous community to be split in their reaction to tourists and tourism (Taylor, 1995: 489).

Inskeep argues that it is important to ensure that benefits of tourism accrues to the insiders (host community) and not outsiders, which will warrant for their acceptance and support for tourism activities in their area (Inskeep, 1994: 4). Provision of financial benefits and empowerment for local people through tourism has been cited as a key ingredient to promote sustainable tourism by the International Ecotourism Society (<https://www.ecotourism.org>). Thus community participation is recognized as the main channel through which this goal could be met. While community participation is a concept that weaves through a number of development related theories, it is an umbrella term that is difficult to be brought within a single definition. The following section defines and discusses the main elements of the concept of community participation in tourism.

As the Ecotourism Society above denotes, the concept goes beyond simple transferring of financial benefits to the people, and emphasizes what distinguishes the concept as desirable in development agendas: ambitious moves to vest the community with decision-making power. According to Stone, community participation aims at “development in such a way that intended beneficiaries are encouraged to take matters into their own hands, to participate in their own development through mobilizing their own resources, defining their own needs, and making their own decisions about how to meet them' (Stone, 1989, p. 207). The principles of community participation in development includes the involvement of the residents in identifying their problems and resources as well as in formulating strategies to overcome the identified problems, development of unique strategies for the community that reflect the social values of the community while building human and social capital, and development of partnerships with formal institutions (Sanoff, 2000: 7).

For the purpose of this study, community participation in tourism will be defined as the involvement of the local community⁹ in all three stages of planning, implementation and monitoring stages of tourism activities, which will enable them to make informed decisions on tourism activities that take place in their territory, and enjoy direct economic benefits of tourism. This study maintains that such involvement targets empowerment of the local communities, or control over their own matters and cultivate a sense of ownership of their resources.

The level of community participation may determine the success of Community Based Tourism Projects in a destination. Pretty, in 1995 (later adapted to the tourism sector by France in 1998) has given a seven-staged timeline in which local people could transform from passive and exploitative ‘participants’ to self-mobilized participation in the tourism sector (Quoted in Van Breugel, 2013: 6), according to which the success of the tourism activities could be measures. Self-mobilization in other words should be the final target of tourism projects.

Tosun developed this idea into a more compact taxonomy in which he discusses three tiers of participation i.e. coercive, induced and spontaneous participation (Tosun, 2006: 494). He argues that while coercive and induced types of participation, being top-down approaches allow very little decision-making power to local people and therefore, the spontaneous kind of participation is what will bring real benefits to the grassroots level as it subscribes to the bottom-up type of participation which bestows people with decision-making power. Thus it is suggested that the ideal and best degree of community participation is one that involves the participation of people in all of the

⁹ For the purpose of this study, a community is defined as a social group that occupies a certain geographic territory and share a government, common culture and heritage.

planning, implementation and monitoring stages of a project. Effective community participation in tourism is important because at the end of the day, it is the people who will either enjoy or suffer the outcomes of tourism (Quoted in Tosun, 2000: 616) and it is therefore considered a right of the people to decide what is best for them (*ibid*: 616). On the other hand, local people are more aware of what type of resources are available in their own community as well as and their utility value. This target could be achieved through Tourism-related Community Based Organizations (CBOs) which, for the purpose of this study will be defined as organizations initiated and led by local community members for the purpose of developing the tourism industry in the local area. This will include identifying problems, and resources as well as coming up with solutions and their implementation and monitoring by the local people by themselves.

However, the concept of community participation is not without problems. Scholars show that community participation is a Western concept that is in most occasions forced on developing countries (Stone, 1989: 206) and therefore may not be compatible with the local institutional setup. Tosun shows that participatory development of the tourism sector is facing many challenges at the operational, structural and cultural domains, in developing countries (Tosun, 2000: 618-626). According to him, participatory development of tourism (or any other sector of a country) could be an ideal and viable solution to many development issues, but there are impeding institutional barriers that will have to be mounted first. In other words, there are formal and informal institutional constraints that hinder effective community participation in tourism activities¹⁰. Other

¹⁰ Tosun explains that following institutional barriers are standing in the way to achieve effective community participation (Tosun, 2000: 618-626).

1. At the operational level:

- i. Centralization of public administration of tourism

scholars have given evidence to support this matter. For example, Lipset, in his celebrated book *Political Man: the Social Bases of Politics* has argued that there are certain (formal institutional) pre-requisites such as overall economic development of a country that will be essential to set the background for effective democracy (community participation) and empower people to have a voice in their own affairs (Lipset, 1960: 73-75).

In sum, the foregoing theoretical survey suggested that informal institutions are vital in tourism activities because the behavior of the hosts towards tourists has an impact on tourist satisfaction. Attitudes and behavior of the people vary according to the level of community participation and economic benefits derived from tourism-related activities. Therefore, despite the fact that ‘community participation’ as a development approach has many shortcomings, it is a powerful approach to increase the people’s connection with tourism activities. In order to achieve a premium status of community participation, it is necessary to keep the community informed, allow them to identify problems, issues or prospects; identify their resources and make unique plans and finally, create a partnership between the local people/ informal institutions and other formal institutions (which ironically may be the very source of domination in developing countries). The foregoing

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- ii. Lack of coordination between service providers
 - iii. Lack of information regarding tourism among local people
- 2. At the Structural level**
- i. Attitude of professionals (Superiority complex)
 - ii. Lack of expertise among the locals
 - iii. Elite domination
 - iv. Lack of an appropriate legal system
 - v. Lack of trained human resources
 - vi. High cost of community participation
 - vii. Lack of financial resources
- 3. At the Cultural level**
- i. Limited capacity of the poor people
 - ii. Apathy and low level of awareness in the local community

analysis also suggested that tourism projects should be ‘people-friendly’ or that ideas should be supportive of local values if not sprout from the people themselves, rather than being forced on them by the said external institutions. For example, the Night Markets in Thailand, specifically targeting tourists create opportunities for Thai local people to sell their wares directly to foreign tourists and interact with them as locals and foreigners mingle freely together. Such opportunities are rare in Sri Lanka.

As this study argues that community participation is essential for sustainable development of tourism because it is the only channel through which the grass roots level could be empowered and tourism benefits could be diverted, the most successful strategy would be to doctor informal institutions, as they could be one very powerful means of changing formal institutions to their favor.

V. Concluding Remarks

This chapter discussed definitions and theories pertaining to institutions and tourism, as well as how these two concepts are linked to economic development. The theoretical survey suggests that there are two main arguments about using tourism as a strategy for economic development. The first premise argues that tourism is a cheap and effective economic development strategy while the other considers it as the key opening doors of the destination to a host of negative repercussions.

Meanwhile, existing theories also support the argument that institutions play a major role in determining the level of economic development of a country. These theories discuss the importance of path dependence in shaping formal institutions of developing countries, and also the interaction and interdependence of formal institutions with informal

institutions. Applying this theory to the tourism sector, the study argues that an institutional approach to tourism could help minimize the negative impacts of tourism and maximize the favorable impacts of tourism for the community. The study supports the idea that community participation is a very effective way to redistribute economic benefits of tourism, thereby empowering the local community. The path towards effective community participation could be achieved by addressing any unfavorable institutions that pose a barrier to equity: namely by changing the norms, beliefs, attitudes and beliefs of the local people. As formal and informal institutions are interdependent, informal institutions could help change inefficient formal institutions or help them function more efficiently.

Chapter 2

The Impact of Institutions on Tourism Development: The Experience of Sri Lanka

I. Introduction

The roots of the modern tourism industry in Sri Lanka date back to the colonial times¹¹, though it was not an important strategy of the colonial development policy. Establishment of Guest Houses in almost all districts during the British Colonial period (1796-1948), can be recognized as one of the major steps of the beginning of the tourism industry and its related management culture. It is not necessary to say that these establishments aimed to provide accommodation for colonial rulers and their families when they visited for vacation as well as administrative inspections. These hundred year-long British style management culture of these facilities can be recognized as the base or roots of the modern tourism industry which, streamlined key strategies for economic development in Sri Lanka in the post-independent era beginning from 1948. It aims to increase foreign exchange earnings, expand employment opportunities, increase of the demand for local products, especially cottage industry products, and regional development. This approach was particularly pronounced after the end of the civil war in 2009, as the rank of tourism kept elevating from 5th (in 2012) to 3rd (in 2014) in the list of top foreign exchange earners, lining up after remittances by migrant workers and textile and garment exports.

In recognition of its importance, consecutive governments have continuously introduced various institutions while encouraging the private sector institutions to maximize profits from tourism. However, much of these initiations were largely limited to formal

¹¹ Ceylon was under the control Portuguese (1505-1638), Dutch (1638-1796) and British (1796-1948) Colonial masters

institutional arrangements that are based on the traditional bureaucratic culture without focusing on the modern needs, particularly the improvement of social values¹² and commitment of the officials of such institutions. On the other hand, until today it is very rare to see any strong slogan to improve informal institutions in the community to achieve more benefits from this industry for regional development. It is a commonly known fact that even today, most of the institutions involved in tourism have given priority to Western People or so-called White People as tourists rather than newly emerging Asian Tourists. The hundred year-long British cultural practices may have a reason for the inability to blend this imported culture with the local culture to provide efficient and satisfied services and entertainment for people who are visiting from various socioeconomic backgrounds for various purposes. The traditional notion of tourism that is limited to white people is not of significant validity because this industry has changed dramatically along with the rapid economic progress in non-Western countries. Therefore it is necessary to change formal and informal institutions based on the needs of the foreign people to achieve sustainable tourism development that benefits both tourist as well as local people.

However, the targets of the existing formal institutions always aimed at macro level achievements such as increasing foreign tourist arrivals and increasing indices at national level, while very little attention was given to achieving these in a sustainable manner at the micro level by creating channels to equitable distribution of tourism revenue or increasing community participation. As discussed above, the importance of social values and commitment of both formal and informal institutions as the main ingredient that makes up the 'spirit of hospitality' was greatly neglected.

¹² Social values are defined as behavior/ actions that are upheld by members of a given society.

Starting with an examination of the trends of tourism in Sri Lanka in the post-independence period with special reference to formal and informal institutions, this chapter examines how the afore-mentioned approach has affected the tourism sector in Sri Lanka. The chapter also attempts to establish the importance of paying adequate attention to formal and informal institutions in developing the tourism sector, especially as a developing country that has first been under the fetters of colonization and then under a long and crippling civil war, not long after independence. In the process, it examines the potential of informal institutions to affect the functioning of formal institutions and the overall effect on the tourism sector.

The analysis of this chapter depends on an empirical survey of secondary sources such as Sri Lanka government publications such as that of Central Bank reports, Sri Lanka Tourism Development Authority (SLTDA) and various research and publications on tourism. It also often provides some evidence from the author's hearing survey on tourism in Sri Lanka conducted in the last three years.

II. Trends of Tourism in Sri Lanka: An Overview of the Impact of Institutions on Tourism Indices

Throughout its written history, Sri Lanka has introduced a number of institutional arrangements to thwart the debilitating impact of negative forces¹³ and reap higher benefits from tourism. A careful analysis of these institutional initiatives suggests that they were lopsided: overemphasizing formal institutions and downplaying informal

¹³ As explained in Chapter 1, tourism is a volatile industry that could be heavily influenced by negative forces such as political instability, natural disasters, financial crises and many other incidences. In fact, contrary to the popular economic belief that income, price and exchange rates are the most important determinants of travel choices, it is correct to argue that almost any phenomenon in the socio-economic, political and natural environment can have an influence on travel choices of prospective travelers.

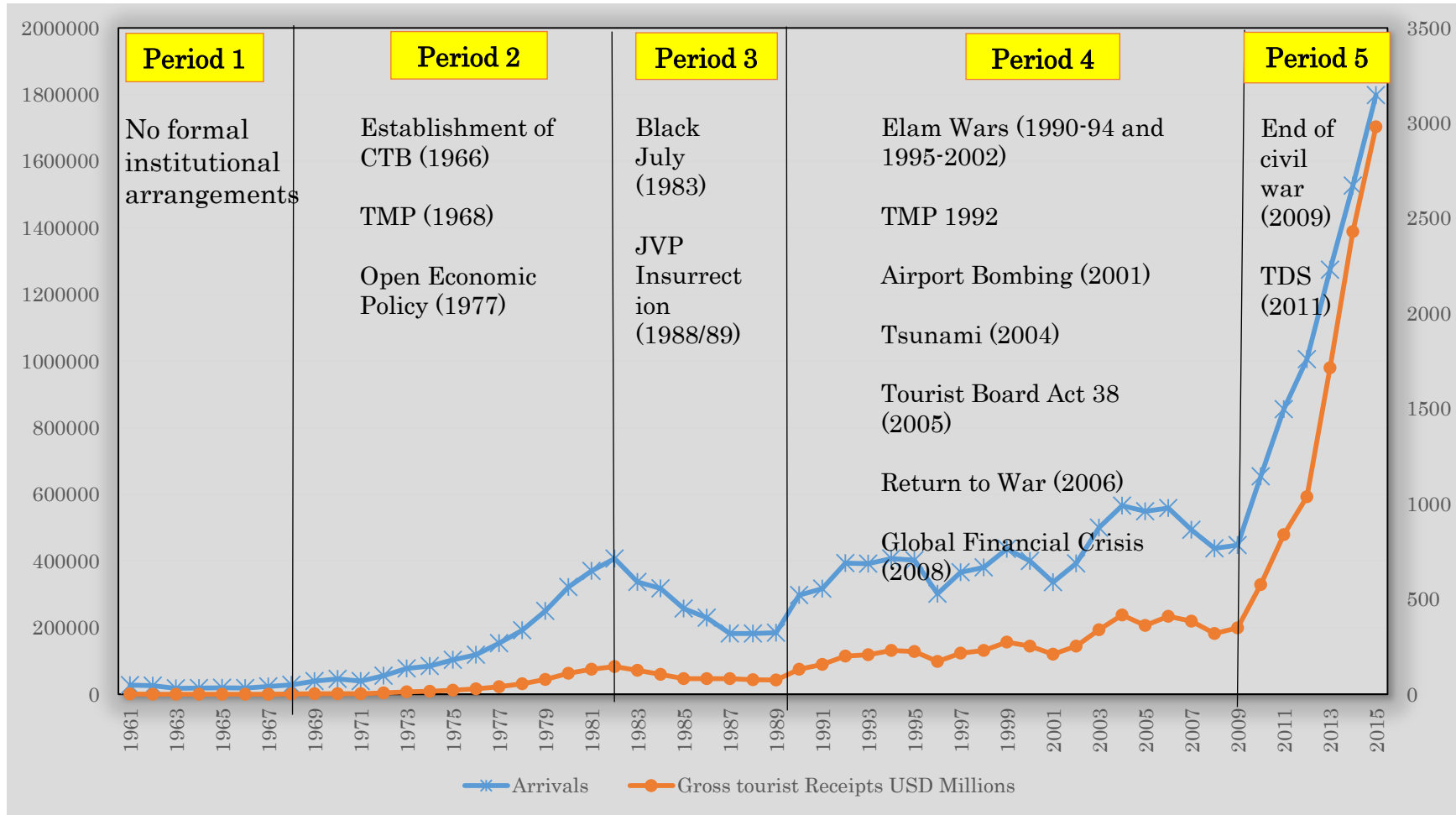
institutions. As a result of this, as well as the shortcomings in the much favored formal institutions, tourism in Sri Lanka did not bring about the expected results.

This matter could be perceived by dividing the timeline of tourism indices into analytical categories/ periods along with the institutional interventions of the respective period. Accordingly, the post-independent history of tourism in Sri Lanka could be divided into five periods based on the impact of internal and external factors that resulted in specific trends in tourist arrivals and revenue¹⁴ (See Appendix 2):

- ① The first period before 1966 (Tourism without institutional reins)
- ② The second period between 1966 and 1982 (A lucrative tourism industry under new formal institutions)
- ③ The third period from 1983 and 1989 (The beginning of the Dark Era of Tourism)
- ④ The fourth period from 1990 and 2009 (Institutional responses to an prolonged Dark Era)
- ⑤ The fifth period from 2009 to date (Postwar boom and the institutional oxymoron).

¹⁴ See Bandara (2003: 30-53) for further information.

Figure 2.1 Tourist arrivals and gross tourist receipts to Sri Lanka (1961-2015)



Source: Sri Lanka Tourism Development Authority, Annual Reports (1961-2015)

① **The First Period before 1966: Tourism without institutional reins**

Although its prime location in the center of the Indian Ocean has continuously attracted all types of travelers to the island since prehistorical times, it is only after independence that Sri Lanka recognized the importance of tourism as a strategy for development. The Government Tourism Bureau (GTB) was a formal institution that was established by the during the colonial period in 1937 with the aim of serving transit passengers stopping at the Colombo harbor on their trips between the East and the West. The GTB did not function in any way to develop the tourism sector to benefit Ceylon and it soon became redundant with the onset of the Second World War.

The post independent government of Sri Lanka re-established the GTB in 1948 mainly to fix this inadequacy of institutional and legal arrangements and initiate rapid development of the tourism sector. The government had also observed the unprecedented growth in international travel after the dawning of peace at the end of the Second World War, facilitated by technological advances that made travelling much easier and faster than before. As Sri Lanka was also suffering from a number of economic hardships as a country that was starting from the scraps after independence, the government welcomed tourism as an export diversification exercise and a quick solution to all economic problems. Despite the fact that the government had resorted mainly to inward looking policies in this period, these urgent requirements had it expediting measures to upgrade the Colombo International Airport to enable landing of jet planes and set up the Ceylon Hotel School in 1963, which laid the foundations to the rapid expansion of tourism after 1966 (Samaranayake, 2003: 12-13).

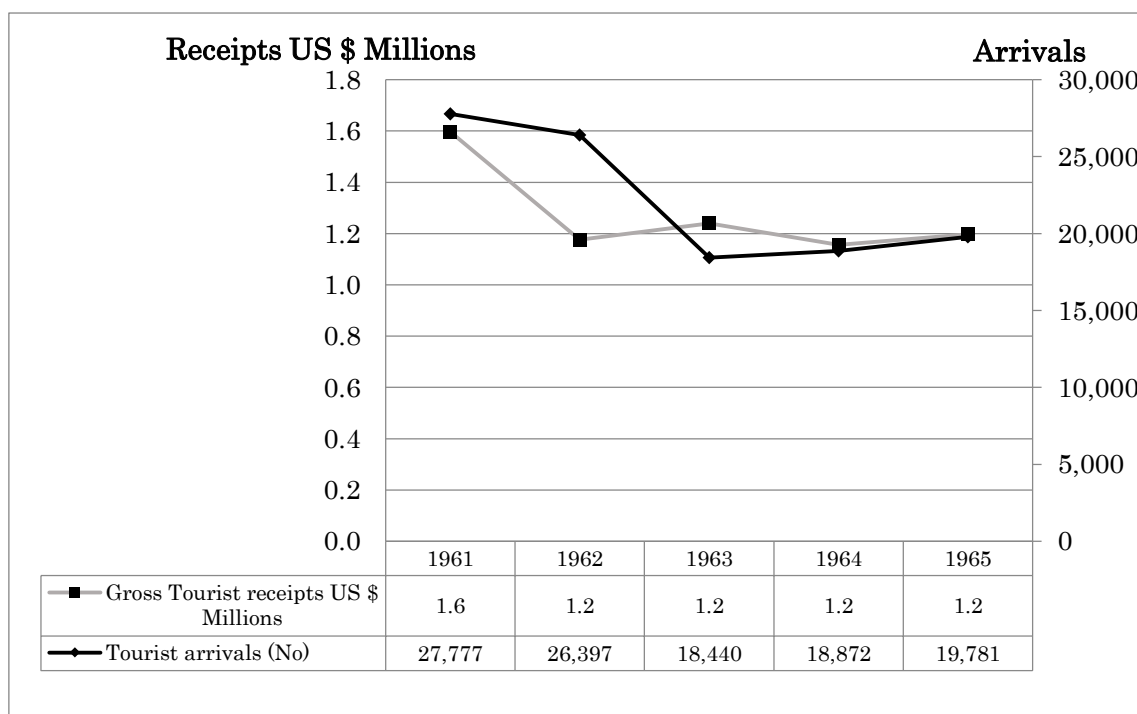
The GTB however failed to serve any of the purposes of the government as this formal institutional setup was ailing with a number of problems. According to Samaranayake, the GTB had very little decision making powers as their activities were highly controlled by government regulations such as Financial Regulations and Administrative Regulations of the central government (Samaranayake, 2012: 8). Secondly, unlike in other countries, the involvement of the private sector in the tourism industry was minimal in Sri Lanka with the exception of a few individuals who ran successful tourism-related businesses such as accommodation units, travel agencies and tourist transport service. Some studies have noted that in most developed and developing countries that gained independence after the Second World War, the private sector initiated much of the tourism related projects, while the government involvement came much later, and was limited to facilitation and regulation only. Quite the opposite was observed in Sri Lanka as a former Chairman of the Ceylon Tourist Board (CTB) claims that “in Sri Lanka, there was absolutely no private sector involvement in the development of hotels of international standards” (*ibid*: 10).

Thirdly, the frontier formalities were not working to encourage foreign tourists to visit Sri Lanka. They were delaying and irritating to the extent that tourists almost felt unwelcome. Not only was the requirement for a Visa discouraging to tourists, the process of obtaining it was cumbersome and exasperating. Human resources had received little or no training, and as a result, officers at the airport did nothing more than stamping a bad first impression on the tourist by being rude. Fourthly, due to the government’s inefficient formal institutional structure, it miserably failed at Research and Development in the tourism sector. As a result, the tourism sector in Sri Lanka suffered from a void in basic requirements such as research, compilation of statistics, promotional activities or

standardization of the industry (*ibid*: 12).

As a result of such shortcomings of the system, tourist arrivals and tourism earnings were on the decline for Sri Lanka (Figure 2.2) while other countries in Asia were enjoying the benefits of the fast growing industry. Tourist arrivals decreased from 27,777 in 1961 to 19,781 in 1965, which is a dip of 29 percent. As a result of this, tourist receipts also decreased by 25 percent from US \$ 1.6 million in 1961 to US \$ 1.2 million in 1965. Sadly, such an enormous dip was marked within a very short period of only four years.

Figure 2.2 Tourist Arrivals and Foreign Exchange Earnings (1961-1965)



Source: Bandara (2003: 31)

Interestingly, such decreases took place in an environment where there were no other unfavorable conditions such as natural disasters, war or financial crises hampering tourist arrivals or their spending patterns. This suggests that the formal institutional setup was largely responsible for the decline of indices. For example, the dip in arrivals was

mostly due to the decrease of Indian tourists (Table 2.1) who came to visit their families who had settled in Sri Lanka. Their numbers started declining after some of the host families who had been living in Sri Lanka started returning to India. This was most pronounced in 1964 in the wake of the Sirima-Shastri Pact¹⁵. Other nationalities also declined slightly over the period. This may be due to the lack of promotional activities by formal institutions. Similarly, the strict exchange control regulations enforced by the government of Sri Lanka in 1962 (Bandara, 2003: 31) marked an immediate drop in tourist receipts in 1963.

Table 2.1 A comparison of tourists of Indian origin and Others to Sri Lanka (1961-1965)

Year	Total arrivals	Number of Indian Tourists	Tourists from other countries
1961	27,777	10,051	17,726
1962	26,397	10,291	16,106
1963	18,440	3337	15,103
1964	18,872	2870	16,002
1965	19,781	4663	15,118

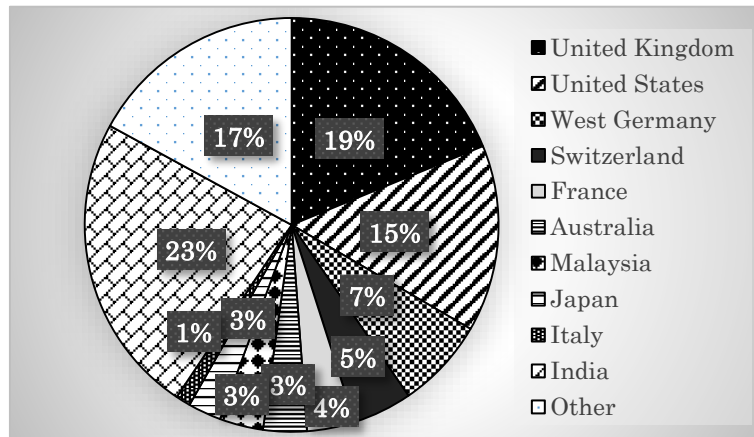
Source: Extracted from Bandara, (2003: 31)

Even after a sharp decrease of Indian tourists, they still topped the list of arrivals, consisting nearly one fourth of (23 percent) the arrivals in 1965 (Figure 2.3). Yet the Indians who visited Sri Lanka were from low income groups, spending very little money on vacations spanning much longer than that of other nationalities. They were also constrained by strict exchange regulations imposed by the Indian government, and given

¹⁵ The Sirima-Shastri Pact was an agreement between the governments of Sri Lanka and India to grant citizenship in the respective countries to nearly 1,000,000 people of the Indian origin living in Sri Lanka as 'stateless' persons without the citizenship of either country. These people were originally brought to Sri Lanka by British colonizers to work in the tea plantations in Sri Lanka.

their status (VFR), they stayed at the private abodes of their friends and families, bringing very little economic benefits to Sri Lanka.

Figure 2.3 Tourist arrivals to Sri Lanka according to Nationality in 1965



Source: Calculated from Bandara, (2003: 31-33)

Western tourists seem to have been the most important type of tourists to Sri Lanka as they had made up more than half of the tourists to the Sri Lanka from the very early days. Existing accounts also suggest that they were better spenders than Indian tourists (Bandara, 2003: 33). Thus it could be argued that preference for White tourists had its roots since the very early days of tourism in Sri Lanka, fueled also by the colonial mentality that they are superior.

According to the foregoing analysis and accounts, it is clear that Sri Lanka did not have a formal institutional setup favorable to tourism before 1966. As a result, the number of excursionists who stopped over in Sri Lanka on their way to other countries were extremely large (Table 2.2); their numbers were many times larger than that of those whose final destination was Sri Lanka. The government did little to promote Sri Lanka in other countries or attract these transit passengers to come into the country and spend longer (Samaranayake, 2012: 11).

Table 2.2 Number of excursionists to Sri Lanka (1961-1965)

Year	Number of excursionists
1961	130,739
1962	93,648
1963	100,535
1964	71,424
1965	58,274

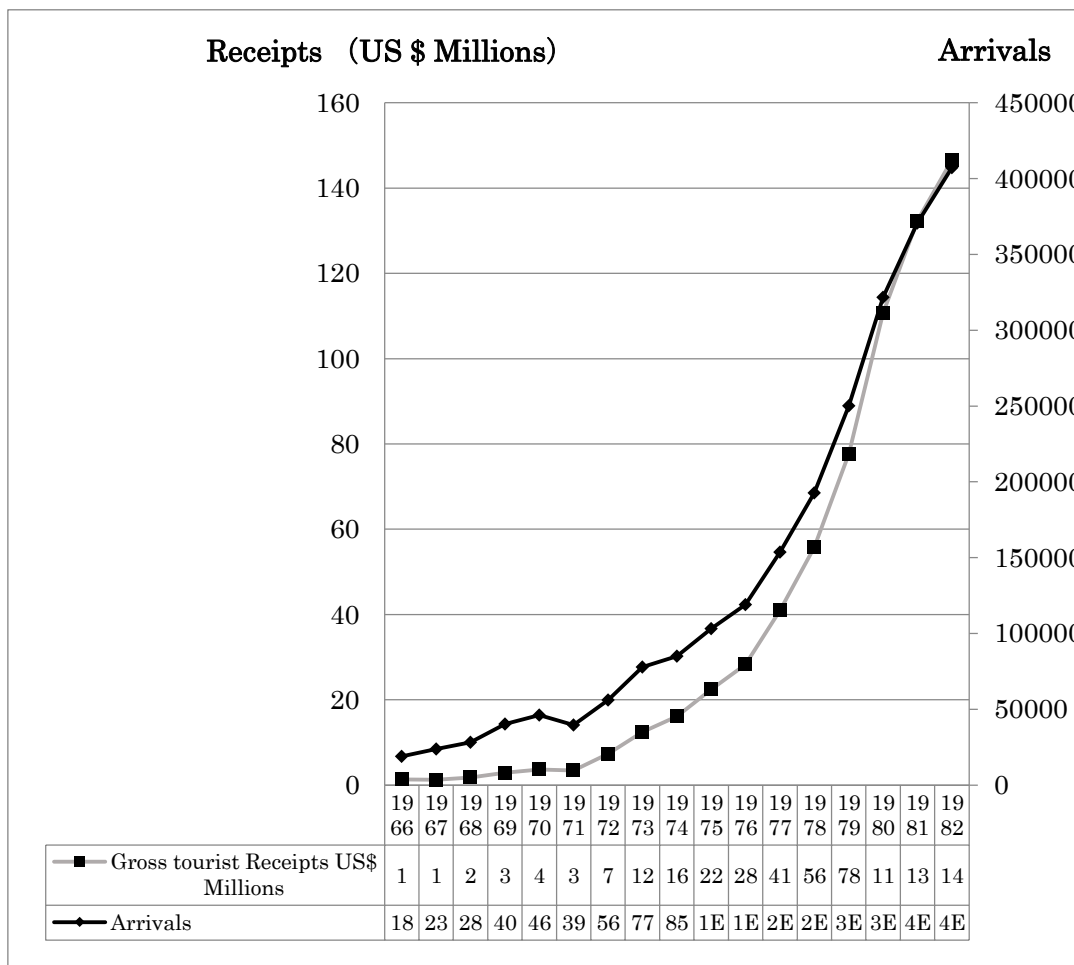
Source: Extracted from Bandara, (2003:31)

Thus it is suggested that not only were the government formal institutions in the country not ready to launch tourism as a strategy for economic development, the involvement of other stakeholders such as the community or the private sector was nonexistent. As shown in the foregoing analysis, the informal institutions also did not receive its due attention and therefore people went about their tasks in the same colonial mentality which deified White (Caucasian/ Western) people and followed the same bureaucratic structures introduced by the British as they were considered superior in all possible ways.

② The second period (1966 -1982): A lucrative tourism industry under new formal institutions

This period was marked with a boom in tourist arrivals and receipts entirely due to the ambitious formal institutional interventions engineered by the government. These moves were mainly triggered by the realization that global tourism was growing at a rapid pace with the number of countries hopping on the tourism bandwagon increasing every day, while Sri Lanka was lying stagnant due to formal institutional weaknesses. Despite the fact that conditions external to the tourism sector posed various trials to the tourism industry, they were successfully countered by the formal institutions.

Figure 2.4 Tourist Arrivals and Foreign Exchange Earnings: 1966-1982



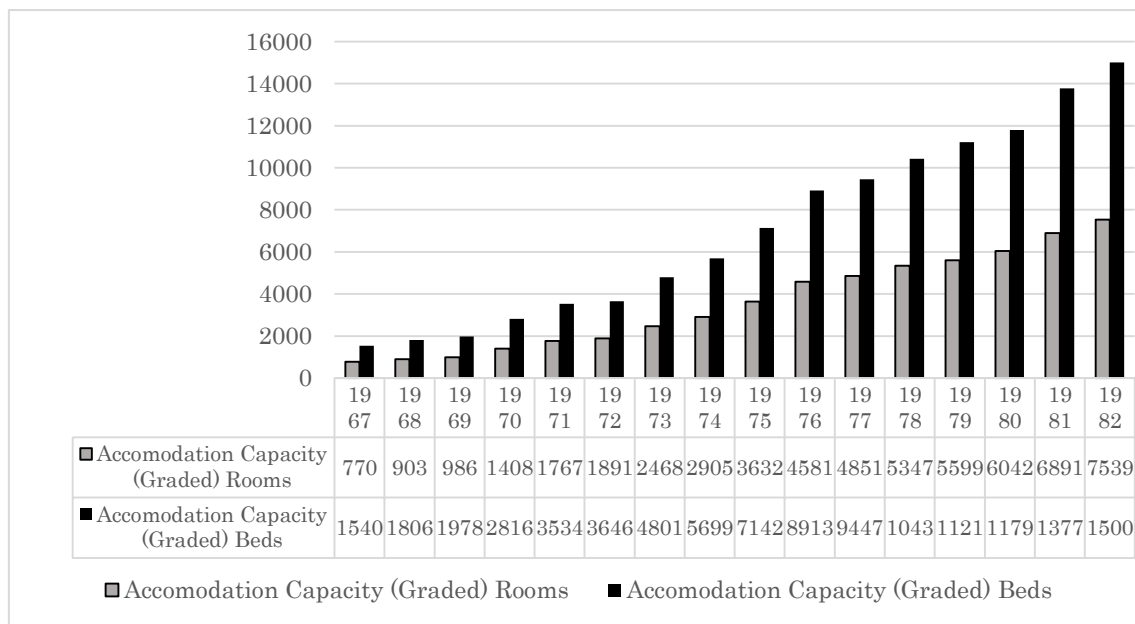
Source: Central Bank Annual Reports, Colombo, Various Issues

As Figure 2.4 shows, tourist arrivals more than doubled from 18,969 in 1969 within three years from the establishment of the CTB. The growth rate of tourist arrivals in 1969 was 42.2 percent, which is the second highest growth rate recorded for the entire era under consideration in this study. Tourist receipts also increased at phenomenal rates along with the arrival numbers, increasing from just US \$ one million in 1966 to US \$ 147 in 1982. Thus the Golden era maintained itself until 1982 that marked the end of this

period. The slight dip in 1971 was due to the first JVP¹⁶ armed revolt from April to June that year that made the country look unsafe for foreign visitors. The revolt was successfully subdued by government forces and tourist indices regained from the following year.

After 1975, the effect of formal institutions took a strong foothold, which is reflected by the strong growth rates of tourist arrivals and receipts. Growth rate for tourist arrivals peaked at nearly 30 percent in 1979, and that of tourist receipts peaked at nearly 43 percent in 1980.

Figure 2.5 Accomodation capacity in the tourism sector in Sri Lanka: 1966-1982



Source: Same as Figure 2.3

As reflected in Figure 2.5, the formal institutions had catered to the rising number of

¹⁶ The JVP is a Marxist political known also as the *Janatha Vimukthi Peramuna* that resulted in the disappearance of about 20,000 people in several insurgencies staged to overthrow the existing government and establish a communist country (<https://en.wikipedia.org>. Accessed on 20th October 2016).

tourists reasonably well by increasing accommodation facilities. The number of graded hotel rooms and the corresponding number of beds had increased almost ten times between the beginning and the end of the period under consideration. There is evidence to show that compared to the previous era, the participation of the private sector was increasing speedily and the government was encouraging the participation of the private sector with various tax relaxations for hotel investments, customs relaxations for hotel equipment and concessions on outward remittance of profits (Bandara, 2003: 41). A comparison of tourist arrivals and available rooms/ beds however suggest that graded facilities alone could not have accommodated the rising number of tourists if not for the support of the informal (unregistered) sector. As the upcoming section will explain further, the government institutions were established successfully, but they gradually failed to regulate the industry towards the end of this period, thereby resulting in price hikes, unregulated building of hotels, low occupancy and bankruptsy. One of the most important reasons for this effect is that formal institutions gave little attention to informal institutions such as improving the spirit of hospitality through human capital development and increasing effective participation of the grassroots level in the tourism sector.

As mentioned before, the first and the most important intervention was the establishment of the Ceylon Tourist Board (CTB) in 1966. In other words, the Ceylon Tourist Board Act No. 10 of 1966 and the Ceylon Hotels Corporation (CHC) Act of May 1966 passed by the government marked the beginning of a regulated formal institutional arrangement for the previously disorganized tourism sector. The CTB was defined to have the broad objectives of encouraging, promoting and developing of tourist travel and related tourism facilities. The Act also promulgated codes such as Guide Lecturers Code, Tourist Hotels Code, Specified Tourism Services Code, and Travel Agents Code by which

standardization, registration, classification and levying of fees was made efficient. The above Acts were complimented by a third Tourism Development Act No. 14 of 1968 which vested more powers on the CTB to acquire land for the development of tourism related facilities, classification of tourist industries, inspection and their maintenance. It was even vested with powers to control tourist prices (Samaranayake, 2012: 16). Licensing of tour guides, which was earlier a function of the Colombo Municipal Council was also taken over by the CTB as promulgated by the Guide Lecturers' Code under the Tourism Development Act. A separate division was initiated for publicity and promotion, and special Representatives were appointed to major tourist source countries while at the same time appealing to the Sri Lankan missions abroad for promotional purposes.

The CTB also took bold measures to improve the research and statistics division and thereby attempted to fill the gap in empirical data for tourism in Sri Lanka. Many researches and studies were conducted to throw light on matters such as the impact of tourism on the economy of Sri Lanka, possible negative impacts on the country, visitor expenditure and satisfaction, domestic tourism and charter tourists. Despite the fact that these studies filled a gaping void in statistics, there remained a drawback in the system that overemphasized formal institutions and virtually neglected the informal institutions. In other words, it was considered that the powers and responsibility of 'controlling' the tourism industry were in the hands of the formal institutions; particularly the government (Samaranayake, 2012: 256).

The biggest formal institutional arrangement was the introduction of the first Tourism Master Plan (TMP), also known as the Harris Kerr & Forster Plan. Despite the fact that

the first TMP was heavily criticized for its unfeasible projections (and therefore revised in 1971), it has been followed as a blue print for the development of tourism in Sri Lanka since its inception.

Contrary to the inward-looking policies of the existing government at the time, it established a National Holiday Resort in Bentota (see Appendix 1) and encouraged the private sector by offering them concessions of various sorts such as tax relief, free publicity and permission to accept foreign currency. Incentives were also offered to attract MNC's such as Oberoi and the Inter Continental. Thus Samaranyaka (2012:63) observes that the formal institutions of the period achieved more by operating various incentive schemes rather than enacting stringent regulations. The progressive devaluation of the Rupee after 1977 also made the environment advantageous for investors in the tourism field (Bandara. 2003: 41). Domestic tourism was encouraged by initiating low cost accommodation facilities and resorts exclusively for local middle class travelers in Polonnaruwa, Sigiriya, Giritale, Pasikudah and Kataragama (see Appendix 1). Samaranyake observes that government officers at that time were like "missionaries" who were dedicated to their work and the government initiated formal institutions became the driving force until the private sector could stand on their own feet (Samaranyake, 2012: 131). As a result by 1982, a total of 62 percent of the approved investments in Sri Lanka were in the tourism sector (Bandara, 2003:41).

One very important measure was taken to simplify and standardize frontier formalities, which were earlier considered cumbersome and discouraging to tourists. Thus no visa was required for bona-fide tourists from major source countries; the size of the enormous Embarkation and Disembarkation cards was reduced to the normal passport size; customs

and quarantine forms were abolished and officials at the airport were given proper training for a more efficient and hospitable service. Measures were taken to beautify the Colombo city in collaboration with the Colombo Municipal Council, and the Tourist Police was initiated for the removal of beggars, commercial sex workers and touts loafing where tourists frequented in the Colombo city.

The period between 1977 and 1982 was possibly the Golden Era of tourism for Sri Lanka due to the liberalization of the economy in 1977. However the growth slowed down in 1981/82 due to the fact that Maldives opened their international airport in 1980 that facilitated direct flights to Male, which until then had a stopover in Colombo. On the other hand, Sri Lanka was turning into a very expensive destination especially in terms of accommodation costs. Despite the fact that hotel owners were warned that Sri Lanka may have to plead on their knees for foreign tourists, they were increasing prices steadily at the face of increasing demand. The sum total effect was that European tourists looking for a cheap holiday turned to Maldives instead of Sri Lanka. Even though the Tourism Act of 1968 allowed for government intervention in price controls, the CTB lacked trained inspectors to facilitate such an enterprise and the hotel prices remained expensive.

Informal institutions were unresponsive or almost non-existent in the backdrop of centralized formal institutions now beginning to be punctuated by shortfalls. Sri Lankan hosts harbored unfavorable attitudes towards certain racial and ethnic groups of tourists that made a compromise with the government with regard to price control almost impossible. For example, one hotelier was quoted saying that Europeans deserve to be overcharged as a punishment for what they did to Sri Lanka when it was their colony

(Samaranayake, 2012: 262). The government did nothing to check the hike in prices but was quick enough to increase taxes payable by the hotels from 10 percent of turnover to 20 percent, which worked to worsen the price issue even further¹⁷.

This period stands out as crucial to the tourism sector in Sri Lanka in many respects. It was when proper formal institutions were introduced to organize the sector, and this resulted in a general improvement in tourist facilities in the country. Subsequently, it could bring about a boom in tourist arrivals. Even with such a rapid increase of tourists, it still did not achieve the projections¹⁸ cast by the TMP due to two reasons: first, all decision making power remained in the hands of the formal institutions. Secondly, the Achilles' heel of the institutional structure was the negligence of informal institutions. In other words, the failure to implement formal institutions successfully could be traced largely to the lack of support from the people and failure to improve human capital resources.

¹⁷ The tax policy of the country through the years show that the progressive governments have considered tourism investments as important to economic development in the country. Therefore, starting from late 1960s the country introduced various incentives such as 5-year tax holidays, limited liability for tax (Eg: only 50 percent of the profit liable for tax from the 6th year onwards), lump sum depreciations etc. to encourage investment in the sector. However, most of these incentives targeted to lower the capital costs and operating costs for large scale tourism investments and foreign investors and not to small and medium local entrepreneurs. Some incentives other than tax incentives come with cumbersome paperwork and prolonged bureaucratic red-tape that most small and medium entrepreneurs avoid at all costs. Yet small and medium business establishments are helplessly caught in the claws of various taxes that bring revenue to the government such as Business Turn-over Tax, Goods and Services Tax and Value Added Tax.

¹⁸ Tourist arrivals to increase up to 307,000 at an average annual rate (AAR) of 32 percent; rooms to increase up to 5130 by 1976 (TMP, 1966)

③ **The Third Period (1983-1989): The beginning of the Dark Era of Tourism**

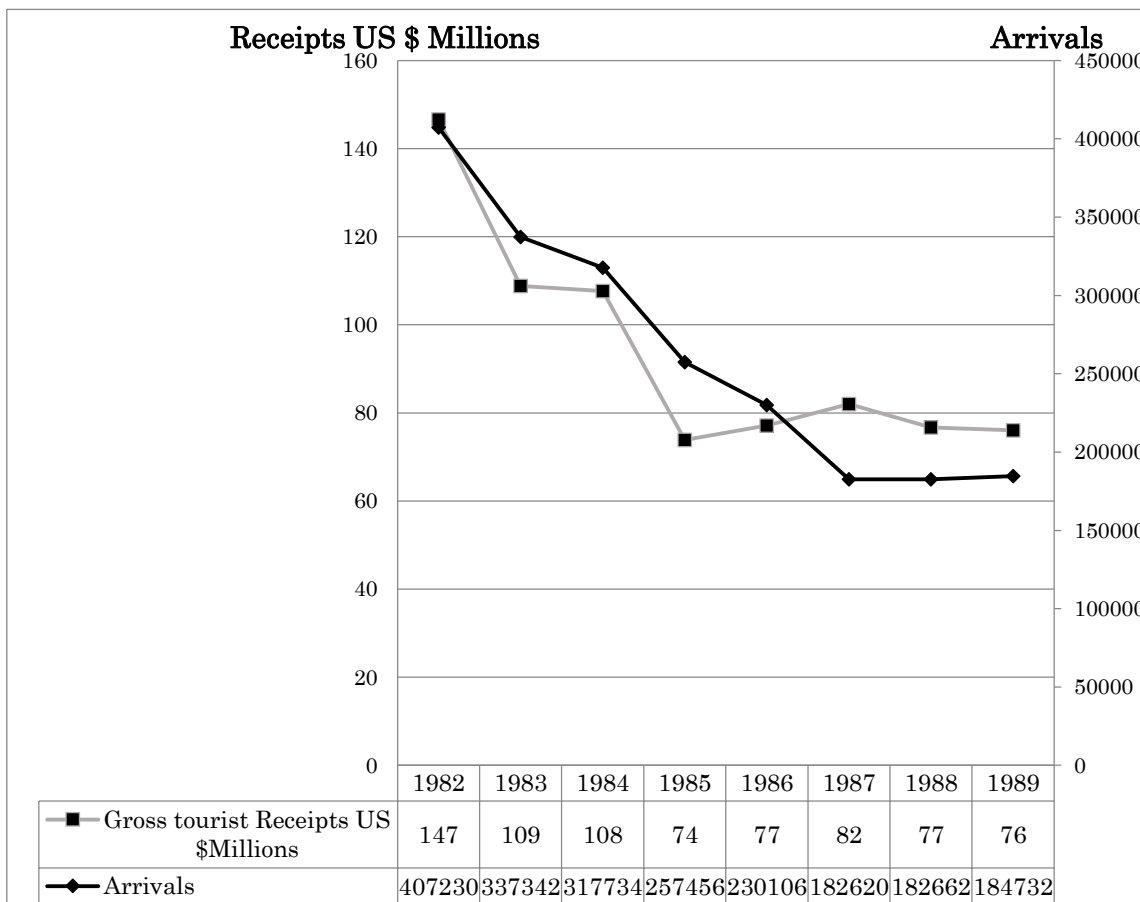
As Figure 2.6 depicts, tourist arrivals and receipts started falling drastically to pre-1980s level from 1983 (a 17 percent decrease from 1982), and the downward trend continued until 1989. The country failed to recover from this drop until mid-1990s, which will be explained further in the following section. The main culprit of this decline was the *Black July* in 1983 which sparked off as an ethnic struggle between Sinhalese and Tamil¹⁹s. The events of *Black July* festered into a three decade old war that ravaged the social, economic and political environment of the country. The second wave of the JVP²⁰ insurrections²¹ added insult to injury caused by ethnic tensions and these two insurgencies together bore a severe impact on the tourism industry by making it an unsafe destination for foreign tourists, even though these struggles did not kill any tourists. Yet given the bloody image that is always associated with war, many countries enforced restrictions on their people on traveling to Sri Lanka.

¹⁹ Many argue that even though the Black July bore the face of an ethnic struggle, it was more of a political struggle.

²⁰ The JVP is a Marxist political known also as the *Janatha Vimukthi Peramuna* which led aggressive revolts to topple the government and establish a communist government. These insurgencies resulted in the disappearance of about 20,000 civilians.

²¹ The first wave of JVP insurrections surfaced in 1971 but was crushed in a matter of about six weeks. Thus its impact was not strongly felt in the tourism sector.

Figure 2.6 Tourist Arrivals and Foreign Exchange Earnings (1982-1989)



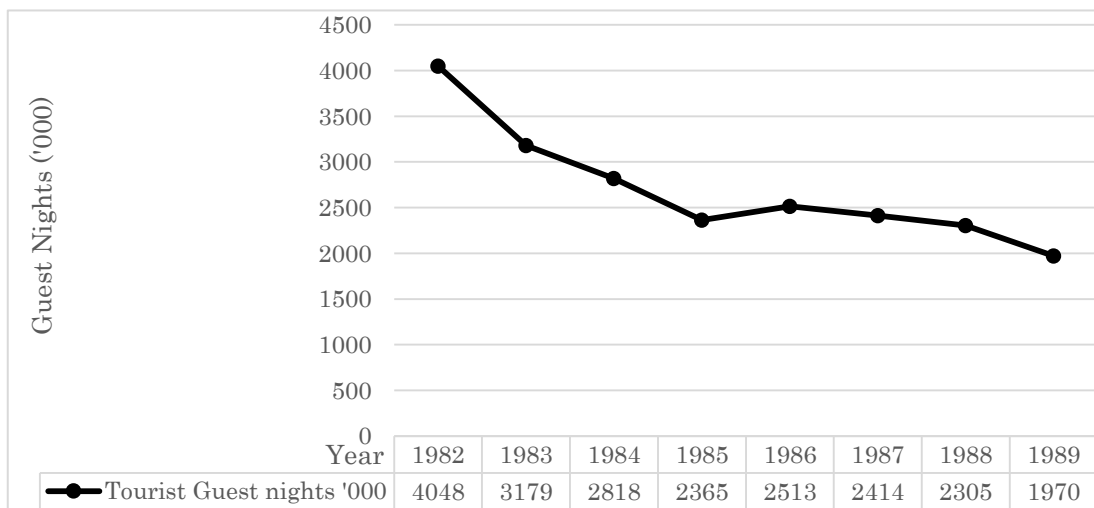
Source: Same as Figure 2.2

As Figure 2.6 shows, tourist arrivals dropped from 407,230 in 1982 to 184,732 in 1989 after sustaining a continuous decline for which is a drop of more than 54 percent. Following the drop in arrivals, guest nights, room occupancy rates, direct and indirect employment and foreign exchange earnings also showed a similar drop until 1990. Tourist receipts slumped by 48 percent during the given period while room occupancy rate fell from 47.8 in 1982 to 31 percent in 1989 (SLTDA, 2014: 54). This was the lowest occupancy rate recorded for the entire period under consideration. This period marked a dark era for the tourism sector in the country especially because the downturn was exacerbated by the worldwide economic recession that hit the major source countries as well. The increase of foreign exchange earnings after 1986 is more or less due to

inflation in the country rather than actual foreign exchange earnings through increased arrivals²².

Accommodation indices were also adversely affected by the increase in tourist prices, to which a compromise was not reached during the many government mediated attempts in the early 1980s. This was in fact a continuation of the price issue discussed in the earlier section. This issue motivated many foreign tourists to ditch graded hotels for supplementary type of accommodation. Many budget tourists were staying in unregistered accommodation facilities, which are not included in national statistics. This was also a contributing factor to declining occupancy rates in graded hotels as shown on Figure 2.8. Escalating unrest and rising tourist prices together brought out record low occupancy rates for the period under consideration.

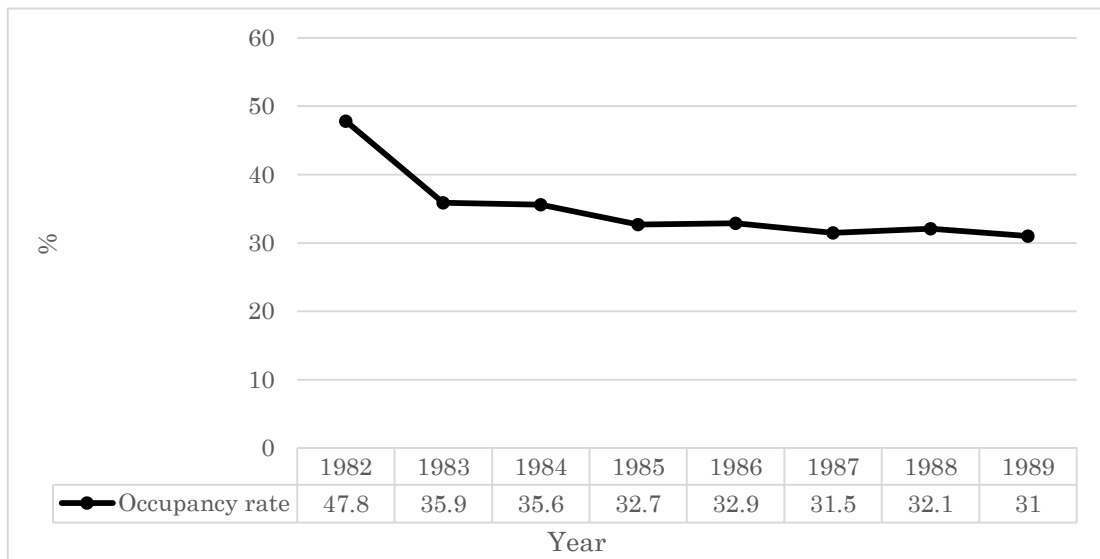
Figure 2.7 Tourist Guest Nights in graded hotels (1982-1989)



Source: Same as Figure 2.4

²² Bandara shows how the tourist price index for the accommodation sector had increased from 243 in 1978/79 to 578 in 1982/83 (2003: 48-49).

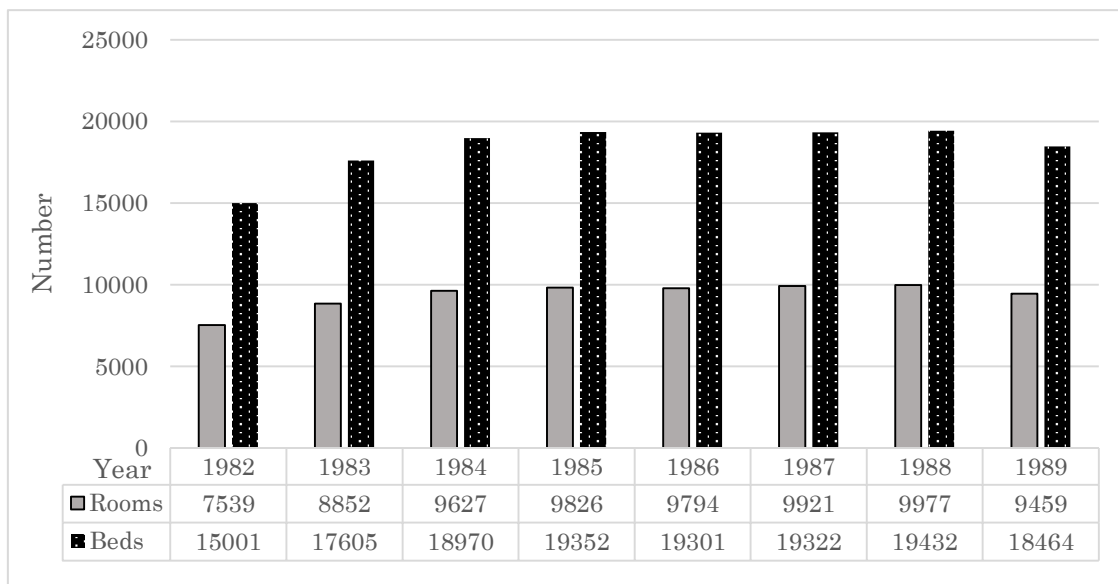
Figure 2.8 Occupancy rates for graded hotels (1982-1989)



Source: Same as Figure 2.4

As Figure 2.9 shows, graded rooms and number of beds increased at snail's pace during this period as tourist arrivals stagnated or declined. This stagnation in accommodation capacity is very well pronounced after 1985. Despite the fact that the government expected to increase the number of graded hotel rooms to 11,582 by the end of 1984, the target was not met until more than a decade later.

Figure 2.9 Graded accommodation capacity in Sri Lanka (1982-1989)



Source: Same as Figure 2.4

This scenario was aggravated by the fact that as many as 12 of the 13 graded hotels in the east coast were closed down in 1986 due to the raging civil war in the area, and 33 hotels projects were withdrawn in 1983 (Bandara, 2003: 48). The period after 1983 also marked a dip in arrivals of Indian tourists due to a formal institutional barrier imposed by the Indian government. It was decided that Indian nationals visiting Sri Lanka after 1983 will face a cut of duty allowance, which affected the number of Indians coming to Sri Lanka as VFR (Visiting friends and relatives) tourists, businessmen and shoppers²³ negatively.

The government was completely engrossed in damage control missions to minimize whatever negative impacts of the unfavorable events battering the entire economy of the

²³ The number of Indian tourists in Sri Lanka was only 12,220 in 1987 against 93,111 in 1982 (Bandara, 2003: 52).

country, that the tourism industry was running even without a Master Plan since the first TMP (Tourism Master Plan) became redundant after 1976. There were no significant government tourism promotion activities for the entire period of 1980's other than short term development programmes²⁴ until the second TMP was drafted later in 1992. As the theoretical survey in the previous chapter had rationalized, the image of a country plays the important role of advertising. Yet unfortunately, a very bleak image of Sri Lanka was proliferating in source markets, which was the main reason why Sri Lanka lost many potential visitors during this period. Bandara recalls that "the media played on the paradise theme and spoke of a paradise lost; the image collapse had very serious consequences" (Bandara, 2013: 52). Thus this period stands testimony to a tourism sector that was negatively affected by unfavorable socio-political forces (factors external to the tourism sector) and the failure of the formal institutions to help the destination adapt to such negative influences. Even though tourists' safety was not actually affected by the insecure environment in the country, due to informal institutions such as the warm hospitality of local people who took care not to harm any foreign tourists in the clashes, the government did little to project this gesture to the source countries. In fact accounts by key informants indicated that foreign tourists were protected by local people during times of fierce conflict. This must have been because of the norms of hospitality that Sri Lankans have inherited from their culture. Sri Lankan Government diplomats in other countries, despite the fact that they are the formal institutions responsible for image building, did little to negotiate with foreign authorities about rectifying the bleak image that was proliferating about Sri Lanka. As 'image' plays the role of advertising, a

²⁴ A Seven Year government plan was drawn up to increase the number of available rooms, arrivals and foreign exchange earnings between the 1978-1984 period (Tantrigama, 1994: 11).

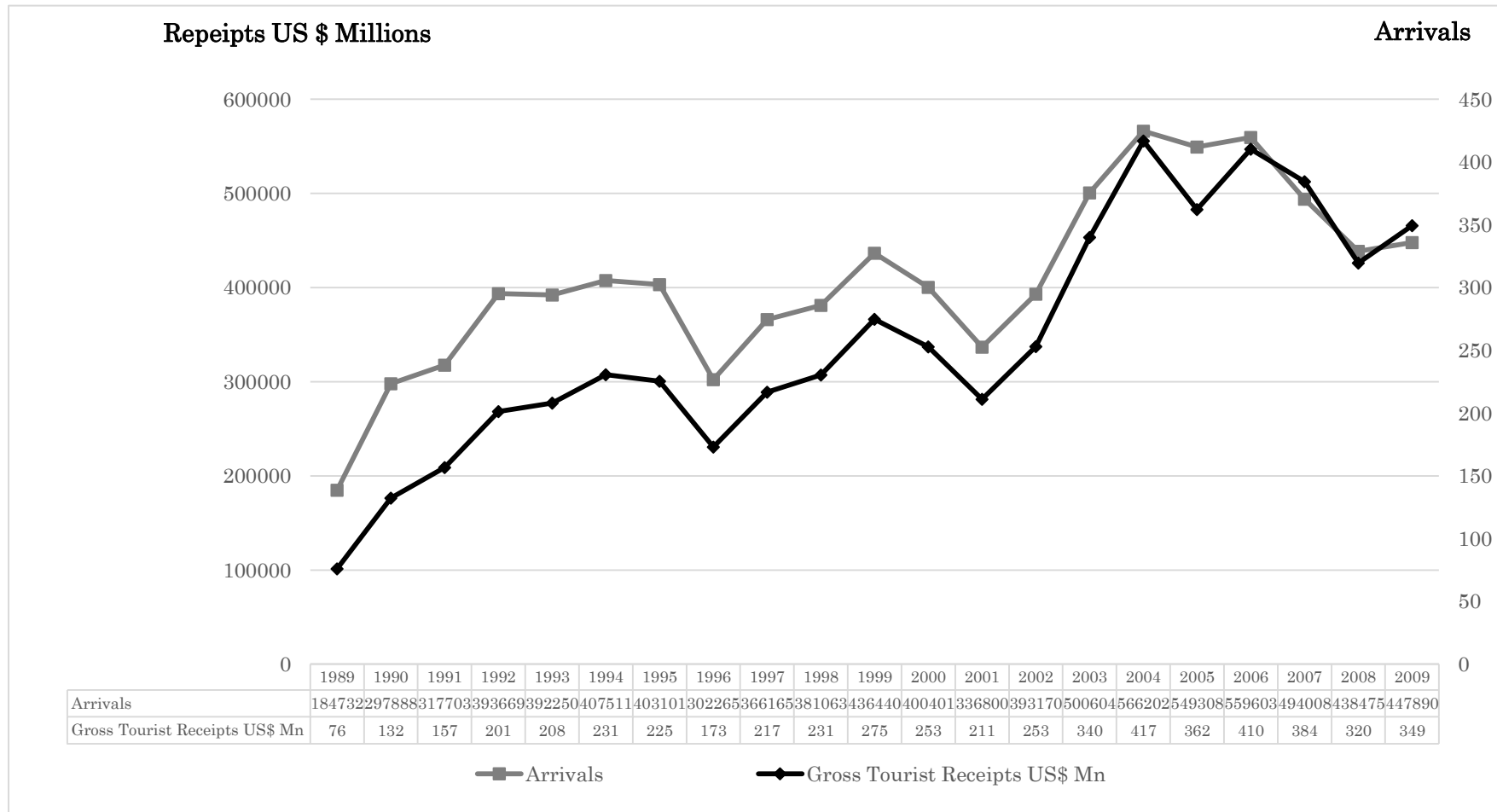
negative image can be disastrous to tourism. Thus the negative image about Sri Lanka affected the tourism industry profusely, as it continued to permeate throughout the source countries without being checked by responsible formal institutions. In sum, this period reflects the weaknesses of the formal institutions and repercussions of neglecting informal institutions.

④ The fourth period (1990 - 2009): Institutional responses to a prolonged Dark Era

As Figure 2.10 indicates, tourism indices started improving after 1990 when the JVP insurrection was crushed. Arrivals increased by 61 percent from 184,732 in 1989 to 297,888 in 1990; but it took four more years for the numbers to return to where they left off in 1982. Thus it was not until 1994, more than a decade later that tourist arrivals recorded 407,511; the number that is closest to the recorded 407,230 of arrivals in 1982, the last year of the golden era for tourism before misfortune struck. On the other hand, a careful examination of figure 2.4 shows that despite the fact that there has been overall improvement of indices throughout the period, growth has been slow and inundated with dips and fluctuations. The main reason for this stagnation is the protracted ethnic conflict, which included the second (1990-1994) and third (1995-2002) Elam wars²⁵, making Sri Lanka an unattractive and unsafe destination for tourists.

²⁵ The civil war of the Government of Sri Lanka against the terrorist group LTTE (Liberation Tigers of the Tamil Elam) spanned a period of nearly thirty years, which can be divided into several Elam wars, punctuated by Memorandums of Understanding (MoU), peace negotiations, and cease-fire agreements that went unheeded and by the LTTE, which would lead to an inevitable relapse of war.

Figure 2.10 Tourist Arrivals and Foreign Exchange Earnings (1989-2009)



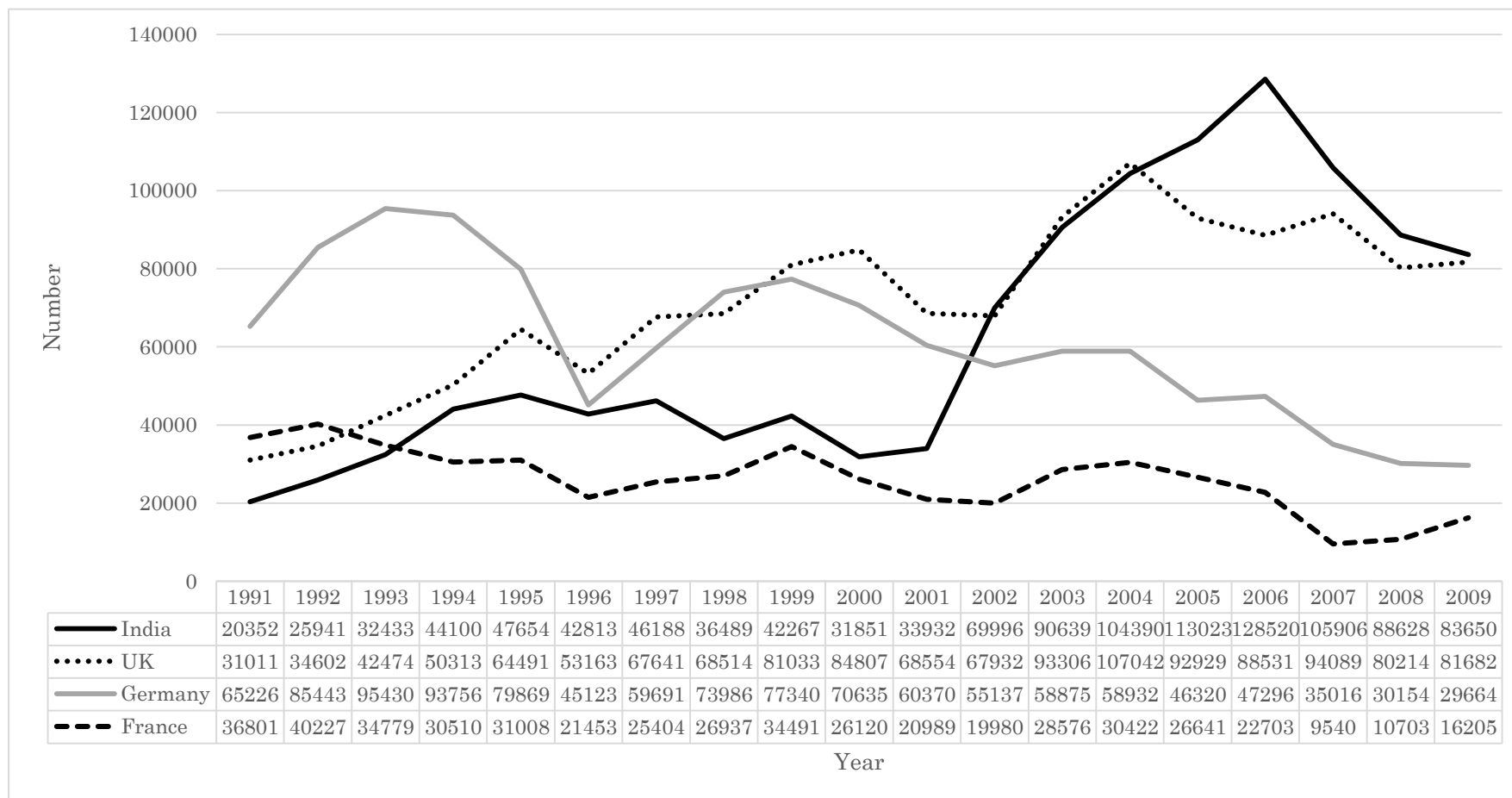
Source: Same as Figure 2.4

Tourism in the country was affected not only by events within the host country but also occurrences at the international level in tourist-generating countries. Table 2.3 explains the most influential local and foreign events behind the major dips in tourism indices experienced in 1996, 2001, 2006 and 2008 such as terrorist attacks, natural disasters and financial crises²⁶.

The tremendous impact of these events are also very much visible through arrivals from four source countries picked from the top of the source list. Figure 2.11 shows that the most of the source countries to Sri Lanka are from Western Europe and they had all responded strongly to the external shocks. Arrivals from all sources from Western Europe were seen declining in the aftermaths of the bomb blast in 1996 and 2001; Tsunami in 2004 and continued war after 2005. India is the only country that marked an increase after 2001 (airport bombing) but it too declined after 2005 in the face of the civil war.

²⁶ The 2007-2008 financial crisis mentioned in this section, which is better known as the Global Financial Crisis, had its beginnings in the Housing Bubble of the USA which was geared ahead with the free and easy availability of subprime loans. The crisis resulted in the collapse of major financial institutions, bailout of banks by national governments, downturns in stock markets in many countries and unemployment.

Figure 2.11 Tourist arrivals from four source countries to Sri Lanka (1991-2009)



Source: Sri Lanka Tourism Development Authority, Annual Reports (2000-2009); Central Bank of Sri Lanka, Annual Reports (1991-1999).

Table 2.3 Main events and occurrences responsible for the dips in tourist indices

Year	Events/ occurrences at the local level	Events/ occurrences at the international level	Severity/ impact on the tourism sector
1996	Central Bank bombing		<ul style="list-style-type: none"> ● A dip in tourist receipts of 20.5 percent ● More than 4500 layoffs ● Room occupancy was record low at 40.3 percent for the decade
2001	Colombo International Airport bombing	The 9/11 terrorist attack on the WTC, USA	<ul style="list-style-type: none"> ● Sixteen percent decrease in arrivals ● More than 11 percent decrease in direct employment in the tourism sector ● Nearly 20 percent drop in room occupancy: the lowest occupancy for the decade
2004	Tsunami		<ul style="list-style-type: none"> ● Three percent decrease in arrivals ● Destruction of tourism infrastructure including accommodation facilities
2006	Collapse of Peace-talks/return to war		<ul style="list-style-type: none"> ● Tourist arrivals dropped by 11.7 percent ● Decreases in tourist receipts (6.3 percent) and receipts per tourist (5.1 percent) ● Three percent drop in room occupancy
2008		Global Financial Crisis	<ul style="list-style-type: none"> ● Advisories issued by major tourist generating countries including UK, Germany, Australia, Italy and France ● Tourist arrivals decreased by 11.2 percent ● A 12.7 percent drop of tourist receipts ● Direct employment in tourism decreased by 15.2 percent

Source: Drafted by author

This period is a prime example of how the country reacted to these unprecedented situations by addressing formal institutions. Much of them were offspring of the 2nd Tourism Master Plan that saw its inception in 1992.

The second TMP of 1992, the brain child of the World Tourism Organization and the UNDP, covered a period of ten years between 1991 and 2001. Despite the fact that the projections made by this TMP for the year 2001 were a far cry from the actual numbers achieved due to the challenges discussed in the previous section, the long term formal strategies proposed by the TMP were encompassing and insightful. They included integrated development to provide a range of facilities to both international and domestic tourists, upgrading the existing facilities, development of tourist attractions (wildlife/ cultural/ historical etc), and the provision of domestic tourist facilities where there is an undersupply (Tantrigama, 1994: 12). The TMP of 1992 seeks to address many areas of concern in terms of institutions such as product development, marketing and promotion, accessibility of the country (especially air transport), improving human resources, improving domestic tourism, and economic, social, cultural and environmental sustainability. One of the biggest improvements of the TMP of 1992 was the designation of 14 tourism zones promoting different attractions, as against only 5 destination regions recognized by the TMP of 1967.

The TMP of 1992 was important in many senses. First, it recognized several drawbacks of the first TMP of 1967, which focused on a physical planning approach. Secondly it came up with strategies to overcome these shortcomings and improve the tourism sector (strategic planning approach), though with exceptions. It recognized that the first TMP of 1967 was weak in the sense that it focused more on economic gains such as foreign

exchange earnings and not so much on sustainable development or the sociocultural impacts on the sector. The TMP of 1967 also inadvertently resulted in a biased growth of tourism which revolved around beach tourism in the Southern coast due to its emphasis on resort building in the areas concerned.

The research team for the 1992 TMP had also noted that shortcomings in the institutional fabric were hampering the development of the very entity that it was there for. They had noted formal institutional constraints such as lack of integration of tourism plans to the national development plans, the overwhelming number of state agencies involved in the sector that lacks coordination and discourages private sector investors, lack of marketing and promotional activities, and the lack of qualified and trained human resources as major drawbacks during the time when the TMP 1992 was drawn up (Bandara, 2003: 68). While the TMP of 1992 did not escape such major potholes of formal institutional weaknesses, the war-beaten country on the other hand had other critical priorities such as fighting terrorism than general infrastructure development. This was not a trend-setting situation for an industry such as tourism. The fact that tourism indicators were responding more to the general climate of the country (such as security conditions) rather than the formal institutional arrangements could be interpreted as yet another failure or weakness of the institutions themselves. Studies have discussed some general problems with regard to implementation of tourism plans of 1967 and 1992, most of which focus on formal institutional failures:

1. The plans were over ambitious in terms of arrivals, foreign exchange earnings, room capacity, employment statistics etc and neither of the plans achieved the targets. One reason for superficial projections could be because both of them were prepared

by foreign consultancy teams with very little knowledge about the host country.

The research team for the 1992 plan did not even include a sociologist.

2. International tourism was over emphasized and domestic tourism underplayed, despite the fact that it was domestic tourism that cushioned the fall of the tourism sector in the 1980's and 90's.
3. Lack of enthusiasm on the part of the private sector, and the exclusion of the private sector in the policy planning stage (Bandara, 2003:79-83).

While formal institutional weaknesses can take its toll on the tourism sector, this study argues that the most significant drawback of the TMPs was their failure to encourage community participation in tourism planning and the absolute negligence of informal institutions. Despite the fact that the TMP of 1992 had proposed community tourism committees, there is no evidence to prove their implementation (Bandara, 2003:84).

The adverse effects of neglecting informal institutions is evident in the course that tourism took in Sri Lanka. In desperate attempts to keep the industry afloat, the government implemented many mechanisms for the improvement of the tourism sector by way of investment incentives for the international and domestic private sector. This period is perhaps the most notable for this strategy. Some of the very generous investment incentives introduced as recommended by the TMP of 1992 included: tourism related enterprises exceeding Rs. 10 million will have to pay a tax rate of only 15 percent for 15 years; they are also entitled to import equipment and construction material duty free; such enterprises are entitled to applying for foreign loans; and expatriate employees are granted a reduced tax rate of 15 percent during the 1st five years of employment. Thus it could be safely argued that the Sri Lankan government was over-generous in investment

incentives during this period.

Even though giving incentives to the private sector is a key to tourism development, they resulted in substantial complications in Sri Lanka due to two factors: first, they were politicized and lacked foresight. Secondly, these formal institutional incentives were neither supported by informal institutions nor did they support local informal institutions. While these over-generous incentives incurred an unbearable cost to the government of Sri Lanka, the granting of incentives usually involved discouraging red-tape for potential investors. Apart from involving a number of agencies, these agencies were politicized and corrupted to the extent that it resulted in the rejection of worthy projects and approval of unworthy projects. As incentives were biased to the accommodation subsector, they neglected other tourism-related projects such as attractions, transport etc. On the other hand, almost all incentives were channeled for new projects, and not for upgrading or refurbishing old ones.

The most noticeable fact was that the formal rules worked against informal institutions rather than empowering them, as incentives were lavishly extended to import necessities for tourist hotels. Despite the fact that the TMP of 1992 encourages the hotels to promote authentic Sri Lankan cuisine at their establishments (Tourism Master Plan. 1992) importation of food items continued and this resulted in a massive leakage of foreign exchange through the very industry that was designed to bring in foreign exchange. Studies have shown how imported goods were preferred over locally produced items, and import incentives saw a huge influx of materials (even door and window frames and pillows), ousting local producers altogether. In an attempt to battle leakage caused by unchecked imports facilitated by import incentives, the government was later forced to

adopt more formal rules banning the import of food items and encouraged the use of indigenous materials in the construction and furnishing of hotels. This was the only measure that could bring local restaurants to serve oriental meals, local fruits, vegetables. Later they even started serving local beer. Negligence of small and medium enterprises and informal institutions is evident by the fact that by 1993, international hotel chains dominated the hotel sector in Colombo, claiming ownership of 2337 rooms out of 2828. Domestic hotel groups owned 42 percent of the accommodation capacity outside Colombo (Bandara, 2003:100; 108). This could be understood because, as the previous section argued, such formal policies were drawn up by mostly foreign ‘professionals’ who understood or cared very little about Sri Lanka, its culture or its people.

Ironically, with all the fully fledged and disproportionate incentives for the accommodation sector, the targeted 18,956 (graded) rooms in 2001 were not met, and it lingered at just 13,626 graded rooms on the target year. On the other hand, hotels that were put up in the 1960’s and 70’s badly needed upgrading; a need that was not met. Despite the fact that the Hotels Code of 1968 has vested the CTB with powers to monitor, supervise and even force closure of sub-standard hotels, this was a provision that was hardly utilized due to lack of trained professionals to carry out such operations.

Formal institutions related to tourism in the country continued to ail in this period despite the new TMP. The Ceylon Hotel School (CHS) being the only authentic institution for tourism education, was in dire need for a syllabus revision that could cater to newly emerging trends and branches of tourism. By the end of the decade of 90s, the local universities still had not included tourism as a course in their curricula. These institutions lacked trained professionals to make any substantial move forward, and their

operation was constrained by red-tape (Samaranayake, 2012: 8) and politicization. The end result of this was the magnetic attraction of unqualified people to tourism related occupations in search of quick money (Seelagama, 2014: 149-150). It has been shown that this is mainly due to the negative representation of tourism in the local culture and attitudes of the local people towards tourism related occupations (Seelagama, 2014: 201).

Tourism related constructions were haphazard and lacked regulation, blocking away panoramic views and invading into reservation areas. Even though the TMP of 1992 has given clear instructions on sewage, surface water and waste water disposal, (Tourism Master Plan, 1992) most facilities conveniently disposed their waste into waterways and the like, and yet passed the Environmental Impact Assessment. Such constructions are thriving in business to this very day. Laws to curb such operations remained a dead letter due to the political patronage that some such entrepreneurs received, and Samaranayake recalls how some of the best beaches in the world such as Arugambay, Unawatuna and Hikkaduwa fell prey to haphazard building as people started converting even their domiciles into tourist accommodation during the hay days of tourism in Sri Lanka. The in the absence of informal institutions or legal avenues for the local people to participate in tourism, people resorted to crooked ways of gaining access to the industry. On the other hand, formal institutions were sometimes up against the interests of the local people, let alone supporting their interests. Samaranayake shows how the opposition of the common people were crushed single-handedly by (politically) powerful individuals and/or agencies, elucidating the lack of power of the general public in Sri Lanka²⁷

²⁷ The Kandalama hotel in Dambulla, Sri Lanka was strongly opposed to by the local villagers as it will threaten the environment that supports their livelihood of agriculture. Being built by a giant conglomerate, the hotel has been able to pursue its operations to this very day, and has won many Green Awards. The proposed Victoria Golf Course in Digana also met with similar opposition by local residents due to the environmental

(Samaranayake, 2012: 606-611).

This period also shows that neither informal institutions nor formal institutions were tourist-friendly. Some of the formal institutions were against the very requisite of tourism: openness. In the process, the country was closed to many source markets. Samaranayaka (2012: 621-622) shows how in an attempt to protect the interests of Air Lanka, the national carrier of Sri Lanka, drove Korean Air out by refusing to grant them FFR²⁸ to land in Sri Lanka on their way to Maldives and South Africa just before the onset of the ethnic crisis in 1983. Air Lanka began flying to South Africa shortly after, but a practically empty air craft compelled them to give up in a matter of a couple of months. Even though it was expected that Indian business travelers would travel to Colombo to take their connecting Air Lanka flight to Johannesburg, it was poor rationalization as Indian and South African Airlines offered much more competitive prices with which Air Lanka could not compete. On the other hand, neither was there much demand for holiday travel in Sri Lanka by South Africans nor any adequate promotion to encourage it.

A similar misfortune befell the Sri Lanka image building campaign in 1995. Sources recount how important it is for the formal institutions to be in agreement with informal institutions for a tourism project to be successful. The image building campaign hired a foreign film producing company to create an advertisement to promote Sri Lanka. The image of Sri Lanka projected by the company in the advertisement aired in Germany

degradation, and since resident plantation workers were proposed to be relocated with absolutely no prior consultation with them. This project too was proposed by a conglomerate in Sri Lanka, which was successfully implemented in spite of public resistance.

²⁸ Fifth Freedom Rights

prompted a storm in a teacup from the Sri Lankan diaspora. Apparently the foreign film production company that possessed very little knowledge about Sri Lanka or its cultural values, had included clips from the Indian text *Kamasutra*, conveying an exotic image that was not part of the original plan. Amidst vociferous criticism from the general public and from the Sri Lankan diasporas living in the countries where the advertisement was aired, the Tourist Board ordered the screening to be terminated immediately, incurring a huge loss to both the contractor and the client (Samaranayake, 2012: 637).

Local attitudes could be pervasive to the extent that they could influence the functioning of formal institutions. For example, in the 1990's it was foreseen that Sri Lanka would eventually see an increase of Asian tourists (especially East Asian tourists) in the future and therefore the host country will have to make necessary changes in the tourism product to welcome the New Tourists with changed travel patterns. For instance Asian tourists were not observed as beach goers of the traditional European type. They were on the other hand observed to be a different type of tourists following a tight schedule to cover as much geographical space as possible within a given interest area. Thus studies were conducted by the formal institutions and strategies were proposed such as the Asian Market Development Strategy Plan, Handicraft Development Strategy²⁹ for the Tourism Sector, Sri Lanka Ocean/ Beach Activities Development Studies, and the Duty Free Shopping Study³⁰. Unfortunately, formal institutional constraints such as laxity of the

²⁹ The Handicraft Study reiterated that Sri Lanka boasts of a rich tradition of handicrafts, but the souvenir sector for tourists is yet to develop. It was also pointed out that the commission paid by tourist shops to tour guides is damaging not only the industry by calling for an unnecessary price hike, but also the artisans who receive only a meager amount from the sales. Thus the Tourist Board emphasized the importance of a regulatory mechanism to protect both the customers and the artisans.

³⁰ This study emphasized the lack of professionalism in the most popular activity and central attraction of Sri Lanka: beach activities. The study thus proposed to establish

leadership and informal institutional constraints such as people's refusal to accept the changing nature of tourism turned a blind eye to all research findings and confined them to mere proposals that remained in writing (Samaranayake, 2012: 645-650). All of the proposals remain valid to this very day, and the importance of some are being slowly realized.

As the dawn of the 21st century brought more trials for the tourism sector with continued terrorist activities threatening the safety and security of the country, and the government formal institutions such as the Tourist Board worked to remove travel advisories issued for Sri Lanka by major source markets and negotiate to bring down the insurance risk premium by foreign airlines and ship lines. The government also introduced a relief package with loan moratoriums, extending repayment periods, and capitalization of loan repayment into new loans (Central Bank Report. 2001). Hotels offered special low rates and provisional packages to encourage foreign tourists, but it was the domestic tourists that cushioned the fall during the crisis period.

Nearly a decade after research predicted the increase and importance of Asian tourists, the country realized the importance of facilitating them. Sri Lankan Airlines offered a special package for Indian tourists in 2001/2002 that helped increase the number of Indian tourists during the year. Similar offers were made available for countries such as Thailand, Malaysia and Singapore in 2002 that helped increase tourists from those countries. Several bilateral agreements were signed between Sri Lanka and countries such as Oman, Singapore, Qatar, Egypt, UAE, France and Indonesia during the period

a water sports training institution, a marine tourism center that provides services like yachts, boats, etc, and regulate/ control beach and adventure based activities to ensure the safety of beach tourists.

from 2001-2009, but only a few airlines flew to Sri Lanka. As the number of Indian visitors continued to increase there was a proposal as early as in 2003 to introduce a ferry service from Colombo to Tuticorin, which only became a reality after the end of the war in 2009 (Central Bank Reports. 2002/2003). The government decided to stamp visa on arrival for visitors from SARRC countries, which was a great leap forward to improve regional tourism, and make frontier formalities less cumbersome as means of removing institutional barriers in a country already in troubled waters. From the year 2001, the government was lobbying with Chinese authorities to designate Sri Lanka one of their official destinations. Sri Lanka was thus granted Accredited Destination Status by the government of China in 2002, and Sri Lanka started promoting tourism in China, to see a rapid increase in Chinese tourists in the country in the following years.

The Sri Lanka Tourism Resources Improvement Project funded by the JBIC in 2003 was an enterprise to improve tourism facilities for Asian tourists. For this purpose, focus was shifted from the traditional beach tourism to nature and cultural tourism. Thus projects were launched in selected areas such as Negombo, Anuradhapura, Sigiriya and Nuwara Eliya to beautify the cities, to clean waterways, improve the attraction site and develop leisure parks. There were also proposals to upgrade the main hotel school in Colombo; relocate the Kandy hotel school to a state-of-the art school and introducing all available courses to the Kandy satellite school; and upgrading facilities/ courses in other satellite schools in Anuradhapura and Nuwara Eliya. Home stay programmes and eco-tourism projects were introduced in an attempt to diversity the tourism product of Sri Lanka. Promotional activities were undertaken to attract more tourists from Japan. Most of the projects in this programme were implemented as planned.

When the devastating Tsunami hit the coasts of Sri Lanka, recovery aid started gushing into the country in an overwhelming rate. Some scholars even called the natural disaster that killed more than 30,000 people a ‘blessing in disguise’ (<http://www.lankabusinessonline.com>) mainly because such wealth, if prudently invested, could have been Sri Lanka’s stepping stone to economic success and growth. It was estimated that a total of 418 tourism-related industries were damaged by the 2004 tsunami that affected mainly the Eastern, South-Eastern and Southern coasts of Sri Lanka. 84 percent of them were SMEs. The total estimated cost of the damage on the tourism enterprises in the directly affected areas was US\$ 47 million (Samaranayake, 2012: 805). The country attracted a total of US \$ 3.2 billion (<http://reliefweb.int>) as relief aid.

Apart from aid from international donor agencies, countries and philanthropic individuals, the government of Sri Lanka too returned to its overgenerous policy which was usually followed during troubled times. It started giving out soft loans, re-scheduling the existing loans, allowing for duty free imports for tourism related large businesses. It was also granting soft loans through the *Sahana*³¹ scheme for SMEs. However, as this scheme was not very helpful to the tourism related SMEs, the WTO research team proposed that a special fund be initiated to give outright grants to assist those who lost their tourism related businesses. These funds could be used to re-erect their washed away business establishments, purchase equipment and vehicles, furnish buildings and provide working capital for the re-commencement of the businesses. These grants were made accessible through the Ministry of tourism and the indigenous banking system, and

³¹ The *Sahana* scheme was a fund under the Central Bank of Sri Lanka that granted soft loans for SMEs of all sectors in Sri Lanka through financial institutions registered with the Central Bank.

a Monitoring and Evaluation Committee established set up under the Ministry of Tourism.

The most important amendment made to the formal institutional structure during this period is the Tourism Act No: 38 of 2005. When the government signed a peace accord with the terrorist group LTTE in 2002, hopes blossomed for a better tourism climate. It was in this climate that the government enacted the Financial Act 25 of 2005 and made proposals to make structural changes to the existing Tourist Board, known as the New Tourism Law. The Financial Act made way to impose two types of levies; the Embarkation Levy (EL) to be imposed on all departing tourists from Sri Lanka and the Tourism Development Levy (TDL) from all registered tourism industries. The levies were designed to grant the Tourist Board more financial independence, which was mainly channeled towards tourism promotion. The New Tourism Law was supposed to strengthen the public and private partnership and increase the private sector participation in tourism development, decision-making and promotional activities (Samaranayake, 2012: 807-808). In other words, the New Tourism Law gave hope for a better place and empowerment of informal institutions in tourism. This study attempts to test this premise in selected tourist areas.

The New Tourism Law proposed that the Tourist Board be re-structured to consist of four legal bodies with four separate Boards of Management, each headed by its own Chairman.

The four statutory bodies were;

1. The Sri Lanka Tourism Development Authority (SLTDA)
2. Sri Lanka Tourism Promotion Bureau (SLTPB)
3. The Sri Lanka Institute of Tourism and Hotel Management (SLITHM)
4. Sri Lanka Convention Bureau (SLCB)

The new Act faced ferocious protests after it was approved in 2005, and the Committee that was appointed afterwards to look into the full implications of the Act concluded that;

- The Tourism Act 10 of 1966 was functioning satisfactorily, and only a few changes could bring about the desired effect to improve public and private partnership.
- The four new institutions proposed by the new Act were unnecessary and incurred unwarranted expenses.
- The new Act would segregate the tourism product and marketing into two distinct institutions, which is an impossible operation in practical situations.
- SLITHM is best to operate as a separate institution under a separate Board of Management.
- The SLTDA should be managed by a Board consisting of members from the private sector as well.
- Members from the private sector should be incorporated into the Tourism Advisory committee, which will also advise on the necessary changes to the Act 10 of 1966 (Samaranayake, 2012: 812-813).

Even though the Committee warned that the New Tourism Law was an institutional failure, the formal institutional structure of the country is such that a handful of powerful people could make things happen for their own benefit. Thus with the support of “influential sections of the travel industry” (Samaranayake, 2012: 814) the Act was taken ahead for the four statutory bodies to be established.

The years 2007/08 as explained earlier had more misfortunes for the tourism industry in Sri Lanka. Arrivals plummeted due both to the deteriorating security situation in the country and the global financial crisis brewing in the source markets. It would not be

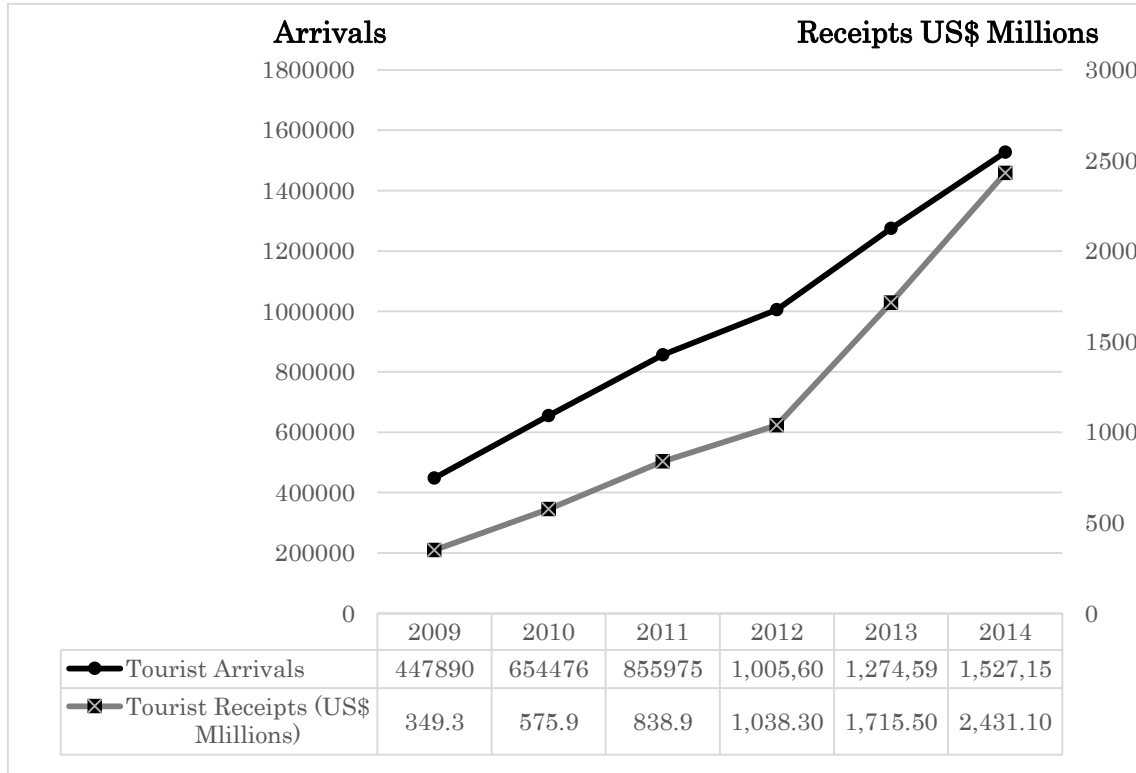
an exaggeration to call some of the formal institutions introduced by the government as ‘desperate’ to fix the ailing industry. For example, the government decided to defer the approved \$ 10 visa fee imposed by the Budget of 2006. There was also a temporary deferment of the VAT payable on all tourism operations. The government also suspended penalties on delayed VAT payments and allowed moratoriums on capital payments. As mentioned in the foregoing sections, it is clear from the many instances in history, that the government of Sri Lanka has clearly followed a very generous (and perhaps over-generous at times) policy with regard to the private tourism related businesses especially at times of hardship. This type of formal institutional structure fed the welfare mentality of the people and prevented informal institutions from being empowered or raising a collective voice. It would be justified to call this type of formal institutions as ‘deceptive’ because the grassroots level people are not given equitable chances to participate in tourism activities, but are instead placated into silence using temporary relief as a pacifier, while real benefits of tourism are reaped by a powerful few.

⑤ The fifth period (2009 to date): Postwar boom and the institutional oxymoron

As Figure 2.12 exemplifies, when in 2009 the thirty year old war came to an end the tourism figures of Sri Lanka leaped to historical levels, creating world records. The newly found peace in a country blessed with so many attractions bundled in such a small landscape seemed irresistible to all types of globe trotters. While formal institutions did not [have to] do much to bring about this effect, there was one important measure that they took to expedite the tourist-inflow: scraping off the cumbersome visa process from January 2012 and replace it with the simplified Electronic Travel Authorization (ETA) system for a fee of US\$ 20 for SAARC Member countries and US\$ 35 for all others (<http://www.eta.gov.lk>). This measure made the country more accessible to foreign

tourists.

Figure 2.12 Tourist Arrivals and Foreign Exchange Earnings (2009-2014)

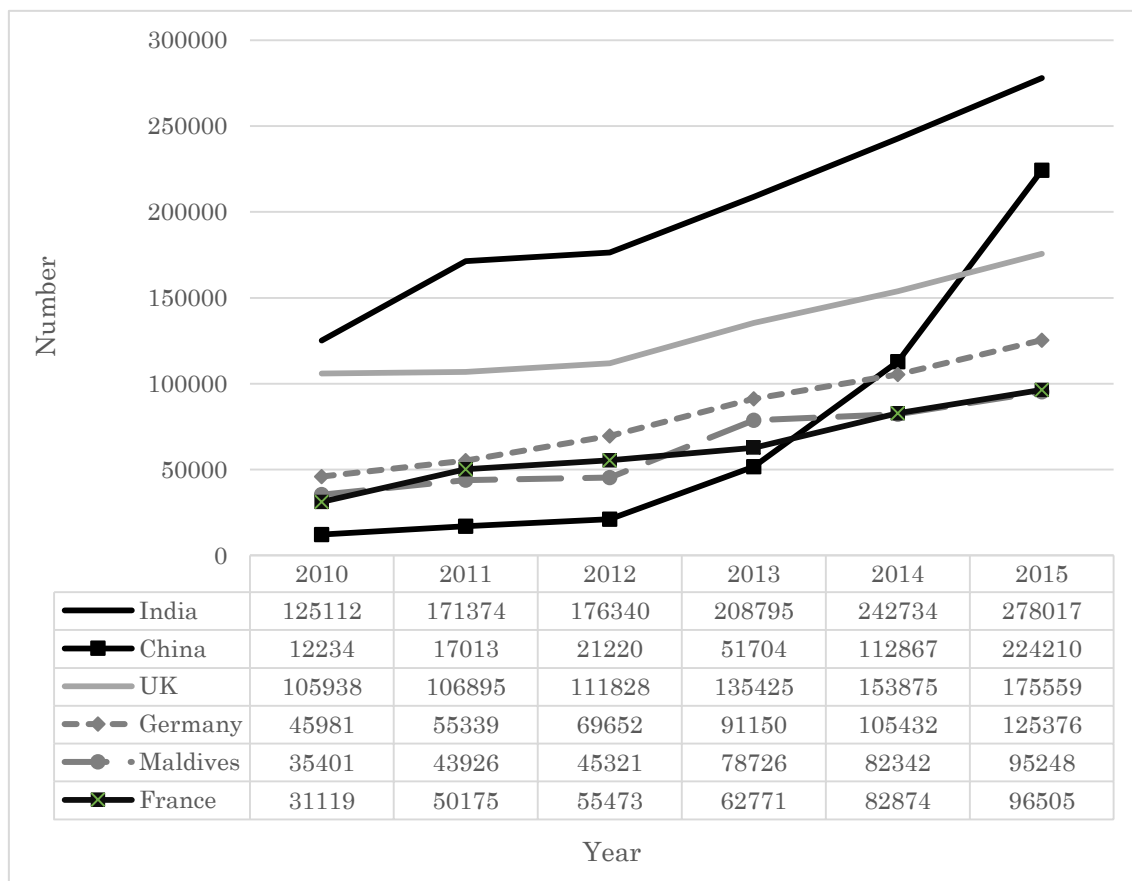


Source: Same as Figure 2.4

As figure 2.13 shows, all source markets have maintained a steady growth throughout this period. The most striking characteristic about the source markets in this period is the sharp rise of Chinese tourists to the country. The trend was first triggered off (and even disguised by) Chinese workers who came to work in Chinese aid projects. Later in this period, the number of actual Chinese tourists increased tremendously as a result of both tourism promotional campaigns in China; new flights to and from Chinese cities such as Shanghai, and also the latest trend among Chinese to travel abroad. China, which was further down in the list of source countries shot up to the second place, making East Asia

an important source market for Sri Lanka.

Figure 2.13 Tourist arrivals from the top source markets (2010-2015)



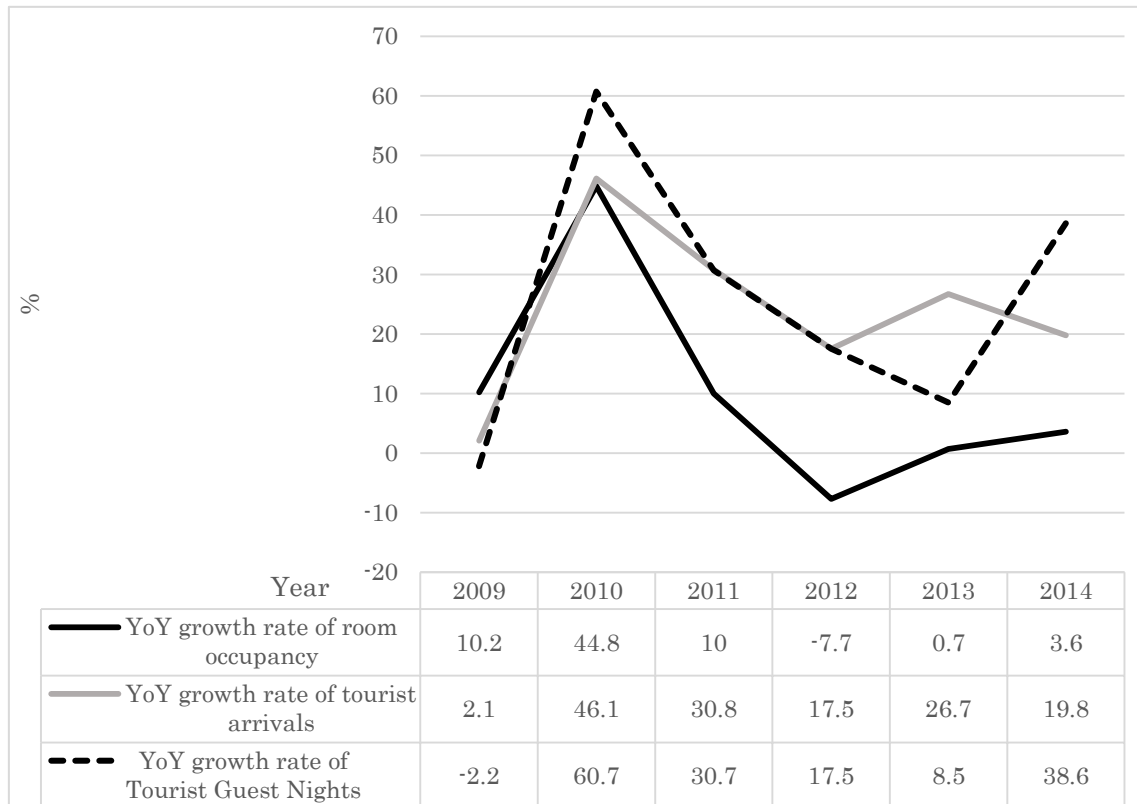
Source: Sri Lanka Tourism Development Authority, Annual Reports (2010-2015).

Even though statistics after 2009 “misleadingly” suggested that war was the only stumbling block that kept tourists from visiting Sri Lanka because immediately following the dawn of peace, tourists starting pouring into the country without much stimuli from the authorities such as propaganda or marketing. The boom was apparent in all tourism indices such as number of arrivals, tourist receipts, room occupancy rates, foreign guest nights and employment generation in the country. To recall Butler (Butler, 2006:6), this influx is misleading because the country was only going through a rather delayed “development stage”.

Not quite comprehending the importance of institutional maneuvers to keep the industry growing such a stage, the formal institutions in the country started relaxing under the impression that indices will keep growing on their own without any institutional assistance. This situation is best worded by a former Chairman of the Sri Lanka Tourist Board, Mr. H.M.S. Samaranayake; “It is ... not an exaggeration to say that what sells Sri Lanka today as a prime tourist destination in Asia is simply peace and security prevailing in the country ... that the present day authorities quite justifiably think that there is no need to promote Sri Lanka in the way we did in the 1980’s and 90’s” (Samaranayake, 2012: 775). There is no doubt that this sudden sharp hike was due solely to the dawn of peace in the country, but it required much planning and organizing to sustain the favorable growth. In other words, both formal and informal institutions will have be blended successfully to maintain the growth. It was this institutional imperative that was not realized. In other words, tourism is a growth industry and indices are showing hikes in almost every destination if it is not plagued by war, natural disaster or otherwise. In 2014, every region in the world registered an increase of tourist arrivals and receipts (UNWTO, 2015: 11). The point is that the type of tourists and tourism are changing, and the industry is becoming ever more competitive and therefore, institutional changes are necessary for destinations to keep the arrivals strong and steady.

As this institutional imperative was largely neglected, it produced an impossible situation of polar opposites existing simultaneously. This phenomenon is explained in details in the following section. Room occupancy fell suddenly to 71.2 percent from 77.1 percent (a drop of -7.7 percent according to Figure 2.13) in 2012 and did not recover to the level of 2011 until the end of 2014. Not only was its recovery very slow, it is also not on par with the growth rate of tourist arrivals or guest nights.

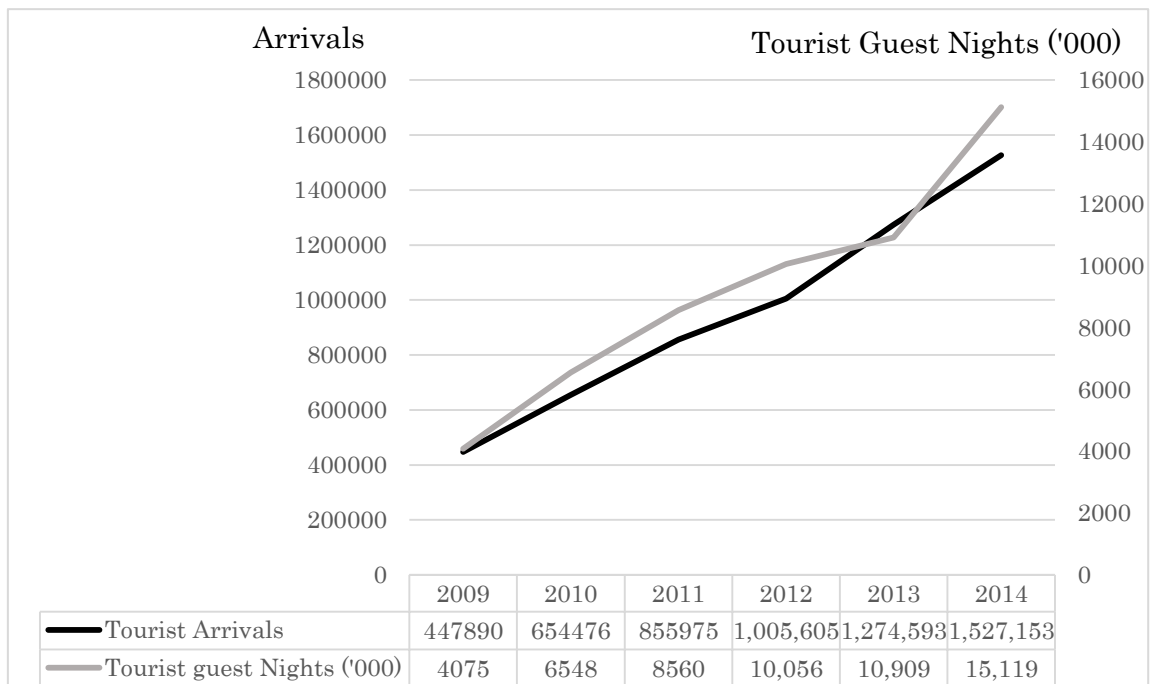
Figure 2.14 YoY growth rates of room occupancy, tourist arrivals and guest nights (2009-2014)



Source: Adapted from Sri Lanka Tourism Development Authority, Various Issues

The discrepancy is can be seen in more detail with a careful examination of Figures 2.14 and 2.15. According to Figure 2.14 the growth rate of tourist guest nights continued to fall for another year despite the gradual pickup of growth rates of arrivals and occupancy in 2013. This strange tendency of declined Tourist Guest Nights against increased tourist arrivals is clearly depicted in Figure 2.15 which plots tourist arrivals against Tourist Guest Nights.

Figure 2.15 Tourist Arrivals and Tourist Guest Nights (2009-2014)



Source: Same as Figure 2.4

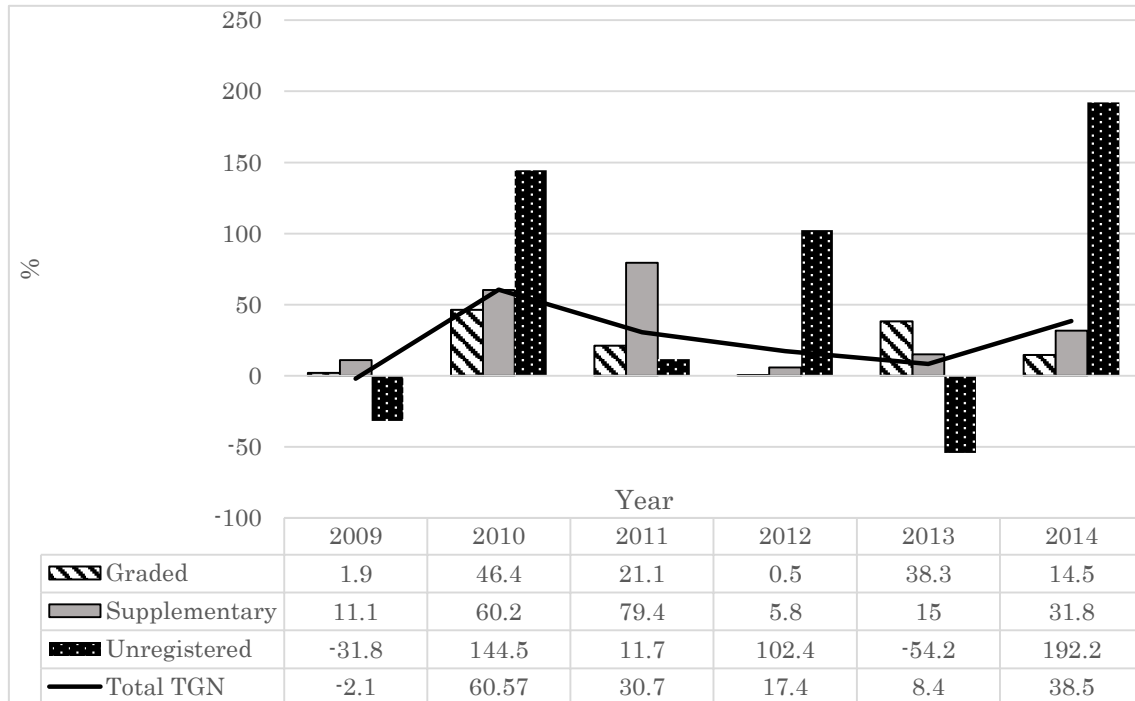
Some analysts see the declining rate of occupancy and foreign guest nights in the face of increasing tourist arrivals as a *mystery*. Others see these mystery or missing tourists as ‘misplaced’ tourists. According to Sirimanna, most people in the industry believe that the authorities are releasing false arrivals data to fake economic development (Sirimanna, 2013). Yet there could be two more plausible explanations to the missing tourists. First, analysts have shown how the academic definition of a tourist may mislead authorities to count even Sri Lankans bearing foreign passports coming through the disembarkation gates as tourists. This phenomenon is known as the Diaspora Effect. After the war, the Sri Lankan diaspora visiting their home country increased considerably, and it is highly erroneous to include them in statistics because even though they may comfortably fit into the definition, they do not even remotely behave like a typical tourist. In other words, they do not stay in hotels and therefore cannot account for Tourist Guest

Nights. It is suggested that nearly 20 percent of the arrivals to Sri Lanka erroneously include Sri Lankan diaspora as tourists (Miththapala, 2013 June 17), which is known as the diaspora factor. Authorities also erroneously count short-stay transit passengers (transit over 24 hours) as tourists. This is why some tourists are understood as ‘misplaced’.

Second, both SLTDA data and Miththapala’s research point at an astoundingly large number of tourists lodging at supplementary accommodation³² units and other unregistered informal sector accommodation facilities (SLTDA, 2011: 43; Miththapala, 2013 March 4). Since data from unregistered facilities does not reach the authorities, some tourists could go ‘missing’ from official records. As Figure 2.16 indicates, despite the fact that graded establishments still lead by housing the largest number of tourists, there is a very significant growth rate of Tourist Guest Nights in supplementary and unregistered sectors than graded hotels in the post-civil-war period.

³² According to some analysts, supplementary establishments are known as the ‘informal sector’ registered at the SLATDA. They include Boutique Hotels, Boutique Villas, Guest Houses, Home Stays, Bungalows, Heritage Homes & Bungalows, Rented Apartments and Rented Homes. However, the informal sector also includes unregistered facilities of which data can only be estimated. The number of such facilities has not been correctly cited, but it has been estimated that together, registered and unregistered facilities outnumber graded establishments in Sri Lanka (Miththapala, 2013 March 4).

Figure 2.16 YoY growth rate of Tourist Guest Nights in Graded, Supplementary and Unregistered accommodation facilities (2009-2014)



Source: Same as Figure 2.11

Despite the fact that graded establishments still lead the accommodation subsector by attracting the largest number of tourists, the trend towards the informal sector means that tourist dollars could be more equitably distributed among grassroots level participants. This trend is augmented by the appearance of a new type of tourists known as Flashpackers (Miththapala, 2013 March 4) who, unlike the well-known backpackers, have more disposable income and time to spend on travelling. They are different from the traditionally defined ‘high end’ tourists because flashpackers spend longer vacations, tend to spend little on accommodation and transport, yet more on activities such as adventure and prefer authentic experiences that involves direct contact with the local people. All of this means that scope has been created in the post-civil-war period for informal institutions to be actively involved in tourism.

Before further analysis of the situation, it is important to get an insight to the formal institutional standpoint with regard to tourism and then proceed to understand its approach to informal institutions. After the end of the civil war, the government recognized tourism as an important economic growth strategy (Ministry of economic Development, 2011:2). Tourism moved upwards from fifth to fourth and third largest foreign remittance earner in 2014 ranking after migrant workers' remittances and apparels industry (SLTDA, 2015:5). The government fast-tracked the general development of the country including infrastructure, road and transport development, which was a significant stepping stone towards tourism development³³. The Tourism Development Strategy (TDS) and Third Tourism Master Plan (3rd TMP - up to 2020) were drafted with a clear vision about how to propel the industry forward. The 3rd TMP is yet to be implemented, but the TDS is worthy of critical scrutiny.

The TDS is a plan that documents the government formal institutional approach to tourism in the country; its objectives and targets for the period and strategies to achieve them. The TDS has encompassed environmental, socio cultural, economic, institutional

³³ Some of the initiatives were particularly relevant to tourism development such as the development of the Southern Highway (*Dakshina Lanka*), the first highway connecting Colombo and the South; building an international airport and a harbor in Hambantota. As *Dakshina Lanka*, was able to reduce the travelling time significantly for travelers, more highway projects are in progress to link the entire country with a network of highways. However the second international airport and harbor in Hambantota have been the bone of contention from their very inception. Proving the debates to be self-fulfilling prophecies, the Mattala Rajapaksha International Airport has proven to be an utter failure since its official opening in March 2012. Only two international airlines fly to this airport (<http://www.airport.lk/>) due to the unsafe atmospheric situation surrounding the airport. As Hambantota is home to wild elephants and tens of thousands of birds living in the nearby Weerawila and Kumana sanctuaries, there have been many accidents involving birds colliding against moving airplanes, shattering their glasses. News broadcasts have also warned against wild elephant attacks to those travelling to and from the airport.

and promotional imperatives and has thus formulated the following objectives to be achieved by 2016:

- To increase the number of tourists to 2.5 million
- To attract US\$ 3000 Million as Foreign Direct Investment
- To increase direct and indirect employment to 500,000
- To increase tourism related benefits to a larger cross section of the society and integrate tourism to the real economy
- To increase foreign exchange earnings to 2.75 billion
- To contribute towards improving the global trade and economic linkages of Sri Lanka
- To position Sri Lanka as the world's most treasured island for tourism (Ministry of Economic Development. 2010: 4)

The document provides strategies that have been formulated to achieve each of the objectives mentioned above, and the following section is a critical analysis of the strategies that are most relevant to this study. First, some of the objectives of the TDS are overambitious. As Samaranayake (2012:815) interprets that the projections pose “a big challenge thrown at the tourism authorities and travel industry”. A careful analysis of arrivals statistics over the years and the tempest in a teacup with regard to Tourist Guest nights and occupancy rates in 2012/13 as explained in a foregoing section also suggest that the arrival figure of 2.5 million is not feasible. Similarly, strategies for increasing foreign exchange through tourism is subject to much debate and criticism. First, the plan to increase foreign exchange earned through tourism does not satisfactorily incorporate a concrete strategy to distribute the income equitably among the grassroots level. Except for a handful of activities, formal institutions in Sri Lanka have not

initiated successful programmes to encourage community participation in tourism³⁴. Despite the fact that the new Minister recognizes the importance of assimilation of the grassroots level to the tourism sector (Wettasinghe, 22nd October 2015) and the TDS mentions the significance of community based tourism (Ministry of Economic Development, 2010: 26), formal institutions in Sri Lanka is yet to develop a feasible strategy to achieve this.

Ironically, while stating the importance of SMEs and community participation, the country is experiencing a boom of foreign direct investment in the accommodation subsector³⁵, which is posing a David and Goliath battle for the SMEs. This study argues that the construction of more graded hotels is unnecessary because contrary to the popular government led argument³⁶, the country is facing an oversupply of graded accommodation facilities.

Second, while ignoring the informal institutions, the country is running on a wild goose chase in an attempt to increase hotel rooms, which is totally unnecessary. The following section explains this in detail. The TDS proposes to increase the number of hotel rooms to 45,000 by the end of 2016, and by the end of 2014, there were 28,426 rooms in the country (Ministry of Economic Development. 2010: 8; SLTDA. 2015: 41). Not only is increasing hotel rooms at such a rate in just two years is not a feasible task, it also raises arguments against formal institutional calculations and the place they have allotted to

³⁴ The existing programmes include a SLTDA initiated homestay programme; low interest loans and grants for Small and Medium Enterprises (SMEs); concessions given to the SMEs to participate in programmes conducted by the SLTDA (Ministry of Economic Development. 2010: 11), the proposed Mulativu Community Based Tourism Project (<http://www.defence.lk>) and a few other programmes labeled as community based tourism projects by Non Governmental Organizations.

informal institutions. The official calculations usually refer to the number of rooms when calculating the need for accommodation (Ministry of Economic Development. 2010:8). As the following formula shows, with only 28,426 registered rooms in the country, there were be only 10,375,490 room nights available for the year 2014.

Room Nights (rn)= Number of rooms (r) X 365

$$10,375,490 = 28,426 \times 365$$

Tourist Guest Nights are calculated as:

Tourist Guest Nights (agn) = Number of guests lodging in a facility (g) X Number of nights (n)

agn for Sri Lanka = **15,118,815** at an annual occupancy rate of 74.3 percent (SLTDA. 2015:41)

Thus a comparison between room nights and guest nights suggests that the country is short of accommodation facilities for the increasing number of tourists.

While this could be logical on one hand, this study proposes that it could lead to erroneous forecasts and judgements on the other hand. In reality a single person/ tourist will not occupy a room by him/herself, but there will be several instances when rooms will be shared by couples, families and groups. Therefore, it is more suitable to use Annual Bed Nights³⁷ as an index. The following formulae elucidate the matter for Sri Lanka for the year 2014:

Annual Bed Nights (abn) = Number of Beds available (b) X 365

³⁷ In the travel industry, this is usually defined as one person occupying one bed per one night. For the purpose of this study Annual Bed Nights will be defined as the number of beds available for the country for a given year.

Number of beds available in Sri Lanka = b in Tourist Hotels + b in Supplementary establishments

abn for Sri Lanka = (b in Tourist Hotels + b in Supplementary establishments) X 365

That is **20,156,395** = 36,883 + 18340

If the Annual Bed Nights for the country is compared with Tourist Guest Nights, there was a clear oversupply of beds at registered facilities alone in the country for 2014. It is interesting to note that Tourist Guest Nights have been calculated only for establishments registered at the SLTDA and therefore does not include tourists lodging at unregistered accommodation units. If those numbers were included, the oversupply would be even higher. The addition of more graded rooms to such a status quo would only turn SMEs and other locally run hotels out of business as a result of price in the face of lack of demand. This phenomenon started materializing in the country when star class hotels were forced to offer tremendous discounts on certain months to keep their room occupancy rates afloat, and the government in reaction had to enforce minimum price regulations to prevent smaller establishments from going bankrupt as they could not lower their prices to be in competition with larger hotels offering 'generous' discounts (Wijedasa. 2014 June 8).

Thus the formal institutional claim that the country is suffering from a lack of accommodation facilities is both true and false. It is true because real observations prove that on certain months of the year, tourists are seen renting bed rooms in clay huts and even mat space on public beaches because all hotel rooms are occupied. This situation brings two factors into the limelight: seasonality of tourism and distribution of accommodation facilities in the country. The 'hut and mat renting' situation occurs only on certain months or seasons that applies to a particular area. While room occupancy

can be as high as 100 percent during such seasons, accommodation facilities practically have to close down during off-season since they cannot even meet the operational cost due to low occupancy. Therefore the country need not rush to setup more lodging facilities, led by the ‘false’ claim that there is a lack of rooms.

The second factor that creates the mirage of a dearth of rooms is the existing distribution of accommodation facilities. The distribution of accommodation facilities is very much biased towards the coastal area and the capital city. For example, more than 75 percent of registered lodging facilities in 2014 were clustered in Colombo, Greater Colombo and South coast. More than one fourth of them were found in the South Coast; 20 percent located in Colombo and about 15 percent in Greater Colombo (SLTDA. 2015: 40). Despite the thrust towards the East coast with its world renowned beaches, it had only 10 graded accommodation establishments with a total room capacity of 296 in 2010. The situation had not changed very much by 2014, with only about 3 percent of the registered lodging units located in the East Coast (*ibid*). Areas such as the East Coast creates a ‘dearth mirage’ during the surfing season (April to August) that is erroneously generalized to the entire country for the entire year.

The foregoing analysis suggest that what is required is not haphazard building of hotels to increase their number, but upgrading of existing hotels, training and human resource development as well as planned development of resorts. The foregoing analyses also suggest that there is much scope for the grassroots level to integrate into the tourist accommodation subsector because not only is the advent of flashpackers conducive towards such a climate, but also because the demand for accommodations facilities during the peak-season is already catered to by informal establishments.

III. The Impact of Tourism on Economic Development in Sri Lanka

The contribution of tourism to the economy of Sri Lanka is greater than many other sectors. This is most evident by the fact that tourism was elevated to the third largest source of Foreign Exchange Earner of the national economy in 2014 and 2015 as mentioned in the introduction of this chapter.

Much of the contribution to the economy is discerned from the foreign exchange earnings through tourism, which was discussed in the foregoing section together with the tourist arrival statistics. The analysis showed that despite fluctuations instigated by external forces, foreign exchange earnings through tourism has risen considerably over the years.

Tourism also brings revenue to the government through taxation of tourism businesses (Business turnover Tax, import duties and employee taxes), airport embarkation fees, landing charges and rentals, revenue from sale of aviation fuel, revenue from botanical gardens and wildlife parks, and museums. Given the intricate nature of the tourism industry (tourism goods and services cannot always be easily separated from general sectors and services in the country) it is difficult to calculate the net profit accruing to the government from tourism. Sri Lanka also has a gap in data in this area. However analysts are optimistic as Tantrigama shows that an approximate calculation shows that for the year 1990 alone, tourism generated a net benefit of LKR 78 for every LKR 100 spent by the government (Tantrigama, 1994:5).

Another very important economic contribution is that tourism contributes to the regional development of the country. Formal institutions are required to develop general and tourism specific infrastructure facilities such as roads and highways, airports and harbors, telecommunication facilities and other basic utility facilities such as electricity and water

in areas where they target to attract foreign tourists. Areas such as Hambantota, Eastern coast and Kalpitiya in Sri Lanka have been under the limelight for such development for the sake of tourism. For example, as mentioned in the foregoing section, Hambantota saw the construction of an international airport, a port and roads and highways to facilitate tourists visiting the Southern and Eastern parts of the country. The poor judgement and the politics involved in carving out potential tourist regions and the facilities most relevant for those areas is another matter pertaining to institutions that was discussed earlier in the second section of this chapter. Poor and politicized judgement therefore contributes to the creation of a ‘development mirage’ and further drainage of economic resources for the maintenance of underutilized infrastructure facilities such as the MRI airport in Hambantota. The MRI Airport was recently called the ‘World’s emptiest airport’ on the Forbes Magazine (<http://www.forbes.com>) as the airport is not receiving any more than two flights landing occasionally despite its massive size and fully operating staff. According to the official website, the airport boasts of a passenger terminal that stretches across 12,000 square meters and can handle 1,000,000 passengers per annum; a 1,000,000 square foot duty free area; and twelve check-in counters. The upgrades that started in 2015 includes 34 additional check-in counters and a total of 30 boarding gates (<http://www.airport.lk/mria/>). In the tongue-in-cheek article on the Forbes magazine, the author describes how deserted the airport is despite the availability of these facilities, as his footfalls echoed through the empty corridors of the sprawling airport that had no other visitor but himself. Occasionally there are visitors who stop briefly at the airport on their way to other places, just to see the showpiece of an airport. The other infrastructure development projects in Hambantota that coincided with the building of the airport included a multi-stage deep sea port, a large industrial zone, a massive conference

center, a world-class cricket stadium, housing developments, and a hotel and tourism area, some of which never progressed and others that are just as underutilized as the airport. As these projects are largely funded by Chinese aid, mostly in the form of soft loans, such shortsighted developments have piled further economic burden on the country rather than helping be relieved of debt. In an interview for the Al Jazeera, the Airport and Aviation Minister at that time had admitted that the Mattala Rajapaksa International Airport, which was opened to the public in 2013 had earned a revenue of only Rs. 16,000 (About US \$120) for the month of May in 2014, despite costing \$209 million plus interest to build (<http://www.aljazeera.com>).

The ongoing Kalpitiya Resort Development project by the SLTDA has proposed for extensive infrastructure development in the area such as roads, helipads, domestic airport, hospitals, golf courses, accommodation facilities for tourists of all types, shopping facilities, facilities for water sports and a myriad of others (<http://www.slt-da.lk/kalpitiya>) in the otherwise deprived area, suggesting that tourism related infrastructure development may develop the region. It could be argued that this project has much greater chances of success than the Hambantota projects as Kalpitiya is rich in natural resources needed to develop a tourism as an industry.

In principle, tourism also has the potential to help improve local industries. Increasing tourists create a demand for lodging facilities, food, locally made souvenirs and many other goods and services that can help develop local industries. Even though local service providers fair better in the accommodation and restaurant subsectors, the tourist shops are flooded with wares that are mostly manufactured in other countries; mostly in China, indicating that this subsector is not contributing to improve local industries such

as cottage industries. This has been vaguely mentioned in existing tourism related studies (Bandara,2008: 63-64) but this matter deserves more attention than what it has received so far. The main reason for the poor availability of Sri Lankan made souvenirs could be the Open Economic policy introduced in 1977 which allowed the importation of cheap foreign goods into the Sri Lankan market from abroad. As most of these souvenirs are hand made under cottage industries, this policy threatened most of the small and medium industries including cottage industries to the extent that some were not even able to survive the competition (Wijewardena, 1989: 16). For example, of the 115,00 handlooms installed in the country before 1977, about 30 percent had ceased to function by 1980 (Wijewardena, 1989: 16) and only 6419 were operating by 2011, of which 3234 were under government ownership (Ministry of Industry and Commerce, 2012: 4). The accommodation and restaurant subsectors contribute better as their inputs such as vegetables, fruits, and other food items, as well as the ownership of SMEs in these subsectors are largely local³⁸. This matter and the current situation is discussed further in Chapters 4 and 5.

Per day spending by foreign tourists have increased through the years, which is vital to increase the foreign exchange earnings flowing into the country. Figure 2.17 shows the trend in which foreign tourists' per day spending has increased in Sri Lanka. According to the figure, the per day spending of tourists had maintained a steady growth from just US \$ 7.4 per person per day in 1970 to US \$ 103 in 2012 except on two occasions when it was marked with sharp, noticeable dips due to the Black July in 1983 and Global Financial Crisis in 2008.

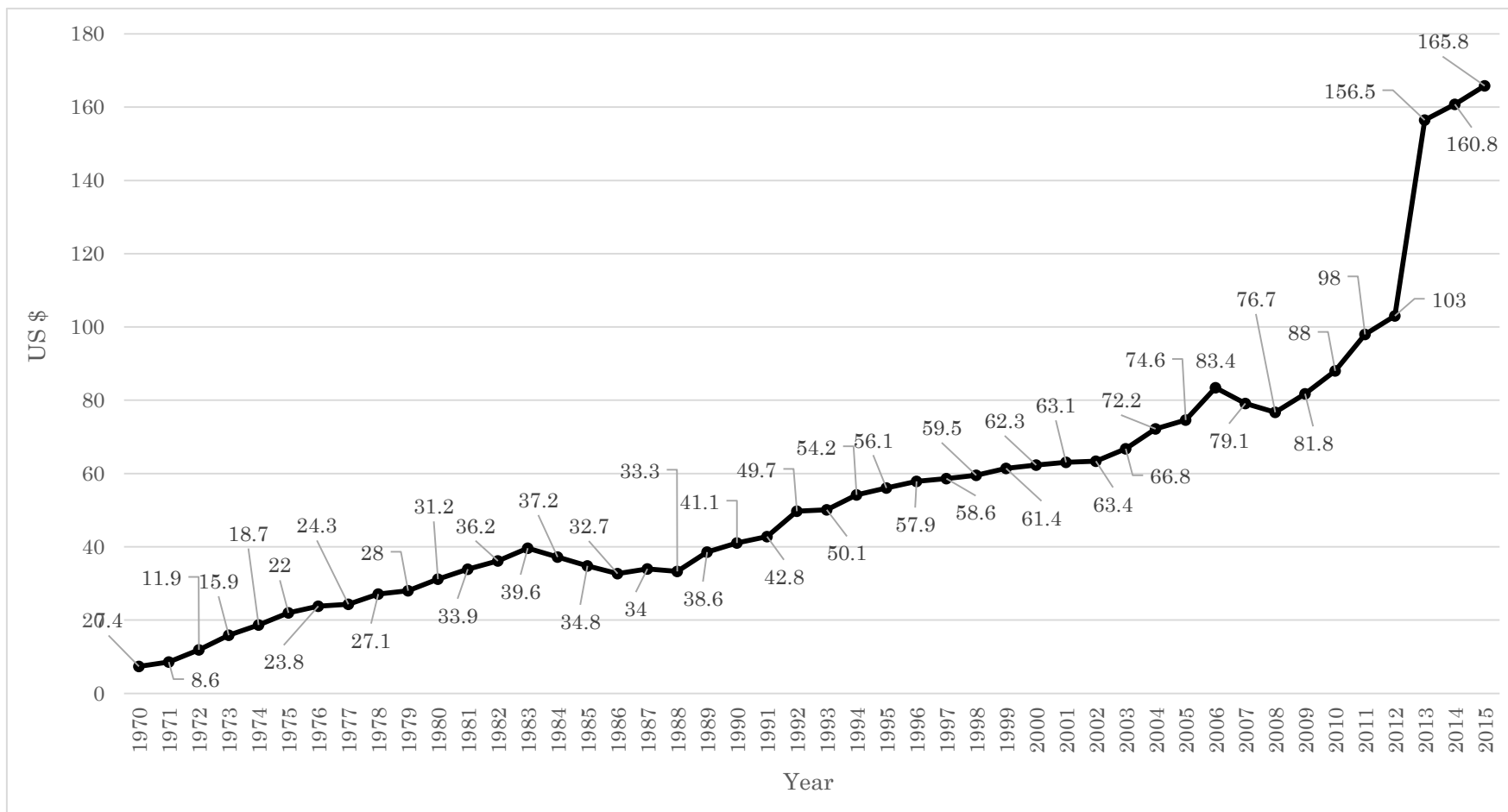
³⁸ The term 'local' may mean that the owners are from the same area or Sri Lankan.

However it has been argued that the astronomical increase in tourist prices is also explained more by the increase in tourist prices rather than tourists willingly spending more in Sri Lanka. Tourist prices have increased many folds since the beginning of the boom as reflected by the revenues. For example, the SLTDA (2011:11) claims that all three areas for which tourist prices are being calculated have seen a price hike between 2010/11 and 2011/12:

- Accommodation: 17.8 percent
- Food and Beverage: 8. Percent
- Transport: 65.3 percent

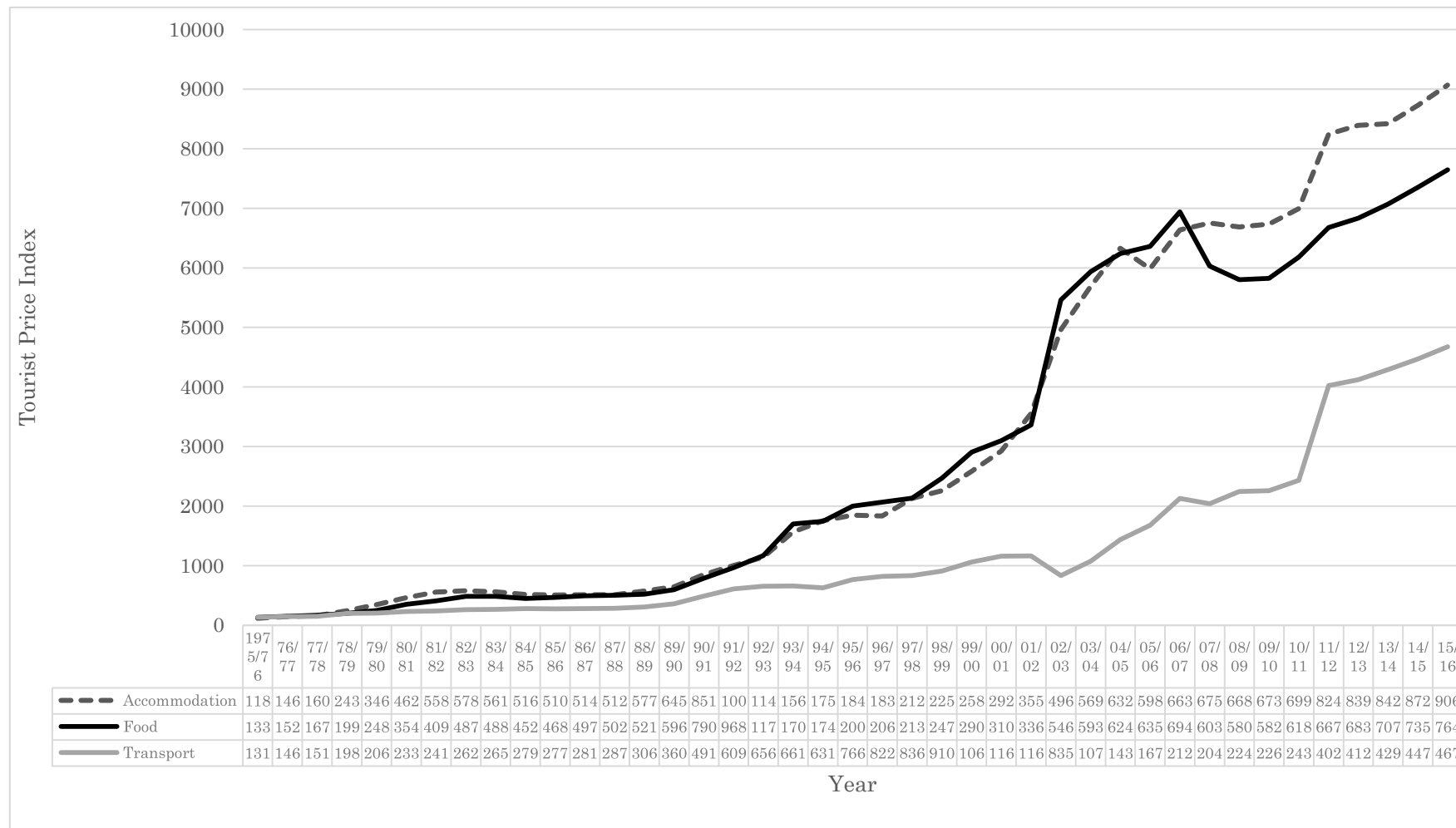
Figure 2.18 shows the general trend of tourist price indexes for the accommodation, food and transport sectors for the period between 1975/76 to 2015/16. The figure shows the steady increase of price indexes for all three areas over the period with noticeable increases in 2002/03 in the food and accommodation subsectors; and in 2011/12 in the transportation subsector. The dip in 2007/08 is probably due to the Global Financial Crisis. Thus government policies (such as taxation of local tourism businesses or incentives for new investments in the sector) as well as conditions external to the tourism sector such as financial crises or disasters that may push up prices (or bring down prices as a result of government incentives such as discounts for tourists to regain tourist arrivals) all play a vital role in determining tourist prices for a destination. The Figure exemplifies that therefore, increased per-day spending by tourists is not simple willingness by tourists to spend more in the destination because there have been worthy opportunities created by the country to generate economic benefits from tourism. It is a complex reaction to general inflation and rising tourist prices driven by a myriad of formal institutional forces.

Figure 2.17 Per-day spending by foreign tourists in Sri Lanka (1970-2015)



Source: Adapted from Annual Report 2015. Sri Lanka Tourism Development Authority.

Figure 2.18 General trend of Tourist Price Indexes in Sri Lanka (1975/76 – 2015/16)



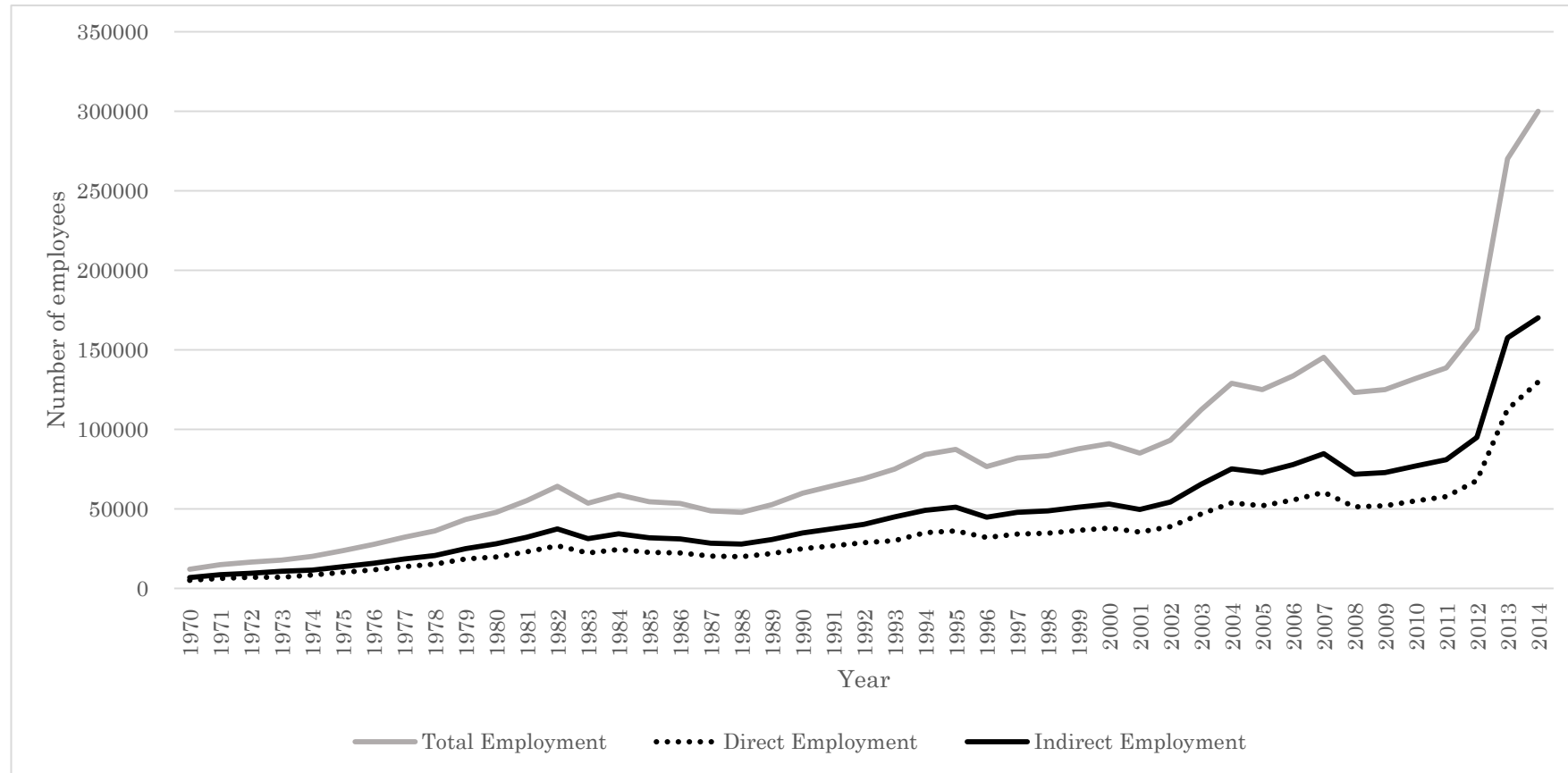
Source: Sri Lanka Tourism Development Authority, Annual Reports (Various issues).

How much of this foreign exchange is lost through leakage is also another area that calls for serious attention. Internal leakage is perhaps the commonest form that tourist dollars leak out of the Sri Lankan economy i.e. through expenditure on imports. As explained in the foregoing section of this chapter, the formal policies pertaining to tourism are largely inclined towards encouraging foreign direct investments through tax holidays, tax exemptions, free repatriation of profits, duty free allowances for the importation of building materials for tourism projects etc. While such policies create a welcoming environment for foreign investors and large entrepreneurs, small and medium entrepreneurs do not benefit much from them as their capital investment is too small to receive any benefits. On the other hand, even though SMEs retain most of the tourist dollars in the country as opposed to large/ foreign enterprises who splurge them on imports to create a 'homely' and quality environment in Sri Lanka for foreign tourists, most of these establishments are not even registered at the SLTDA to be eligible to receive benefits. During the year 2015, 20 new foreign hotel projects commenced work in Sri Lanka while international hotel chains such as Shangri-La, Hyatt, Movenpick, Sheraton, Banyan Tree, Anantara, ITC, RIU and NEXT continued their construction activities (Central Bank of Sri Lanka, 2015: 4). Field studies have shown that under the guise of maintaining international standards, some hotels spend about 50 percent of the total expenditure on importing items. A large proportion of this expenditure is spent on food and beverages such as canned food and housekeeping items such as textiles, crockery and cutlery (Tennekoon & Rajaratne, 2012: 53). The same study stipulated that hoteliers cared very little about leakage (Tennekoon & Rajaratne, 2012: 53). This shows that even if the ownership is local, attitude of the local owners (and not to mention suppliers) have an important part to play in curbing leakage. This matter is discussed in detail in

Chapter 5, which analyses community participation in tourism activities and its linkage with informal institutions.

Perhaps the most ‘felt’ contribution of tourism is its ability to generate employment opportunities for the local people. Figure 2.19 shows how the number of employees engaged in the tourism sector in the country has increased over the years. Indirect employment is rather difficult to calculate, and hence is only an estimate by relevant authorities. According to the figure, direct and indirect employment have maintained a steady rise in the given period except for a few points of decreases during the civil war and other external influences. For example, the number of people engaged in tourism related occupations decreased in 1983 due the Black July attacks and the string of violent events that followed, disrupting the tourism sector as explained in the foregoing analysis. This marked a heavy drop of 16.5 percent in the number of people engaged in tourism. The number of people engaged in tourism plunged by 12.1 percent in 1996 as the Central Bank Building in Colombo was attacked by LTTE suicide bombers in January 1996, causing the entire tourism sector to suffer throughout the year due to decreased tourist arrivals. On a similar note, tourism sector employees plummeted by 6.5 percent in 2001 due to the terrorist attack on the Colombo International airport bombing. Even though no foreign tourists have been killed in these attacks, they nevertheless created an unsafe image of Sri Lanka. The numbers fell again in 2005 due to the Tsunami disaster that occurred in December 2004 and washed away a number of tourism-related business. Sources have estimated that nearly 30,000 people involved in tourism were negatively affected by the disaster alone (Rice, 2005: 6). Another sharp decline of 15.2 percent was experienced in 2008 which was a combined effect of the intensified civil war and the Global Financial crisis that saw a decline in demand for the tourism product in Sri Lanka.

Figure 2.19 Direct, Indirect and total employment in the tourism sector in Sri Lanka (1970-2014)



Source: Sri Lanka Tourism Development Authority, Annual Reports (Various issues); Central Bank of Sri Lanka, Annual Reports (Various issues)

As the figure suggested, tourism in Sri Lanka provides a large number of employment opportunities for skilled and semi-skilled human resources. These jobs span a wide area including accommodation sector, restaurants, transport, entertainment, travel agencies, attractions and many other related service. There are also many other industries that are indirectly linked with the tourism industry such as agriculture and fisheries, cottage industries and other manufacturing industries. A newspaper survey conducted in 2010, spanning about 8 months showed that more than one fourth of the vacancies existed for managerial/ administrative jobs such as managers (15 percent), executives (11 percent), and supervisors (5 percent) in the hotel sector in Sri Lanka (Silva, 2011: 14). The aforementioned jobs as well as almost all others such as chefs, cooks, guest relations officers, housekeepers, room boys in hotels require training or experience to deliver a superior service to guests. However foregoing sections of this chapter and Chapter 4 discusses in detail, what could be termed the biggest drawback of the hospitality industry i.e. poor human capital and failure to train existing human resources adequately. As the study hypothesized, formal institutions are affected by informal institutions. For example, formal institutions in the country are unlikely to facilitate more training programmes for various occupations in the tourism sector when there is a generalized attitude that “Mostly, the industry does not require highly academically qualified and skilled experts” (Silva, 2011: 11).

The fact that the number of people engaged in activities related indirectly to tourism is much greater than those directly related to tourism shows the extent of economic linkages supported by tourism. Tourism is usually considered as an end product, from which other industries do not draw their inputs. Therefore it would be very logical to argue that forward linkages for tourism are nonexistent. However there are a number of

backward linkages associated with tourism providing inputs for tourism businesses. They include agriculture (fruits, vegetables, export crops etc), livestock, fisheries, cottage and other industries, transport and communication, banking, insurance and real estate, electricity, gas and water, factory industries, retail and whole sale trade, construction industry etc. In other words, tourism has a multiplier effect in which the initial spending of a tourist will pass through several primary, secondary and tertiary sectors, creating a number of employment opportunities of a wide range in the process and generating incomes for all of the associated people as the money changes hands. This in return stimulates more industries and services. In principle, this also facilitates income distribution to narrow down the gap between different income categories in the country. That is, the money spent by a tourist will not stagnate in a single sector, but instead will reach a multitude of individuals in a number of sectors, thereby facilitating a more equitable distribution of income. However, analysts argue that income distribution is wider in domestic tourism thereby making it an even more beneficial option for local people. This study also analyses the issue of income distribution critically in Chapter 5.

IV. Concluding Remarks

This chapter discussed the role of formal and informal institutions in tourism in Sri Lanka from 1961-2014. The chronological events of tourism during the aforementioned period was divided into five major periods based on the indices of tourist arrivals and foreign exchange earned through tourism and an institutional approach was employed to understand and explain the trends and variations.

This chapter concluded that Sri Lanka recognized tourism as a major economic development tool after independence, and hence employed many formal institutional

strategies to develop the industry. Open economic policies for example, have proven to be very conducive in improving the industry. The country also had to use strategic formal institutional interventions to keep the tourism from bleeding dry in the face of shocks challenges such as political unrest, civil war and natural disasters. While such formal institutional interventions were able to save the industry during turbulence, they were not sustainable because informal institutions were underplayed; nothing was done to empower them and formal institutions led the way in all instances. As informal institutions had very little power in controlling the status quo and formal institutions were plagued with politicization, nepotism and laxity of leadership, tourism in Sri Lanka did not achieve as much as its potentials and prospects have to offer. This has been pronounced after 2009, when the civil war came to an end and the biggest obstacle to developing the industry was removed. This chapter explained how the current tourism industry in Sri Lanka is over controlled by formal institutions and how they do not pave way for informal institutions to be empowered. It also explained how such a situation has distorted the projections; and subsequently projections for the industry.

Chapter 3

Tourism and Economic Development in Sri Lanka: Analytical Framework and Methodology of the Study

I. Introduction

This chapter attempts to present an insight to the study in terms of the study area, analytical framework and methods of data collection. It also discusses in detail the objectives, hypothesis, importance of the study, methods of data analysis, and the sample of the study.

II. Objectives and Hypothesis

The main objective of the study was to examine how informal institutions affect the function of formal institutions and tourism products and services as a whole in Sri Lanka. Keeping this aim as the core inquiry of the study, it attempted to investigate the following objectives in particular:

- ① To gain an insight into the level of satisfaction of foreign tourists with formal and informal institutions providing tourism goods and services in Sri Lanka

The study attempted to investigate the level of satisfaction of tourists with regard to several tourist products and service such as accommodation facilities, shopping facilities and food. The study also probed into the tourists' experience and perceptions of Sri Lanka in terms of personal safety and hospitality from local people. In doing so, the study persistently focused on informal institutions and how they affect quality and functioning of the aforementioned areas.

- ② To understand attitudes of the host communities to tourism and tourists

The study focused deeply on the perceptions of local residents in the four sample areas on tourism activities and their impact on the area in terms of the economy, environment

and society. It also probed into the local people's attitudes on tourists in general and types of tourists in general such as female tourists; different nationalities and racial appearance of tourists.

③ To discern the level of community participation in tourism-related activities

The study looked into local people's propensity to become members of tourism-related community organizations, participate in their meetings/ events and take part in tourism-related decision making. It further analyzed if local people were adequately informed about tourism activities in their areas, and if their ideas mattered to formal institutions. By doing so, the study attempted to gain an insight into the level of ownership and empowerment of the local people in the four areas towards tourism.

④ To analyze the role of informal institutions in the implementation of the formal institutions and their effect in the sum-total tourist satisfaction

Finally, the results were used to analyze two factors. First, how informal institutions affect the spirit of hospitality of the local hosts in the general public. Second, it attempted to understand the impact of informal institutions (such as norms, attitudes, beliefs, values and folkways) on the quality of tourism products and service offered by formal institutions that can thereby enhance or mitigate the sum total tourist satisfaction.

The study hypothesized that both formal and informal institutions play an important role in tourism development in a country. While formal and informal institutions are interdependent and interact between each other, the influence of informal institutions in the implementation of formal institutions is a decisive factor in determining the sum total outcome of institutions. Informal institutions can thus affect the availability and quality of tourist products and services in a destination. This can in return affect the level of satisfaction of foreign tourists and their perception of the destination. In other words, it

is hypothesized that the effectiveness and/or implementation of formal institutions actually are closely related to the positive contribution of informal institutions.

It is also hypothesized that informal institutions have power of its own to affect the perceptions of foreign tourists by affecting the varying degrees of hospitality towards different types of tourists. Local people's attitude towards tourism and tourists which manifest in their display of hospitality is largely determined by the level of access allowed for the grassroots level to the tourism sector. 'Access' could be operationalized as being able to engage in tourism-related occupations that allow to gain tourism-related economic benefits/ income and/or their participation in decision making; being consulted and being informed in tourism-related matters taking place in the area and their capacity

Thus the study evolves on the two-pronged hypothesis that informal institutions affect foreign tourists' perception of a destination by influencing the availability and quality of tourist products and services offered by formal institutions, and then also by shaping the spirit of hospitality of the local people towards foreign tourists.

III. Importance of the Study

The world has experienced an unprecedented growth in tourist arrivals around the globe. The year 2015 saw the arrival of more than 1 billion tourists (1186 million) and earned US\$ 1260 billion from tourism, which is a 4.4 percent growth from the previous year (UNWTO Annual Report, 2016: 2-5). The growth has been specifically significant in the developing countries, marking a growth rate of 4.4 percent as against 2.2 percent in developed economies. Hence many countries opt to tourism as a panacea and a safe mode of development and some developing economies depend largely on tourism for

survival. For example, in the year 2014 the direct contribution of tourism to the GDP was 41.5 percent in Maldives, 21.3 percent in Seychelles, and 18.6 percent in Vanuatu. On a similar tone, 32.2 percent of the workforce of Maldives was engaged in tourism sector employment in 2014, while it was 22.9 percent for Seychelles and 14.6 percent for Vanuatu (WTTC. 2015: 7-8). The importance of tourism to developing countries could be understood by comparing indices of Sri Lanka with that of the World and Japan as shown on Table 3.1 below. As the table shows, tourism is important to Sri Lanka as a developing country, in all senses of the term. Its contribution to the GDP, generation of employment opportunities and exports of Sri Lanka are all clearly much higher than the average indices for the world and developed countries such as Japan.

Table 3.1 Role of tourism in the economy of the World, Japan and Sri Lanka (2014)

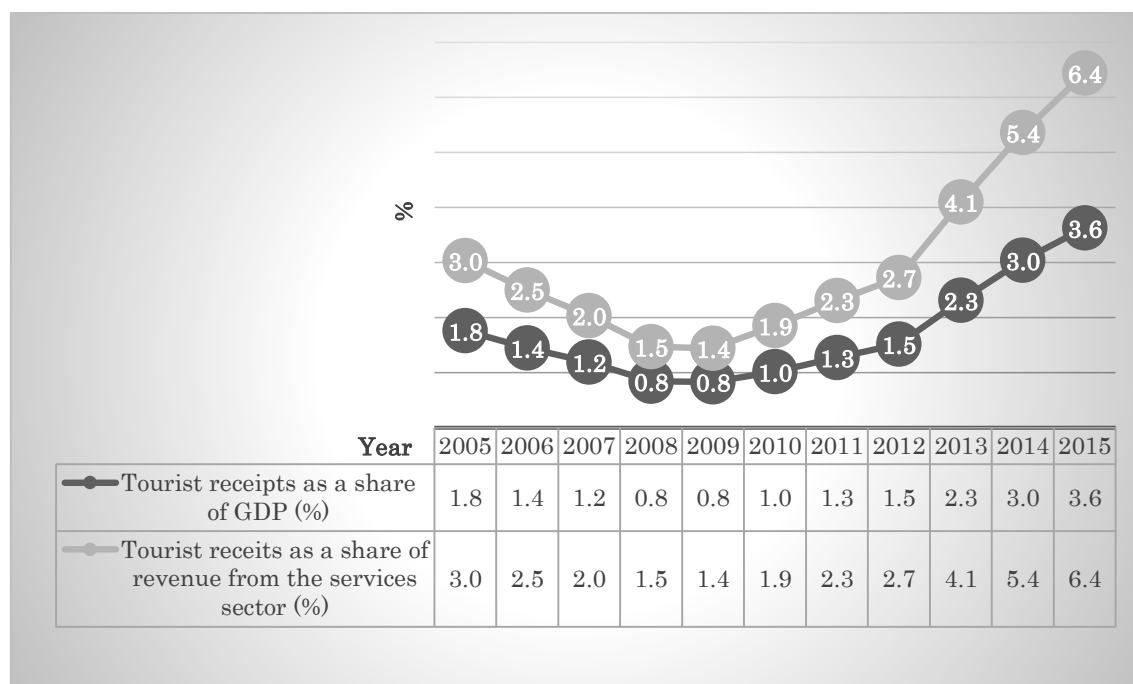
	Direct contribution to GDP		Total contribution to GDP		Direct contribution to employment		Total contribution to employment		Total exports	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
World	3.1	N/A	9.8	N/A	3.6	N/A	9.4	N/A	5.7	N/A
Japan	2.4	127	7.5	117	1.8	152	7	123	2.3	160
Sri Lanka	8	61	11.1	70	4.3	72	10	80	21.3	52

Source: WTTC Travel & Tourism Economic Impact 2015, (Japan & Sri Lanka).

While the global climate for tourism was turning from good to better, Sri Lanka terminated its decades-long civil war and returned to peace in 2009, creating a very healthy atmosphere for tourism in the island. Tourist arrivals to the country grew to 1,798,380 by 17.8 percent; tourist receipts increased 7.72 percent to US \$ 2,980.6 million,

making it the third largest foreign exchange earner for the country³⁹ next only to migrant workers' remittances and garment exports. As Figure 3.1 shows, the share of tourism receipts in the GDP of the country as well as its share in the revenue generated by the services sector have both grown sharply especially in the post-civil war period after 2009. The increase is more pronounced when viewed as a share of revenue generated in the services sector, implying that its importance in the services sector is growing rapidly.

Figure 3.1 Tourist receipts as a share of the GDP and revenue from the services sector in Sri Lanka (2005-2015)



Source: Calculated from Central Bank Annual Reports, Colombo, Various Issues

³⁹ Tourist Receipts as a share of the GDP of Sri Lanka indicate that it was 0.83 percent, 1.16 percent, 1.41 percent and 1.75 percent, 3.9 percent and 4.8 percent for years 2009, 2010, 2011, and 2012, 2013 and 2014 respectively, marking a clear growth of the contribution of tourism in the national economy (Calculated from Central Bank Annual Reports, Colombo, Various Issues)

However, using tourism as a development strategy has many implications. Chapter 1 discussed in detail the ‘costs’ of tourism in terms of economic, environmental and social implications. Thus it is indeed a challenge to meet changing tourist needs and satisfy them in order to maintain a steady flow of tourists into the country, while at the same time minimize negative impacts on the environment, society and the economy.

What the aforementioned argument means is that, it is important to satisfy foreign guests while at the same time keep the industry sustainable by ensuring that the hosts’ economic needs are met; their natural habitat is left intact; and their society is not subject to unwarranted changes in a manner that is disruptive of the existing setting. In principle, both formal and informal institutions could be important to achieve these targets.

Indices in Chapter 2 have shown that not only Sri Lanka is in an unfavorable competition with regional destinations, but also that the country is not able to achieve some of the targets set for itself. For example, Sri Lanka stands 61st the world in terms of tourism’s direct contribution to GDP; 72nd in terms of its direct contribution to employment; and 111st in terms of its contribution to total capital investment in 2014 (WTTC. 2015: 7-8). In none of these cases was Sri Lanka the best performing destination at least in South Asia. As mentioned before, the country is also very likely to fail to reach its target of 2.5 million foreign tourists by the end of 2016. This is mainly because the sharp increase in the growth rate (more than 46 percent) marked immediately after the end of the civil war did not sustain, and the growth rate slowed down, leading to lower performance.

IV. Research Problem

The function of formal institutions is straightforward and simple, and it has worked well

for many countries in many respects. Formal rules, regulations and policies could shape people's behavior and punish non-compliant behavior. Thus Sri Lanka, like many other developing countries has opted to this formal institutional approach of regulating the tourism industry. However existing literature shows that informal institutions such as local people's attitude towards tourists and tourism, their general cultural practices that manifest in the form of norms, values, beliefs and folkways are affecting the functioning of formal institutions and the spirit of hospitality as a whole. Sri Lanka as a destination has failed to regard informal institutions with due importance. The research problem focuses on the point that the destination is overlooking one of the two key ingredients to tourism development, and is thereby attempting to run a competitive race on just one leg. Even though this negligence of informal institutions is suggested through tourism indices, and the competitiveness of the country has declined in the region (as explained in the foregoing section), concerned parties are still barking up the wrong tree by addressing formal institutions.

V. Analytical Framework

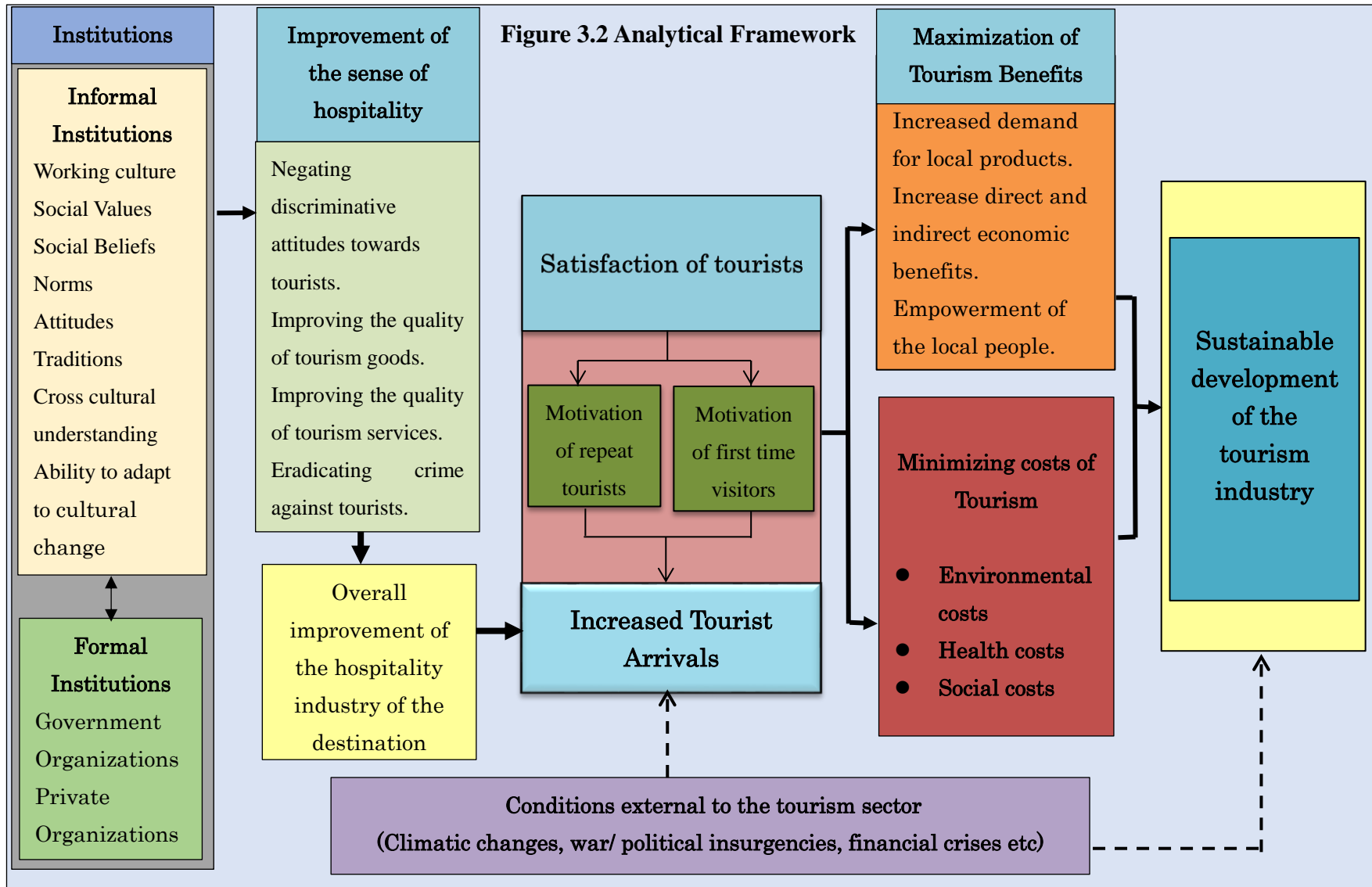
Figure 3.2 depicts the analytical framework of the study. The first two boxes on the left explain the concept of intuitions. Accordingly, institutions consist of formal and informal institutions, of which the formal institutions include, government and private organizations and their rules, regulations and policies as well as their means of enforcement. Informal institutions include, working culture, values, beliefs, norms, attitudes, cross cultural understanding and ability to adapt to cultural change. The diagram exemplifies that formal and informal institutions interact between each other, making them interdependent on each other. It is argued that the successful blending of

the two components can improve the sense of hospitality by negating discriminative attitudes towards tourists, improving the quality of tourism goods, improving the quality of tourism services and eradicating crime against tourists. The downward arrow suggests that such improvement of the sense of hospitality is a crucial part of the overall improvement of the hospitality industry of the destination.

The first intermediate outcome explains that the creation of a tourist-friendly environment can satisfy a tourist, and thereby motivate not only repeat visitors but also first time visitors. Thus it is vital to have a departing tourist satisfied to motivate more tourists into the country and thereby bring about an increase in tourist arrivals. It is argued that apart from institutional (internal) factors that affect the tourists' decision to visit a destination, there are external factors such as political situations, natural disasters, influence of information communication technology etc. that can have profound effects on tourists' decision to travel to a particular destination, but this study does not attempt to examine the effect of external factors.

The forked arrow leading towards the second intermediate outcome suggests that increased tourist arrivals can create potentials for the maximization of tourism benefits such as increased demand for local products, increased direct and indirect economic benefits and empowerment of the local people. The forked arrow also leads to a second box signifying the potentials of institutions to minimize the economic, environmental and social costs of tourism without compromising tourists' satisfaction or the needs and aspirations of the host community. The model leads to the final argument that maximization of the positive impacts and minimization of the negative impacts are the imperatives for the sustainable development of the tourism industry. While it is

acknowledged that there could be many other criteria vital to achieve sustainability, this study maintains that increasing tourist arrivals is the stepping stone to the target of sustainability. Finally, it is argued that a sustainable tourism industry is one important factor in a country's economic development, among many other contributing factors.



VI. Sample and Methodology

Table 3.2 Sample and method of data collection of the survey

Methodology	Type of Respondent, Area and/ or Agency	Number of Respondents
Questionnaire survey on host community	Pinnawala	132
	Kandy	89
	Kitulgala	99
	Arugambay	60
	Total	380
Questionnaire survey on foreign tourists	Foreign tourists in Kandy, Pinnawala, Arugambay and Kitulgala	310
Hearing survey on host community	Local people in the same areas as above	20
Hearing survey on foreign tourists	Foreign tourists in the same areas as above	25
Key persons interview	<ul style="list-style-type: none"> • Government officers from the Sri Lanka Tourism Development Authority • Hotel/ guesthouse Managers • Hotel/ guesthouse Workers • Shop owners/ sales staff and mobile vendors • Tour Guides, Beach Boys and touts, Rafting instructors/ guides • Tourist Police (Two Constables and Officer in Charge) 	41

The first part of the study relied mostly on secondary sources such as UNWTO and WTTC Reports, publications by the Central Bank of Sri Lanka, the SLTDA, and research and articles by other scholars. Thus the first part of the study focused on tourism indices

in Sri Lanka tourism industry and their progression over a period of over 50 years in the backdrop of changing formal institutional interventions and various external influences. Secondary sources were also used to get an initial insight into some informal institutions that affected the system during the period in focus. The aforementioned section of the study constitutes the macro level analysis.

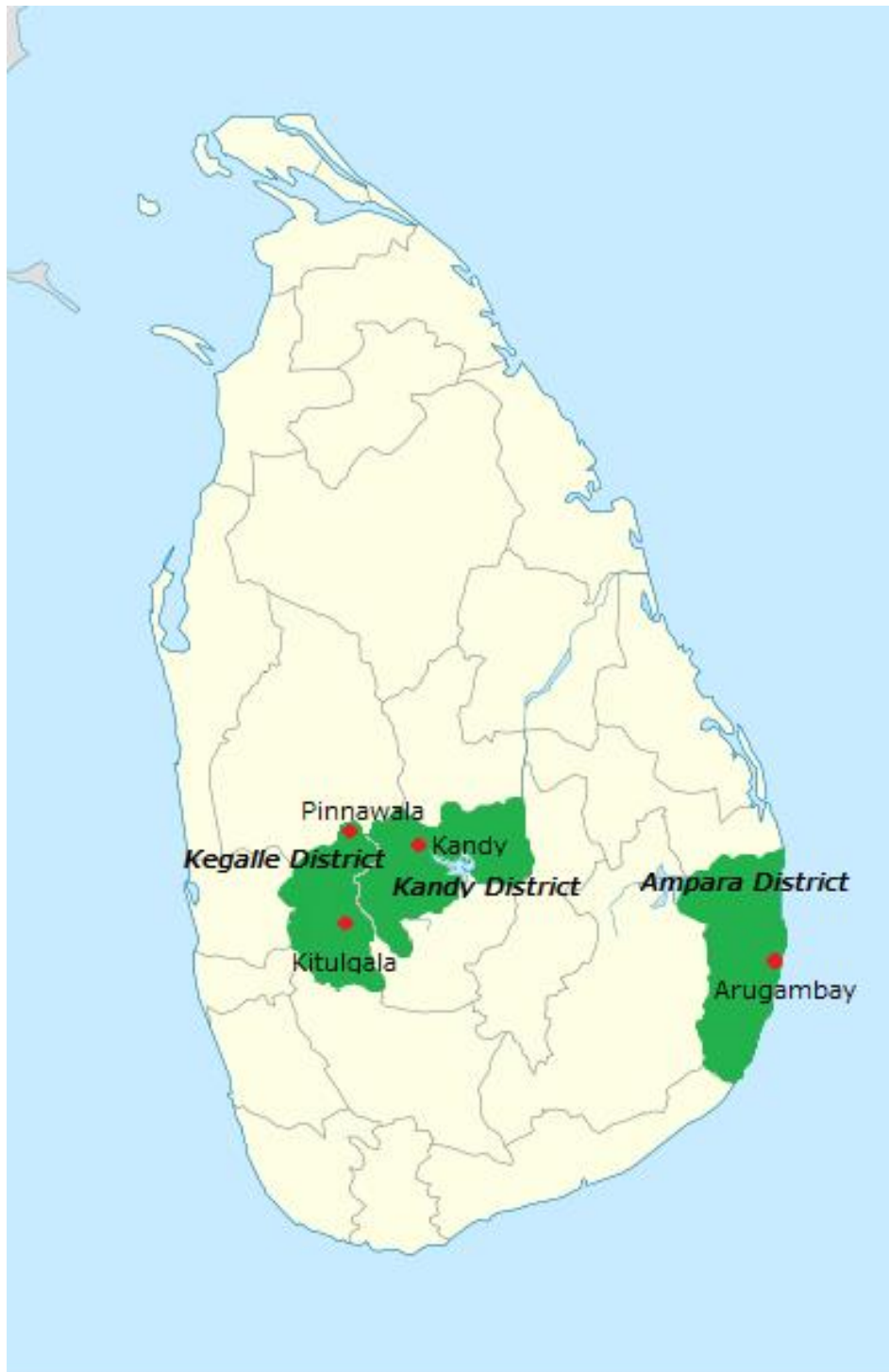
The second part or the micro level analysis was based on both quantitative data and qualitative information. The analysis gave special importance and weight to descriptive statistics and qualitative information to bring out the reality of the situation and avoid misleading patterns presented by statistical analyses. Two questionnaire surveys and several different hearing surveys as well as observations were conducted to gain an insight to the matters in focus (Table 3.2). All foreign respondents for the questionnaire survey for tourists were selected on a random basis at four major tourist areas in Sri Lanka; namely Pinnawala, Kandy, Kitulgala and Arugambay. The questionnaire survey was conducted with 310 foreign tourists in four languages; namely, English, French, Chinese and Japanese. Tourists' attitude and perception of formal and informal institutions were measured on Likert Scales. The questionnaire survey was followed by hearing surveys with 25 foreign tourists, which aimed to gather information of more qualitative nature, as well as more concrete and detailed information. Quantitative data was analyzed using the Statistical Package for Social Sciences (SPSS) incorporating univariate, bivariate and multivariate analyses.

The survey on local communities was conducted in four local areas popular as tourist destinations; namely Pinnawala, Kitulgala, Kandy, and Arugambay. Questionnaires were administered in the two local languages, Sinhala and Tamil and the 380 respondents

were selected on a random basis. The questionnaire survey was followed by a hearing survey on 20 respondents. Details of the four areas, including demographic details are given at the end of this section.

Key persons interviews were conducted with 23 persons connected to the tourism industry in Sri Lanka. The key persons included government bureaucrats from the Sri Lanka Tourism Development Authority (03); managers of hotels ranging from star class (01) to unclassified (03) and supplementary accommodation (01); a random selection of hotel/ guesthouse workers that included a waiter, a barman, a housekeeping supervisor and a trainee receptionist; and several other employees engaged in the tourism industry such as eight tour guides (National Tourist Guide Lecturers (02), Site/ Area guides (03) and beach boys (03)), an Ayurvedic doctor working at a Spa in a tourist hotel, a tourist bus driver working for a leading tour operator, a ground hostess working for Sri Lankan Airlines promotions division, two policemen and the Officer in Charge working at the Tourist Police in Kandy, the owner/ Director of a private tourism education institute; three rafting guides/ instructors and three surf shop owners. Further, the sample included three shop owners, five mobile vendors, and three sales staff. Data collected from the questionnaires was analyzed using the Statistical Package for Social Sciences, and corroborated by qualitative information gathered from hearing surveys and key-persons interviews.

Figure 3.3 Location of the four study areas according to districts

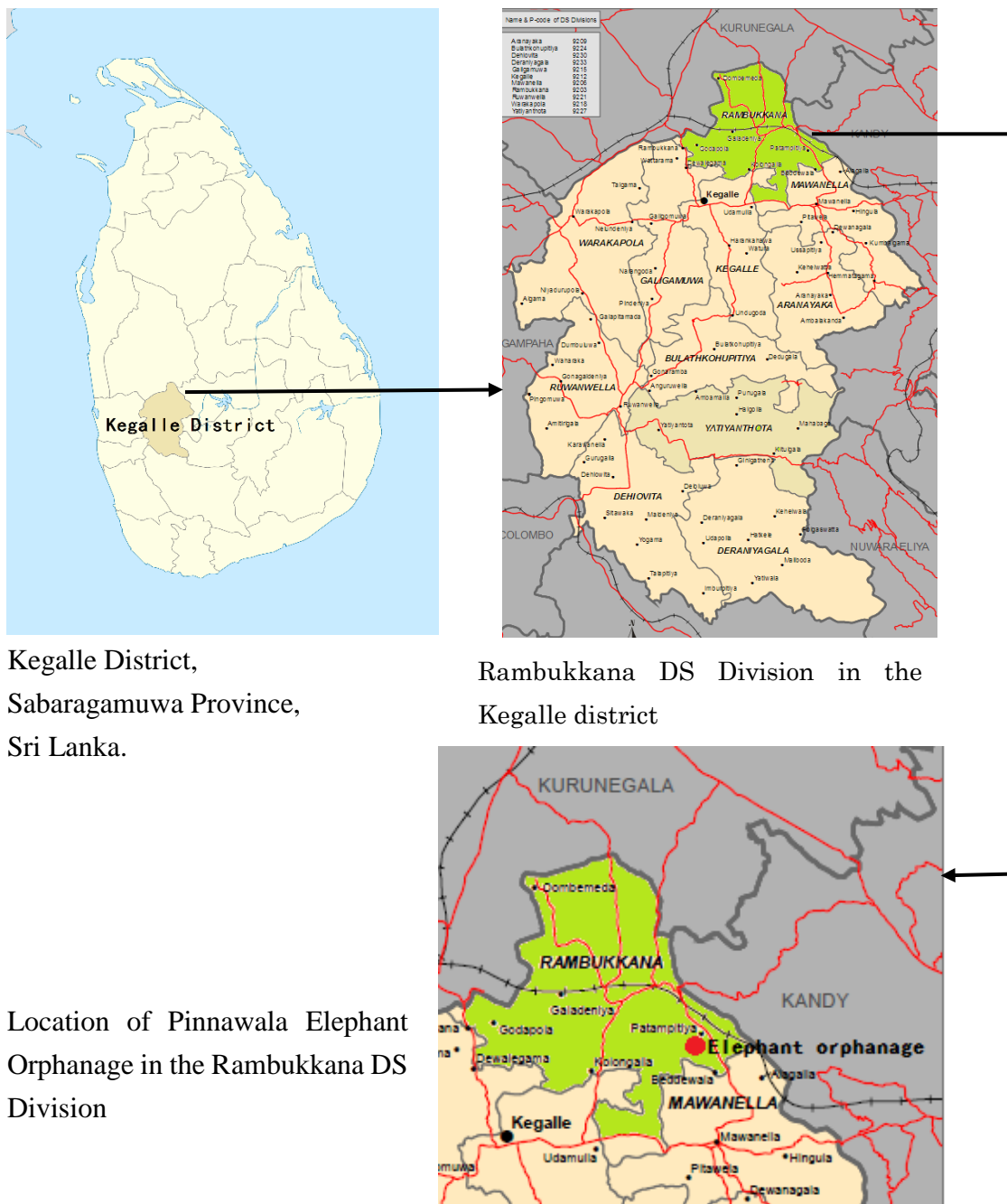


According to Figure 3.3, the four study areas were located in three districts. Pinnawala and Kitulgala were located in the Kegalle district in the Sabaragamuwa province; Kandy

was located in the Kandy district in the Central province, and Arugambay was located in the Ampara district in the Eastern province.

① **Sample Area 1: Pinnawala**

Figure 3.4 Location of Study area 1: Pinnawala



Kegalle District,
Sabaragamuwa Province,
Sri Lanka.

Rambukkana DS Division in the
Kegalle district

Location of Pinnawala Elephant
Orphanage in the Rambukkana DS
Division

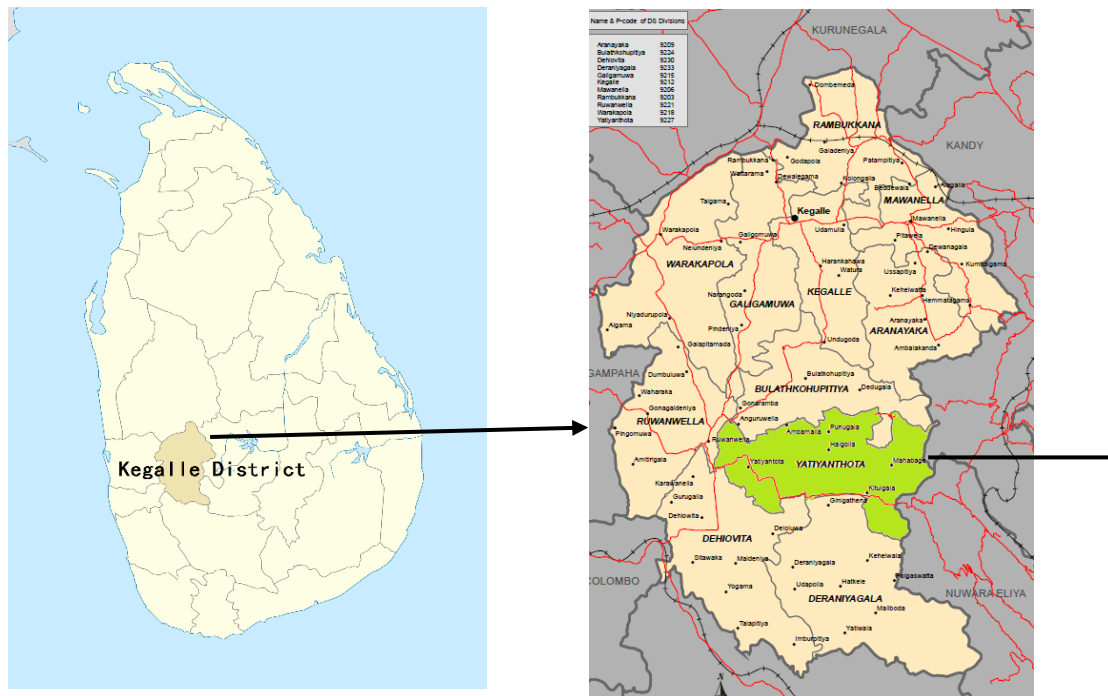
As depicted on Figure 3.4, Pinnawala is located in the Rambukkana DS Division in the Kegalle district in the Sabaragamuwa Province in Sri Lanka. The Rambukkana DS division is one of the 11 divisions in Kegalle, and it consists of 89 GS divisions (Gramaniladhari Divisions) and 217 smaller villages. The Division is about 133.11km² in size, with a total population of 82,373, of which 3886 were male and 43509 were female. A majority of the area are Sinhala Buddhists. The area depends heavily on trade and commercial activities as Rambukkana has the second highest share of commercial enterprises under the label 'Other' (30 percent) next only to Yatiyantota. It could be argued that these are commercial enterprises related to the tourism industry.

What makes Rambukkana a tourist attraction is the Elephant Orphanage (PEO) situated in the Pinnawala village. The Elephant Orphanage was established by the Department of Wildlife Conservation in 1975 and is currently managed by the government formal institution of the Department of National Zoological Gardens of the Ministry of Botanical Gardens and Public Recreation. The total number of tourists to the PEO was 7,12,522 in the year 2013, of which more than half (52 percent) were local tourists. The PEO started with only five elephants and grew in population to become a safe haven for 73 orphaned elephants in the present. As the population of the herd grew in size, so did the popularity of the orphanage as a tourist attraction. Activities at the PEO includes watching and feeding elephants as they spend the day inside the park premises or head to take a bath at the nearby *Ma Oya*. The area around the PEO and the elephants' pathway from their abode to *Ma Oya* are dotted with shops of all sorts, mainly catering to tourists as souvenir shops, restaurants/ café's, grocery stores, gem and jewelry shops and spice gardens and outlets. The area is also walked by a number of mobile vendors selling fruits, candy, ice cream and small souvenirs. The first open air zoo in the country was

opened in April 2015 adjacent to the PEO. The zoo is yet to grow in popularity.

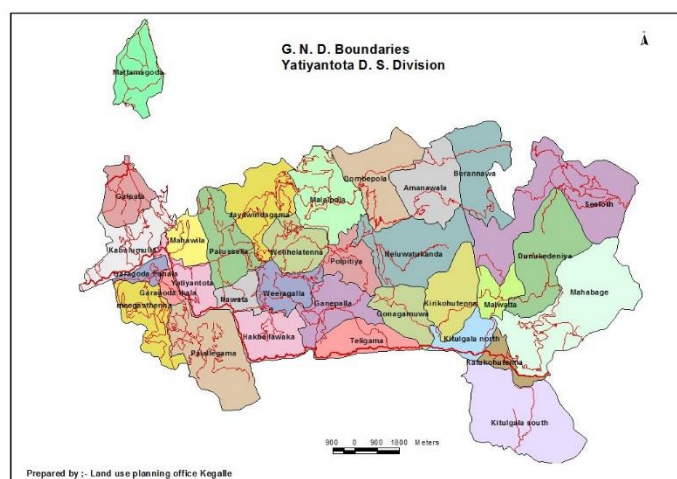
② Sample Area 2: Kitulgala

Figure 3.5 Location of Study area 2: Kitulgala



Kegalle District, Sabaragamuwa Province, Sri Lanka

Yatoyantota DS Division in the Kegalle district



Location of Kitulgala in Yatoyantota DS Division

Source: සම්පත් පැතිකඩ (Facets of Resources) (2014: 3)

Kitulgala is located in the Yatiyantota DS Division in the same District (Kegalle) as Pinnawala. It covers an area of about 172 km², and is subdivided into 32 GS Divisions. A large portion of the study was conducted in, (but not necessarily confined to) the Kitulgala South GS Division. This is because much of the tourist attractions were located in this area. Of the 3008 people living in Yatiyantota, 1480 lived in Kitulgala South. Except for Meegastenna GS Division where Tamils outnumbered Sinhalese, Yatiyantota is predominantly Sinhala Buddhist. Kitulgala South in particular was almost 100 percent Sinhala Buddhist. Only two persons were Tamil. A large majority of the residents were casual laborers who lived on daily wages earned from doing odd jobs. Table 3.3 depicts the deprived status of the residents in the area.

Table 3.3 Status of households in Kitulgala South

	Number of Households	With pipe-borne water	With toilets	With permanent roofing	With electricity	With motorable access
Kitulgala South	430	354	358	426	284	80

Source: සම්පත් පැතිකඩ (Facets of Resources) (2014: 15).

Less than one fifth of the households had motorable access, and only 66 percent had electricity. Seventy six families did not have pipe-borne water and therefore depended totally on river water for drinking, bathing and other needs. Even those who had pipe-born water preferred to take their bath in the river. In other words, the Kelani River that gushes across the village is part and parcel of the residents' everyday lives.

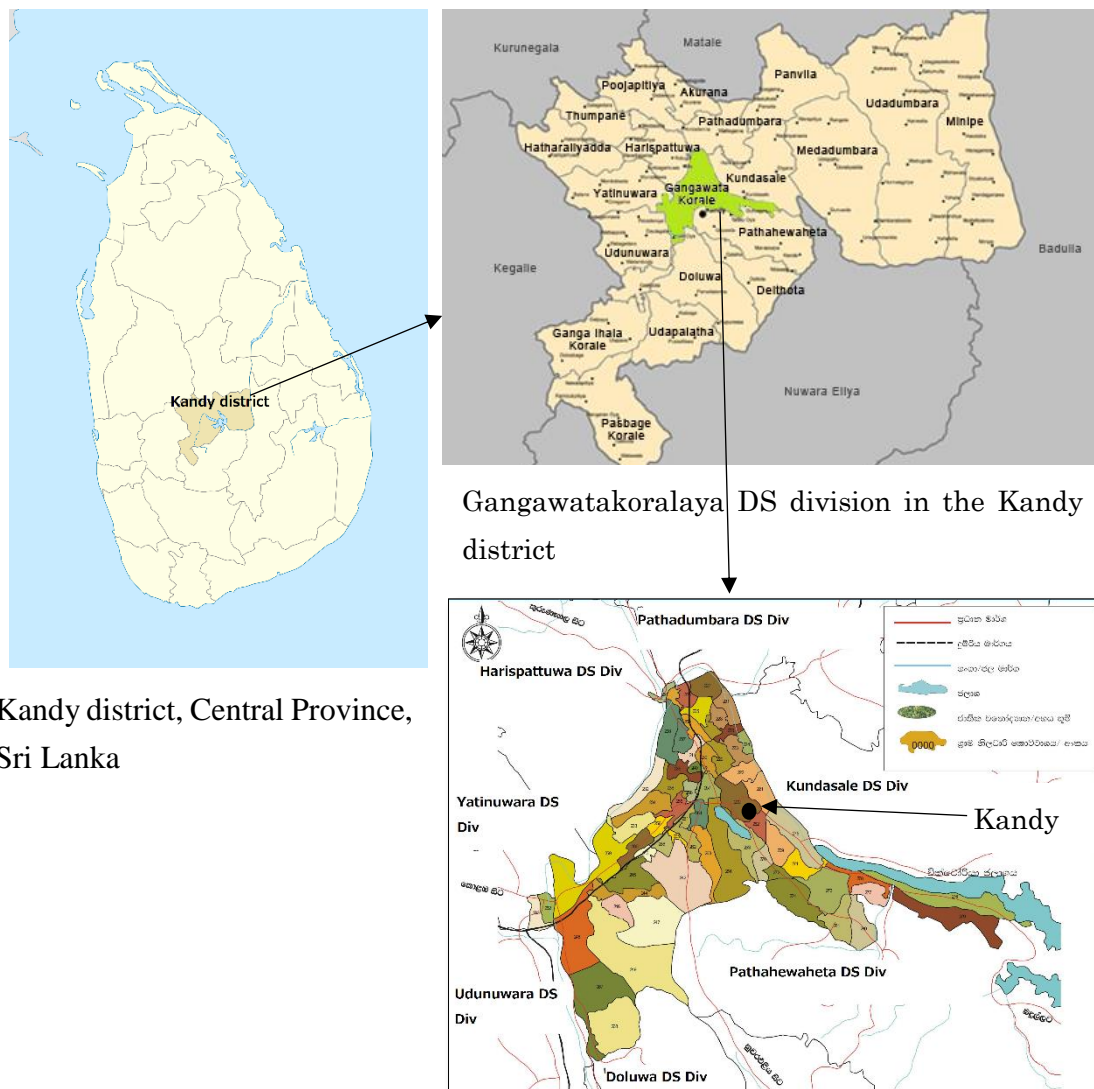
Despite the fact that Kitulgala is blessed with many natural attractions such as waterfalls, misty mountains and rain forests, as well as historical sites such as the pre-historic Beli-Lena caves, this river is the basis of the main tourist attraction of the area. It is only in within this stretch of the Kelani River that white water rafting is possible in Sri Lanka. Thousands of foreign and local tourists visit the area for adventure sports such as Level 3 rafting in the river, waterfall abseiling, hiking, trekking and other forms of nature tourism such as camping and bird-watching. The area has lately become popular among local tourists who come in groups for overnight Leadership Training programmes conducted in and around the Kelani River. Kitulgala was the location of the 1957 Hollywood movie *The Bridge on the River Kwai* for which a wooden bridge was built over the river and then blown up as part of the film. A hand written, tattered sign board attached to a wooden post shows the way to hundreds of tourists who yearn to see the location of this Academy-award winning movie. Once there, nothing except a few concrete slabs of the bridge (and supposedly a few submerged train carriages that drowned in the final blow-up scene) remain.

Despite the fact that the river is closely knitted into the people's lives, the government has launched a fully-fledged project to build two dams across the river and generate hydroelectricity. The project has caused much harm to the environment, killing the natural beauty of the area and permanently marking the end of white-water rafting in the country. Even though government officers claim that water will be released into the river during the day to keep the industry running, hearing surveys with key informants made it clear that it is not possible to turn a river off and on without harming its natural flow. The government has also pledged to rebuild the bridge blown up for the aforementioned movie and introduce it as a tourist attraction. However, the researcher

is of the opinion that it is very unlikely that tourists would travel to a remote village simply to see a reconstruction of an old bridge in the absence of the main attraction of the area i.e. white water rafting and the other river-based adventure sports. Currently, tourists who go to Kitulgala for adventure sports squeeze in some time to see the movie location. In the absence of the main attraction, tourists will cease to visit Kitulgala.

④ **Sample Area 3: Kandy**

Figure 3.6 Location of Study area 3: Kandy



Kandy district, Central Province, Sri Lanka

Gangawatakoraleya DS division in the Kandy district

Location of Kandy in the Gangawatakoraleya DS Division

Kandy, known as the Hill Capital is the second largest city in Sri Lanka situated in the Central Province mountain plains. The Kandy district sprawls in an area of 1940km² and has a total population of 1,279,028 of which nearly three fourth are Sinhala Buddhists and about 13 percent are Moors. The Kandy district is divided into 20 DS divisions and 1187 GS divisions. The study was mostly conducted (yet not confined to) in the Gangawatakoralya DS division where the Kandy city is located. This division has a population of 170,768 living in an area of 76.2km² and is economically very much diversified than other DS divisions in the district especially because it surrounds the city. It is also the tourist hub of the district as the Temple of the Tooth (Sri Dalanda Maligawa) which houses the sacred tooth relic of Lord Buddha is located there. The Temple of the Tooth, built in 1595 boasts of a unique octagonal architectural structure overlooking the Kandy Lake, complete with an artificial island and an ancient Bath House for the Queens. The Maligawa complex also includes the Royal Palace, a museum and a recent addition of a golden canopy. The Temple is a UNESCO World Heritage site, and so is Kandy and many of its historical buildings that have survived the trials of time. Most of the sight seeing hotspots, hotels, restaurants, travel agencies, and other industries and enterprises are clustered in this area recording the highest registration of such commercial places in the district (<http://www.statistics.gov.lk>). All of the new commercial constructions within the Kandy city follow strict formal rules not to rise above the Temple of the Tooth in height. Most of the colonial and historical buildings are still seen scattered in the city but few know of their existence, let alone their significance.

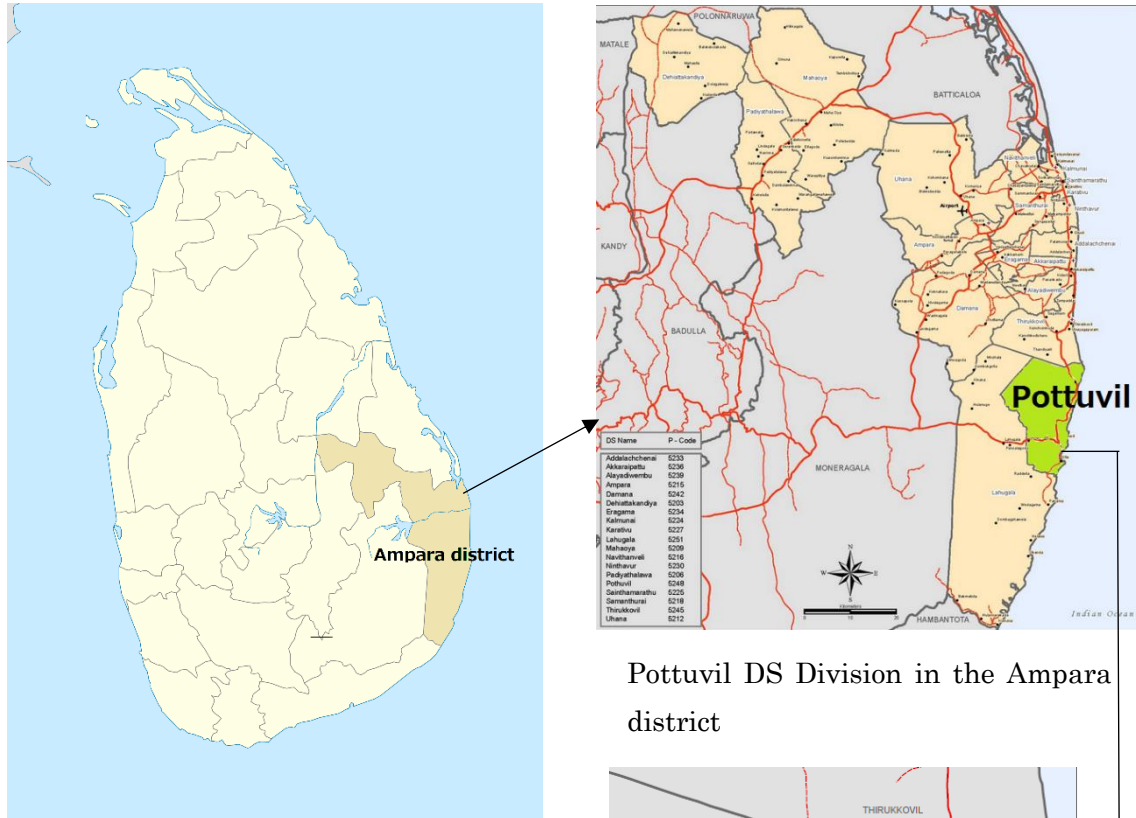
Other tourist attractions in and around Kandy includes Gadaladeniya, Lankathilake and Degaldoruwa Buddhist temples, Embekka Hindu temple, Peradeniya Botanical Gardens, the Knuckles mountain range, Hantana mountain range, Udawattakele forest and

Randenigala-Rantambe sanctuary. The Knuckles range is home to endemic fauna and flora in the country and the Hantana mountains are covered with green carpets of tea gardens producing world class Black Tea. Waterfalls in Kandy such as Galaboda falls and Kadiyanhela are magical creations of the nature that could become popular tourist attractions, but not even many locals are aware of such places in their neighborhood. Thus a clear majority of both foreign and local tourists visit Kandy mainly to see the Temple of the Tooth. Some others visit the Peradeniya Botanical Gardens to kill time as the visit to the Temple of the Tooth does not take more than an hour or two at most. Most others continue their tour to others areas of the country after their brief stop in Kandy to see the Temple. Despite the overwhelming number of historical, religious and natural attractions described above, a majority of tourists are led to believe that there is nothing much to do in and around Kandy, and therefore they do not see the necessity for an overnight stay except during the Perahera season in July/ August⁴⁰. The researcher observed that Kandy is blessed with an overabundance of resources to make the area more than simply a transit point and engage the local community in the process of doing so. Yet it was observed that currently these resources lay neglected as neither formal nor informal institutions have organized the sector adequately to make proper use of them.

⁴⁰ See Chapter 5 for more details about the Kandy Esala Perahera.

⑤ Sample Area 4: Arugambay

Figure 3.7 Location of study are 4: Arugambay



Ampara district, Eastern province, Sri Lanka

Pottuvil DS Division in the Ampara district

Location of Arugambay in the Pottuvil DS division



As depicted on Figure 3.7, Arugambay is located in the Pottuvil DS division in the Ampara district on the Eastern coast of Sri Lanka. Ampara is one of the largest districts in the country with an area of 4415 km² and a population of 648,057. A majority of the people are Muslim (44 percent), followed by Sinhalese (39 percent) and Tamils (17 percent).

Ampara bore the brunt of both the civil war and the head-on battering of the 2004 Tsunami that left the area with a high number of female headed households, poor households and poor educational and child-development indices. Ampara is divided into 20 DS divisions and 503 GS divisions. The Pottuvil DS division in particular, where Arugambay is situated, and where the study was conducted was severely affected by terror attacks during the war which practically made the area a ghost town. The Tsunami destroyed and swept away whatever that was left intact in the area in 2004. People including IDPs started returning to the area after the war came to an end in 2009, and some encroached unoccupied/ government land and settled nonchalantly. Today, disputed landownership has become a major issue in Arugambay. The population in Pottuvil is 34,749 with a majority of Muslims (78.3 percent), followed by Sri Lankan Tamils (23.7 percent).

Ampara is the highest paddy producing district in the country signifying a large agricultural population. However, a considerable share of people towards the coastal area of Ampara such as Arugambay are seasonal fishermen. During the tourist season from April to August when the tides are high, making it favorable for surfing, these fishermen turn to tourism, renting out their clay huts to tourists flocking into the area in their thousands where there is a dearth of lodging facilities. Some work in the existing

tourist facilities such as guest houses and surf shops or turn to driving tuk tuks or tour guiding.

Arugambay is rated one of the best surf locations in the world by surfers. There are ten surfing points in and around Arugambay which are popular among surfers⁴¹. The surfing season spans from April to August, peaking during the period between June and September. The area become desolate from September to February with heavy Monsoon rains making it impossible to surf. Other than surfing, the area around Arugambay is scattered with historically important places and natural attractions that could be turned into tourist hotspots. They include the Kudumbigala monastery, Magul Maha Viharaya (Buddhist temple), Muhudu Maha Viharaya (Buddhist temple), Okanda temple (Buddhist/ Hindu temple), Paanama Buddhist temple, Mani Naaga Pabbatha (Buddhist temple), Kumana National Park (Bird Sanctuary) and the Oorani lagoon. People in the area testified that the historical and religious places are interconnected with each other, narrating the epic saga of King Kawantissa (reigned from 205 to 161 BC), his Queen Viharamahadevi and their son Prince/ King Dutugamunu (reigned from 161 BC to 137 BC). Yet it was observed that these attractions are not promoted appropriately as tourist attractions. Some of the temples were deserted and overgrown with weed, indicating that they are hardly disturbed by human presence. Transport and other facilities for tourists were practically absent at these places.

Accommodation for tourists in the Arugmabay area is thirsting for attention as the high season leaves many tourists renting mat space on the beach after exhausting every other avenue of getting a room. Arugambay does not have any five or four star hotels but is

⁴¹ Arugambay Main, Peanuts Farm, Elephant Rock, Paanama, Okanda, Whiskey Point, Lighthouse, Green Room, Crocodile Rock, Pottuvil.

dotted with guesthouses and budget bed and breakfast type of lodging facilities. As mentioned before, most cottages in the area let their rooms to guests during the high season when the area is overflowing with surfers. Thus the researcher observed that Arugambay is an area with much potentials for developing tourism and for the local community to participate in tourism activities and enjoy its economic benefits.

VII. Summary

This chapter presented the research problem, hypothesis, aim and objectives, analytical framework, methodology of data collection and analysis, the sample and detailed descriptions of the sample areas. This section also emphasized the importance of descriptive statistics as well as qualitative information to do justice to the theme.

The rationale of the study is that hospitality towards a foreign tourist by local hosts is a complex concept which is a product of informal institutions persisting in the local host culture. Informal institutions not only affect the hosts' sense of hospitality, but it also affects how tourism related goods and services in the destination are managed by formal institutions such as hotels, tourist shops etc. Thus informal institutions affect the tourists' satisfaction from two directions: by affecting local's gestures of hospitality and by affecting the functioning of formal institutions pertaining to tourism. In order to make a destination more hospitable to foreign tourists, it is important to address the informal institutions; attitudes of the local people in particular towards tourists and tourism. It is argued that the existing level of community participation in tourism activities is an important determinant of people's favorable attitude towards tourists and tourism. This is mainly because effective community participation ensures equitable distribution of economic benefits among community members, which promotes a sense of ownership

among stakeholders. The study thus probes into how foreign tourists perceive the tourism product of Sri Lanka, and how informal institutional machinations are shaping the system to such a state. In the process it analyses local hosts' attitude towards tourism and tourists and the level of community participation in tourism activities and how these matters affect the tourism industry of that particular area.

Chapter 4

The Impact of Institutions on Foreign Tourists' Perception of Sri Lanka as a Tourist Destination: The Results of the Survey

I. Introduction

The aim of this chapter is to analyze the results of the questionnaire survey and hearing surveys in an attempt to explain the impact of institutions on foreign tourists' perception of the tourism product of Sri Lanka. In this effect, the chapter discusses the level of satisfaction and perception of tourists towards formal and informal institutions that constitute the tourism industry of Sri Lanka. This chapter gives more weight to informal institutions and attempts to understand the functioning of formal institutions and the resultant level of satisfaction of tourists as an outcome of the influence of informal institutions.

This chapter relies almost entirely on primary data that was furnished from the sample survey and the hearing surveys conducted in Sri Lanka.

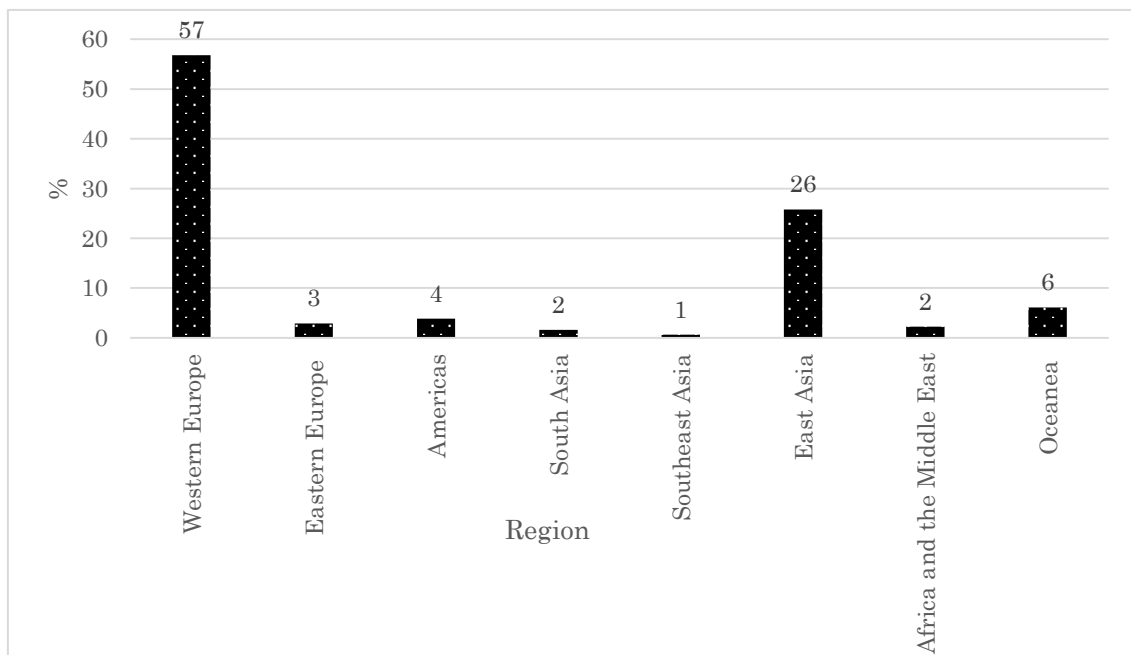
II. Background of the Foreign Tourists in the Survey

The sample survey indicated that a significant percentage of foreign tourists visiting Sri Lanka are young and middle aged people. Nearly half of the sample were young people aged 21-30 while another 18.7 percent were between 31 and 40 years of age, reflecting a rather young cluster of tourists. More than 57 percent of the sample were female while 42.3 percent were male. Further, most of the young tourists were young females between 21-30 years of age.

With regard to the country of origin, the majority of tourists were from England (14.8

percent) while Japanese and Chinese tourists consisted 12.6 percent each. This means that a clear majority of tourists in the sample were from Western Europe (56.8 percent) while the second highest proportion of tourists came from East Asia (25.8), adding up to more than three fourth of the sample.

Figure 4.1 Nationality of tourists visiting Sri Lanka



Source: Sample survey 2015.

The sample suggests that a remarkable proportion of tourists visiting Sri Lanka are educated. More than half of the sample (53.5 percent) possessed a university degree, while another 14.5 percent had postgraduate degrees. More than twenty percent of the sample had completed high school. Not only were they educated, but a considerable percentage of them were professionals. The sample also indicates that tourists to Sri Lanka largely consists of people engaged such as physicians, engineers, university and college professors, teachers and executives. For example, 35.9 percent of the sample were engaged in professional occupations such as physicians, engineers and accountants,

while another 30 percent were engaged in administrative and executive level jobs.

III. General characteristics of trips made to Sri Lanka

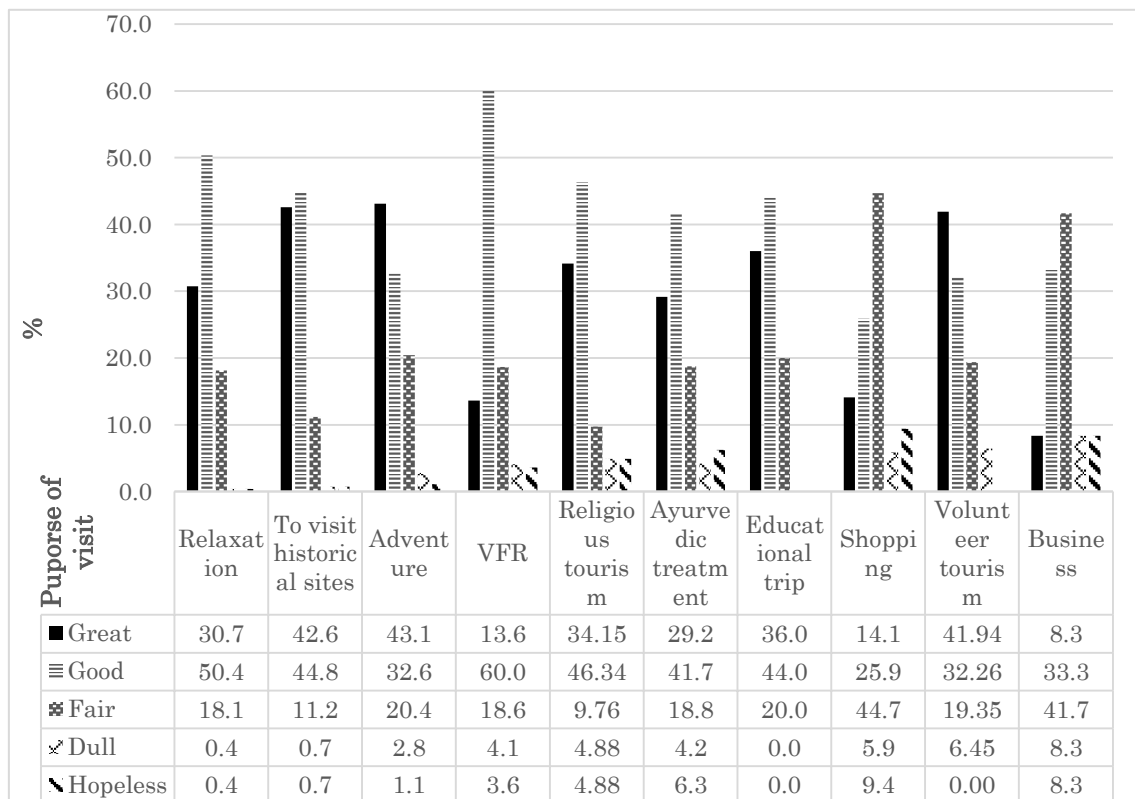
More than 96 percent of the sample reported that it was their first trip to Sri Lanka. Only 5.5 percent of the sample were repeat tourists of which 70 percent claimed that it was their second visit. A remarkably high proportion of tourists were Free and Independent type of tourists (70.6 percent), with only 29.4 percent of group tourists. It is interesting to note that an overwhelming majority of group tourists were East Asian (64.9 percent), of which 37.4 percent were Chinese and 27.5 percent were Japanese. Interestingly, a majority of 28.6 percent of group tourists were over 60 years of age. The study shows that as people age, there is an increased propensity to tour in groups. Nearly 79 percent of the tourists over 60 years came to Sri Lanka in groups. Most Chinese and Japanese elderly tourists arrive at attraction sites in large tourist buses and then follow a flag yielding tour guide speaking their native language, adhere to a strict schedule that covers everything from meal times to rest room breaks. It seems that being relatively new entrants to tourism with language barriers, Japanese and Chinese middle aged or elderly tourists would rather travel in groups that speak their own language. The study shows that the majority of such groups consist of ten to twenty members and confirm to the Old Tourist type as against the New Tourist type. As mentioned before, the nature of Old Tourists (following a predetermined schedule, having all their facilities paid for in advance including air tickets and accommodation through a large tour operator or agent, and having very little contact with the local community) leads to more leakage of tourist dollars from the destination.

Given the fact that the majority of tourists who visit Sri Lanka are young⁴², Free and Independent who, according to theory, prefer to have more contact with the local community, experience authentic local culture including local/ traditional cuisine, spend less on accommodation by lodging in small and medium local facilities, this analysis begins with the hypothesis that there are plenty of opportunities for the local host community to benefit from tourism through participation in tourism activities.

The study shows that an overwhelming majority of tourists (94.2 percent) had come to Sri Lanka to experience the culture. Visiting historical sites was stated as a purpose of visit by 89.4 percent, and 87.1 percent of the sample had come for relaxation. The study shows an increasing demand for adventure tourism in the country as it was a purpose of visit of 58.4 percent of the sample. Figure 4.2 shows the purpose of visit of foreign visitors and their degree of satisfaction with their experience in Sri Lanka. It is clear that the majority of tourists have enjoyed their trip and have fulfilled their purpose of the visit satisfactorily. Thus more than 50 percent of tourists in each category i.e. purpose of visit have declared that their trip was very good or good except for those who came for shopping or business purposes.

⁴² It is important to indicate that the actual country data for Sri Lanka is also consistent with the sample, with more than 55 percent of foreign tourists consisting of people below 40 years of age, and more than 80 percent of the sample consisting of tourists less than 50 years of age (SLTDA, 2012).

Figure 4.2 Purpose of visit and perception

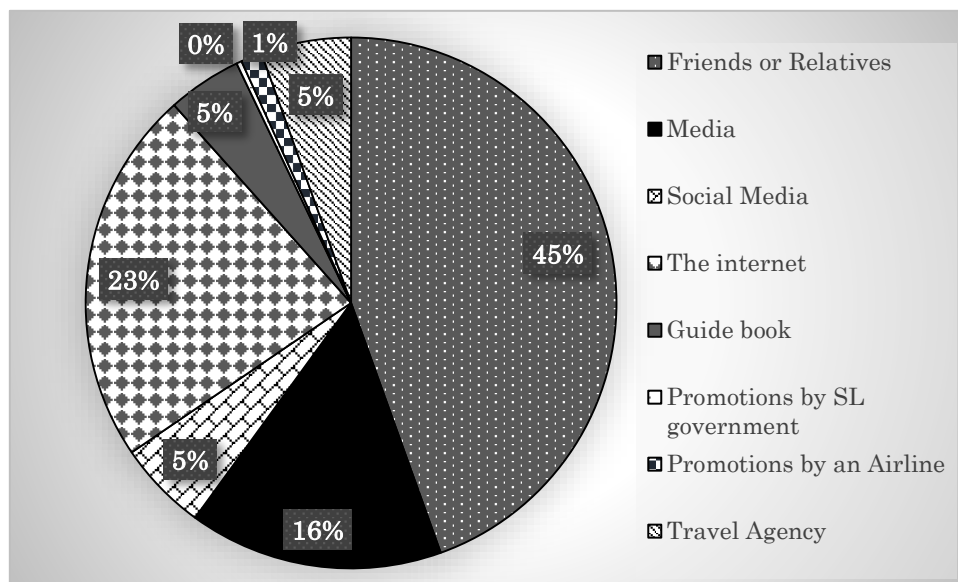


Source: Same as Figure 4.1

Figure 4.3 reflects the main motivator to visit Sri Lanka. According to the pie chart, a conspicuous majority (45 percent) first heard about Sri Lanka from a friend or relative who had been there before. The hearing survey also indicated the fact that tourists are likely to visit the same places visited by their friends or relatives, and lodge at places recommended by them. The Internet was the main motivator for 25 percent of the sample, while another 16 percent were motivated by the media such as television programmes and advertisements, newspaper and/ or magazine articles and advertisements as well as radio programmes if there were any. This means that people across cultures still place a good deal of trust on recommendations disseminated by people who are

known to them.

Figure 4.3 The main motivator to visit Sri Lanka



Source: Same as Figure 4.1

As the graph shows, if the share of tourists whose main motivator was the social media is combined with that of the internet, its share would grow to 30 percent. There is no debate that the role of the internet in promoting tourism has increased considerably. People search websites, blogs and comments on the internet for recommendations, travel tips and ideas. The internet mostly comes to the limelight in the planning stage of a trip, where booking and reservation are concerned. Thus the hearing survey suggested that even in cases where the internet was not the main motivator, the involvement of the internet in trips has been considerable.

As a result of the rising importance of the internet, the roles previously played by guide books and travel agencies in promoting tourism has seen a decline in the recent years. As reflected in the figure, their importance as the main motivator is negligible in this sample. One striking factor is that only 0.3 percent of the sample was motivated by

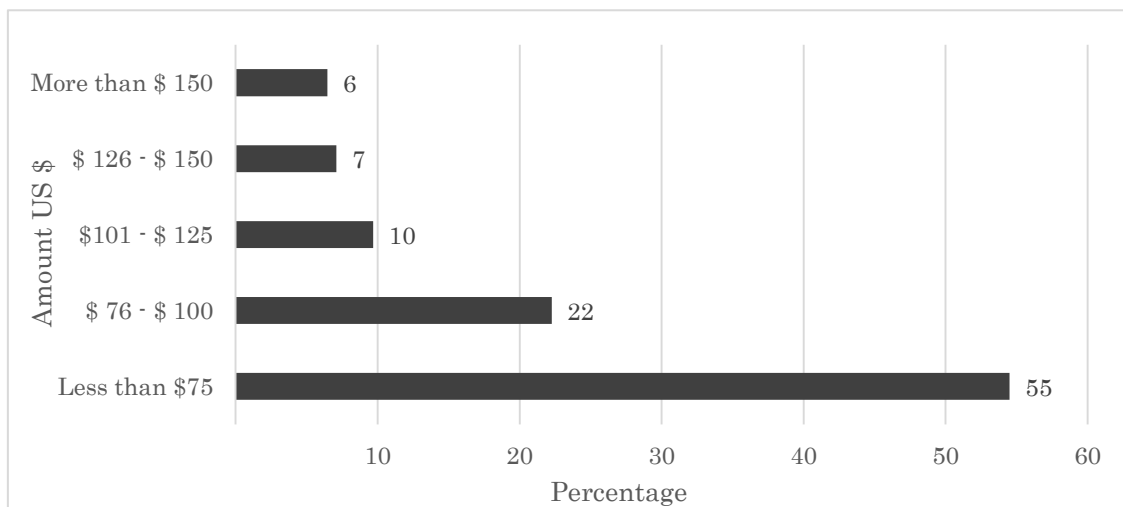
promotions by the Sri Lankan government. The hearing survey indicated that a significant majority had never seen such promotions in their host countries. Despite the fact that, as mentioned in Chapter 2, The Sri Lanka Tourism Promotion Bureau is an important formal institution that was introduced to promote Sri Lanka as a destination abroad, most of their promotion activities had not reached the multitude of potential travelers. The irony of this situation is loud enough as an interview with an officer in the SLTDA disclosed the fact that nearly 70 percent of the budget reservations for the SLTDA is specifically channeled to the SLTPB for promotional activities. In another interview, the Director of a leading hotel in Kandy opined that “everybody wants to sell tourism but nobody wants to market tourism. No one will buy your ware if you skip marketing”. In other words, Sri Lankan formal institutions will have to have a fresh beginning with proper marketing/ advertising and propaganda if the country intends to attract more tourists.

A cross analysis indicates a very interesting trend that the majority (29.2 percent) of those whose main motivator was the media (which includes television programmes, newspaper and magazine articles and radio programmes) were Japanese. Japanese television channels broadcast quite many documentary programmes on Sri Lanka which are produced by Japanese production teams. Where programmes or advertisements from the host country are nonexistent, these documentaries are well produced to depict the Sri Lankan way of life from a very realistic perspective, which could be very motivating for a first time visitor. Statistics show another tendency that Japanese and Chinese tourists have a greater tendency to use traditional sources for information with regard to their destination. For instance, Japanese tourists comprised 42.9 percent and 35.3 percent of those who resorted to guidebooks and travel agencies for initial decision making about

their trips. Chinese tourists composed 23.5 percent of those who were motivated by tour packages sold by travel agencies.

Figure 4.4 is a graphical illustration of the amount that tourists intended to spend in Sri Lanka per day per person.

Figure 4.4 Approximate expenditure in Sri Lanka per day per tourist



Source: Same as Figure 4.1

According to the Figure, a majority of tourists (54.5 percent) were planning on spending less than US \$ 75 per day in Sri Lanka to cover accommodation, meals, transport and other expenses. About 23 percent of the sample were prepared to spend more than US \$ 100 per day to cover the same.

Table 4.1 Nationality and approximate spending (as a percentage of the amount)

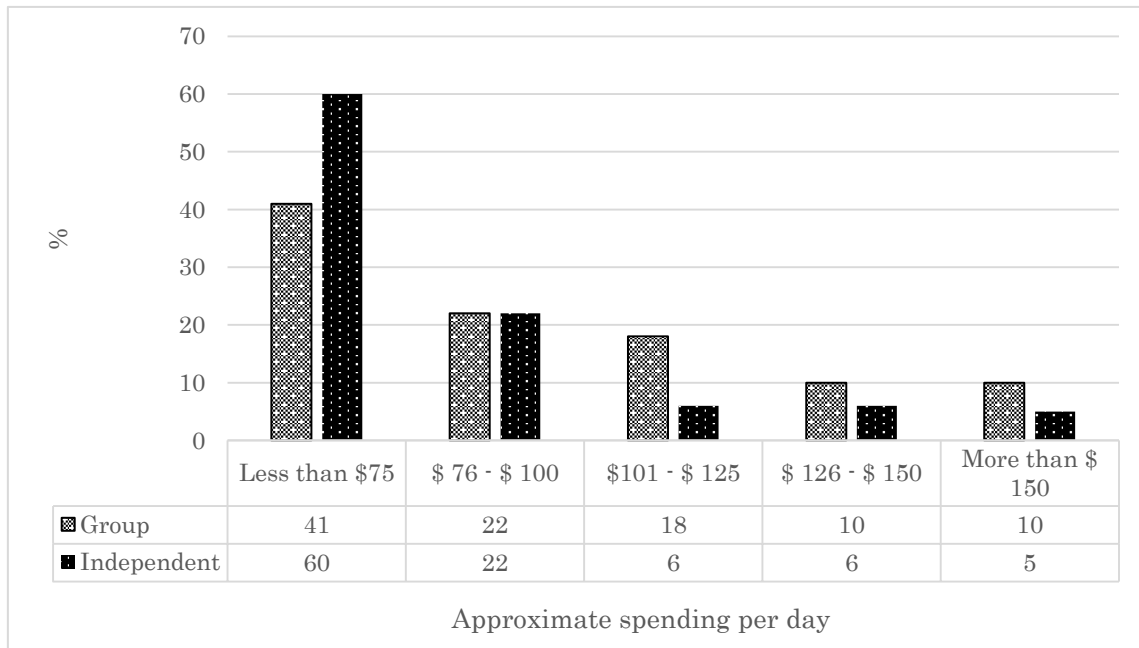
Country	Less than \$75	\$ 76 - \$ 100	\$101 - \$ 125	\$ 126 - \$ 150	More than \$ 150
Japan	14.8	13.0	10.0	0.0	10.0
Belgium	4.1	0.0	6.7	0.0	0.0
France	11.8	2.9	16.7	18.2	5.0
Canada	0.6	1.4	0.0	0.0	0.0
England	12.4	21.7	3.3	22.7	20.0
Morocco	0.6	0.0	0.0	0.0	0.0
Germany	11.2	4.3	6.7	9.1	15.0
Spain	3.6	0.0	3.3	0.0	0.0
Poland	1.2	1.4	0.0	0.0	0.0
Netherlands	7.7	7.2	0.0	9.1	0.0
Israel	1.2	2.9	3.3	0.0	0.0
Serbia	0.0	1.4	0.0	0.0	0.0
Russia	0.0	1.4	3.3	0.0	0.0
India	0.0	4.3	0.0	0.0	5.0
Switzerland	1.8	5.8	0.0	0.0	0.0
Australia	1.8	0.0	0.0	0.0	0.0
Italy	3.6	5.8	3.3	0.0	0.0
Scotland	1.8	0.0	0.0	0.0	0.0
Austria	3.0	2.9	0.0	9.1	5.0
China	5.9	10.1	30.0	31.8	30.0
Austria	1.2	4.3	6.7	0.0	0.0
America	4.7	0.0	0.0	0.0	0.0
Singapore	0.0	0.0	3.3	0.0	0.0
Colombia	0.6	0.0	0.0	0.0	0.0
Ireland	0.6	2.9	0.0	0.0	0.0
Brazil	0.6	0.0	0.0	0.0	0.0
Malaysia	0.6	0.0	0.0	0.0	0.0
Czech	0.6	1.4	0.0	0.0	0.0
Pakistan	0.0	0.0	3.3	0.0	0.0
Newzealand	3.6	0.0	0.0	0.0	0.0
Saudi Arabia	0.0	1.4	0.0	0.0	0.0
Croatia	0.0	1.4	0.0	0.0	0.0
Portugal	0.6	1.4	0.0	0.0	0.0
Taiwan	0.0	0.0	0.0	0.0	10.0

Source: Same as Figure 4.1

A careful analysis of the Table shows that Chinese are the highest spending nationality visiting Sri Lanka. They top the highest spending categories, comprising 30 percent of

the \$ 101-125 category, 31.8 percent of the \$ 126-150 category and 30 percent of the >\$ 150 category. A majority of the lowest spending category (<\$ 75 per day) comprised of Japanese tourists (14.8 percent).

Figure 4.5 Approximate expenditure per day (as a percentage of type of tourist)



Source: Same as Figure 4.1

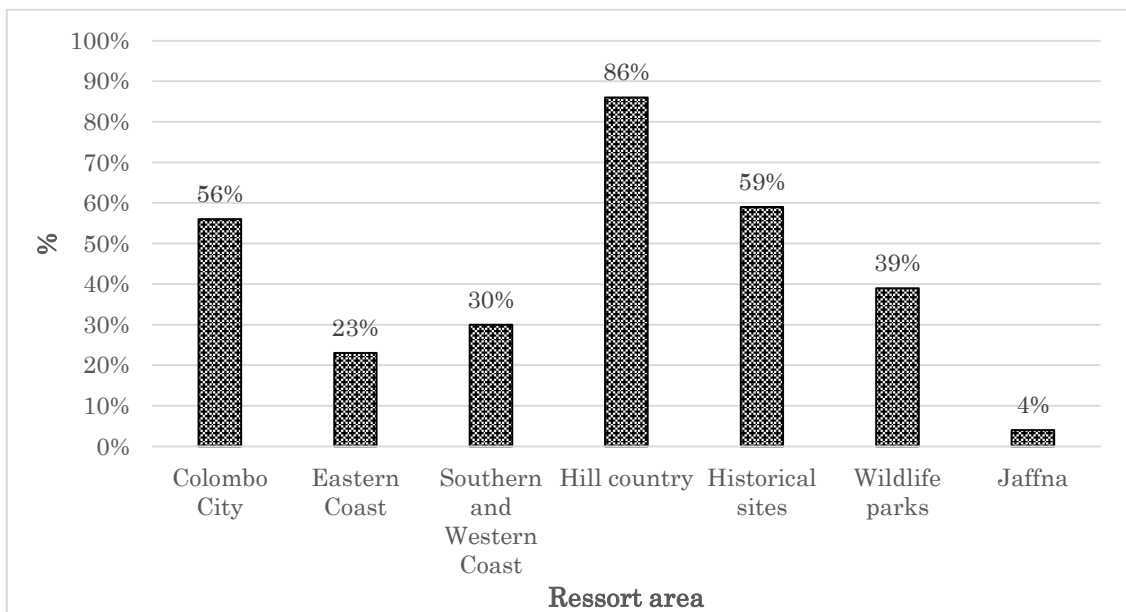
Figure 4.5 reflects how the amount spent (or willing to be spent) in the destination can differ according to the type of tourist. From a general point of view, both types of tourists have clustered more around lesser spending categories and the shares have declined around higher spending categories. Yet it shows that the percentage of FITs have shrunk significantly as the per day spending increased, clustering them more towards lesser spending categories. On the other hand, it is clearly visible how a greater percentage of group tourists than FITs fill up the higher spending categories. On the other and, group tourists have already spent a good deal of money on pre-paid basis for hotels/ transport and certain other services. According to the theoretical survey on

Chapter 1, there is a greater likelihood for group tourists to spend large amounts on their trips that end up leaking out of the economy of the destination. Most of the tourist dollars they spend do not even reach the destination. Accordingly it was argued that even though FITs spend a lesser amount, it will benefit the destination. It will even reach the local grassroots level because FITs are likely to patronize local facilities than groups do. As Sri Lanka receives a high percentage of FITs, it could be safely argued that there are very good opportunities for local people to benefit from tourism.

IV. Foreign tourists' general perception about the destination

The study looked into foreign tourists' perception on the main tourist resort areas in Sri Lanka. It was clarified to the tourists that Eastern coast included areas such as Arugam Bay, Pasikudah, and Batticaloa; Southern and Western coast included the coastal belt from Chillaw to Hambantota; Hill country included Nuwara Eliya and Kandy; historical sites included Anuradhapura, Polonnaruwa, Sigiriya, Dambulla and Galle Fort; Wildlife parks included a number of national parks and sanctuaries. This probe was specifically focused on their perception of the level of pollution in the resort areas; general infrastructure; facilities for tourists and hospitality of the local people of the areas. Tourists were requested to rate the aforementioned features on Likert scales only with regard to the areas they had travelled to. The result of the comparative analysis is as follows.

Figure 4.6 Visitation of resort areas by foreign tourists



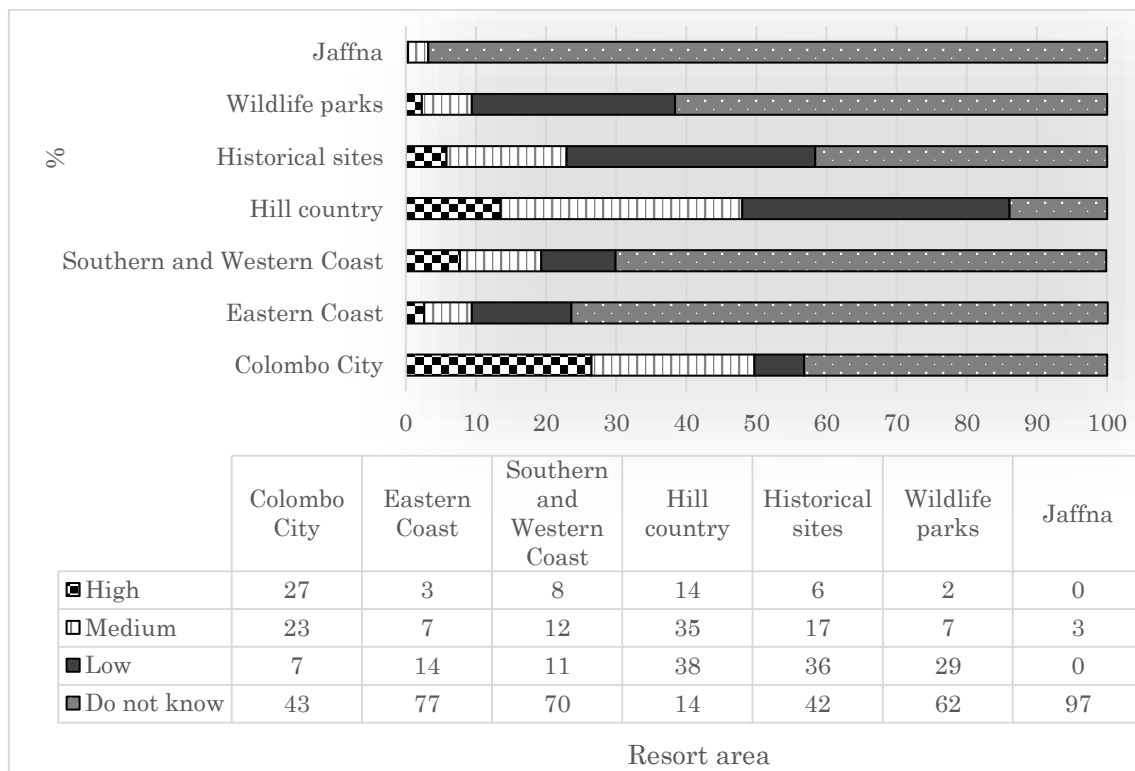
Source: Same as Figure 4.1

According to this study, the most visited resort area in the country was the hill country (86 percent), after which historical sites had been visited by nearly 60 percent of the sample at the time of the survey. The least visited areas were Jaffna (only 4 percent) and the Eastern coast (23 percent)⁴³. Hearing surveys suggested that Kandy is perhaps the most visited city in Sri Lanka. It attracts tourists through the year mainly due to the location of the famous Temple of the Tooth⁴⁴, its scenic beauty and its convenient position as a transit point. The last point is the reason why the study also suggests that the number of overnight stays in Kandy is low despite the fact that it is one of the most visited places in the country.

⁴³ It is very important to note that the study was conducted during a time when it was off-season for the East coast, which is the reason for low visitation rates.

⁴⁴ The Temple of the Tooth is a Buddhist temple in Kandy that houses the Tooth Relic of Lord Buddha.

Figure 4.7 Tourists' perception of the level of pollution in resort areas



Source: Same as Figure 4.1

Eco tourism being the new buzz word in tourism, the number of tourists who are concerned about the environmental quality of the places they visit has been increasing. Thus the level of pollution as perceived by tourists is an important indicator because they are looking for unspoiled beaches, litter-free streets and fresh air and a good deal of their satisfaction with the destination will depend on this perception. Percentages on Figures 4.7 – 4.10 were calculated as shares from the actual number who had visited the areas and willingly responded to the question.

As depicted in Figure 4.7 tourists perceived Colombo, the Commercial Capital of the country as the most polluted (46.6 percent rated Colombo as highly polluted) compared to others. Southern and Western coast beaches were the next most polluted areas. The Hill country, despite being the most visited by tourists, was perceived as an area with a

moderate level of pollution⁴⁵. Jaffna on the other hand has been perceived as an area with a very low level of pollution with 90 percent of those who visited the northernmost city of the country rating a very low pollution level. It is encouraging to see that wildlife parks too have been perceived as unpolluted areas by tourists. Hearing surveys suggested that East Asian tourists (specifically Chinese tourists) in particular are keen to visit natural attractions and enjoy nature/ wildlife.

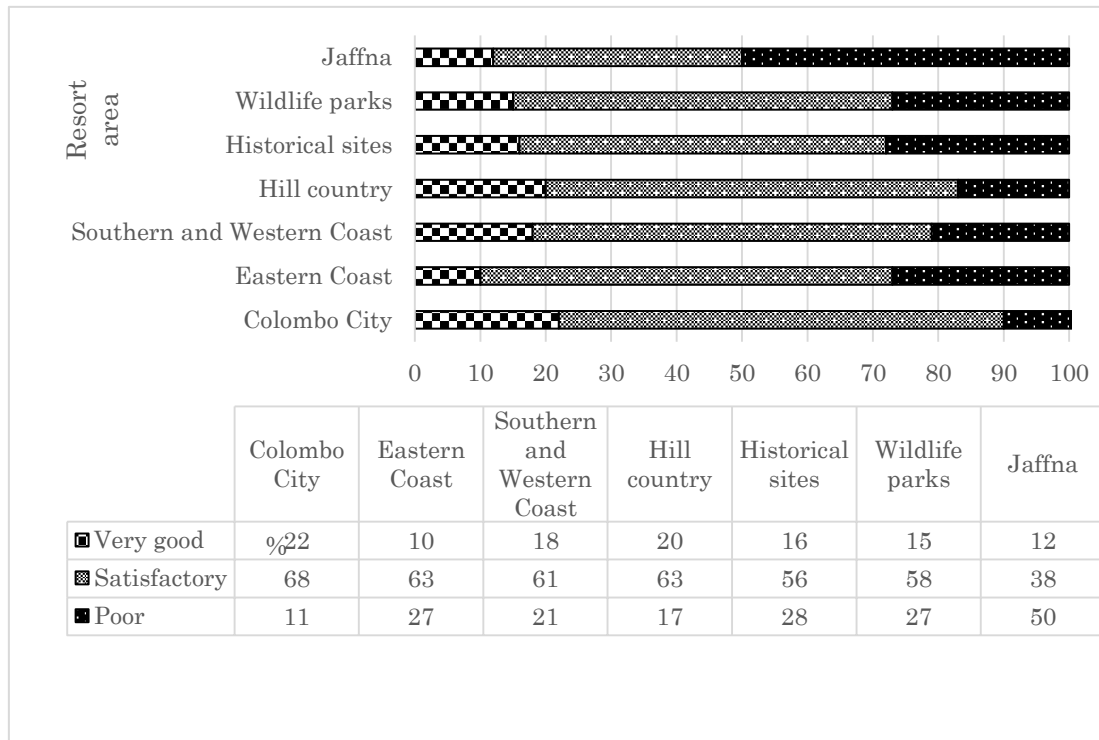
Contrary to the popular notion held by host communities that tourist behavior is environmentally destructive, this study suggests that whatever pollution in the country cannot be blamed on tourism alone, any more than foreign tourists be held responsible for it. A good deal of pollution including large scale deforestation, chemical pollution of water sources and poaching, as well as littering of public areas are perpetrated by the locals themselves. Observations and previous studies⁴⁶ also show that where tourism is concerned, domestic tourists are more responsible for the pollution caused by littering and laxity towards cleanliness that is destroying the beauty of certain locations, threatening their sustainability as tourist attractions. Formal institutions in the country do not sanction such violations severely enough to make a difference mainly because these institutions are politicized and corrupt. The place in the Sri Lankan culture for preservation of environment is negligible as public littering and laxity towards protection of the environment are passed off as 'natural' behavior. In other words, public littering is not considered as a violation of a norm because ironically, littering is the norm and

⁴⁵ Tourists' perception of visual environmental quality is quite contrary to the actual situation. For example, scientific studies have proven that Kandy is one of the most polluted cities in the country with the nitrogen dioxide and Sulphur dioxide contents in the air far exceeding the recommended levels (Abeyratne & Ileperuma, 2011: 1-5).

⁴⁶ Please refer to Buultjens et al., 2004: 739 for more details.

therefore it will not spark off public rage.

Figure 4.8 Tourists’ perception of general infrastructure facilities in resort areas



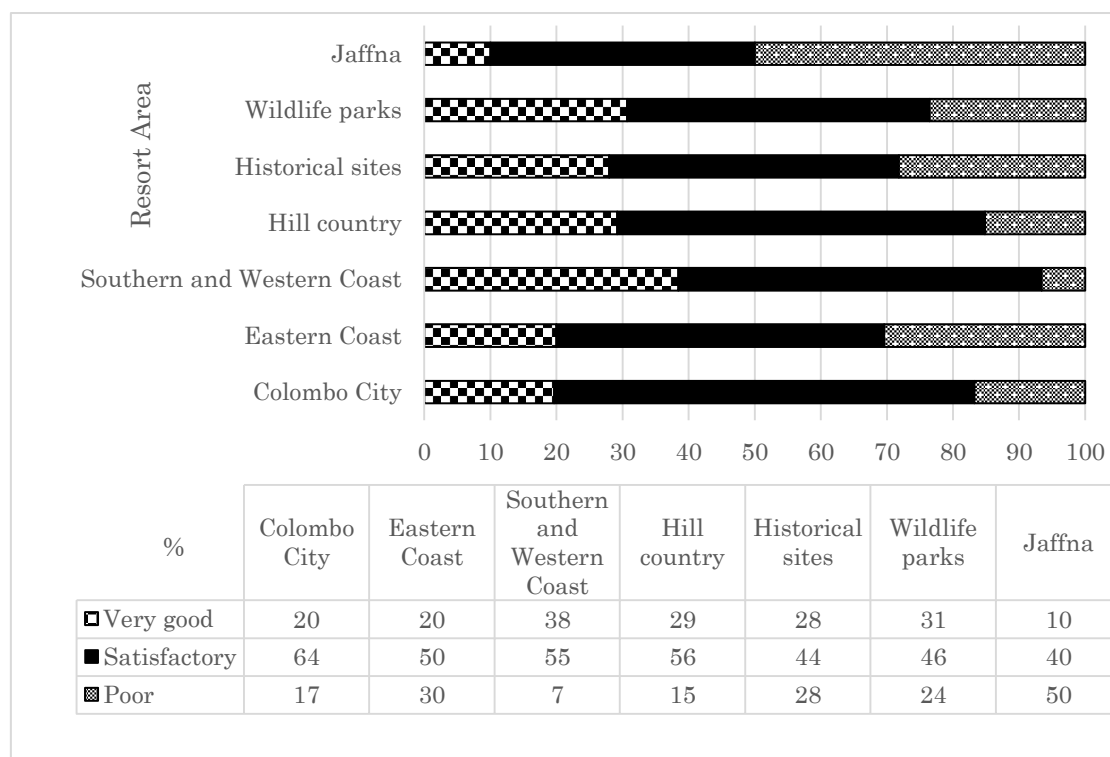
Source: Same as Figure 4.1

Figure 4.8 brings to light a striking contradiction: Colombo, which was considered by tourists as dirty and polluted was rich in infrastructure (more than 80 percent thought that infrastructure in Colombo was very good or satisfactorily adequate, with more than 20 percent rating it very good) while half of the tourists who had been to Jaffna thought that infrastructure facilities in the area were poor even after six years of peace and fully fledged development projects such as Uthuru Wasanthaya⁴⁷. The northern (Jaffna) and

⁴⁷ Immediately after the civil war in 2009, the government launched integrated development projects in the north and the east where it was worst hit by terrorist activities. They included Uthuru Wasanthaya (Dawning of Spring for the North) and Nagenahira Udanaya (Reawakening of the East) which were mainly geared to develop infrastructure of the war beaten areas.

eastern (eastern coast) areas have received the lowest ‘very good’ ratings for infrastructure facilities (12 percent and 9.9 percent respectively). The results of the survey suggests that there is an urban bias of infrastructure development in the country as Colombo, the hill country⁴⁸ and Southern/ Western coastal areas have received higher ratings for infrastructure facilities. This is not a healthy trend for a country that is aspiring to achieve economic development through tourism. As argued in Chapter 1, general infrastructure development becomes a pre-requisite to tourism development.

Figure 4.9 Tourists’ perception of infrastructure facilities for tourists in resort areas



Source: Same as Figure 4.1

⁴⁸ Ratings for the hill country is obscured due to the inclusion of Kandy in this resort area. Hill country consists of Kandy and Nuwara Eliya in this study. While the city of Kandy that is frequented by most visitors boast of good infrastructure facilities, areas in Nuwara Eliya where tea plantations are mostly clustered are considered deprived in terms of socio-economic indicators and infrastructure facilities.

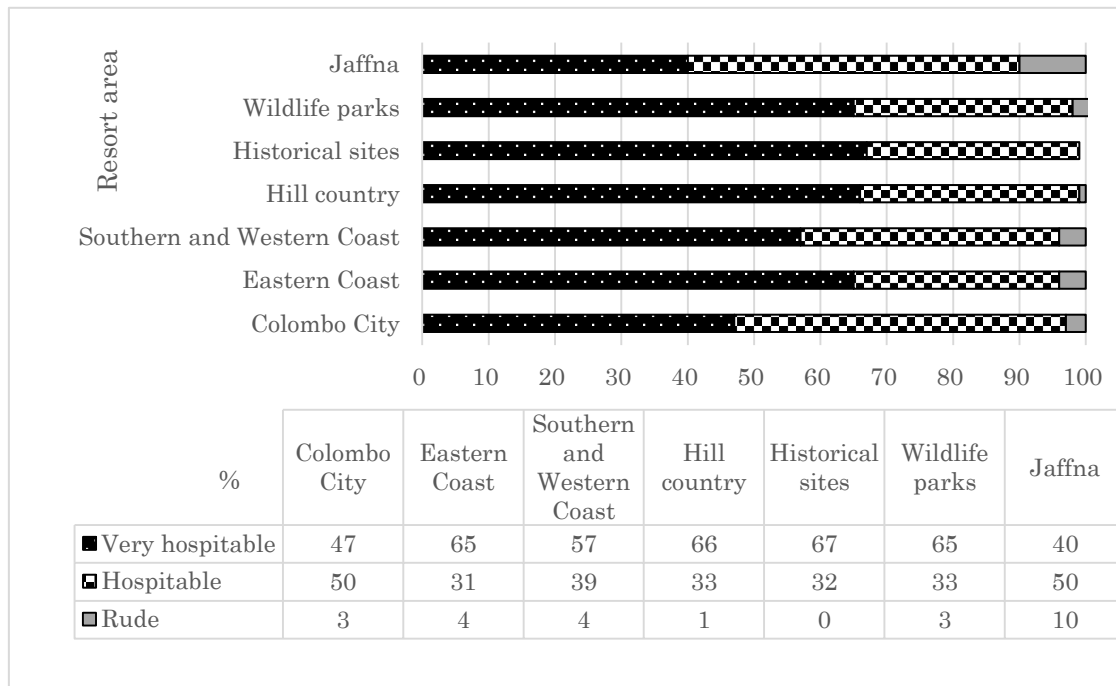
Figure 7.9 on tourists' perception of infrastructure facilities targeted for tourists displays a similar trend as the previous analysis. Facilities for tourists included general facilities that traveler will require such as washroom facilities, telecommunication, supermarkets or retail stores to purchase requirements such as a snack, bottled water etc, information centers, transport facilities and the like. Tourists felt that they were best facilitated in urban areas such as Southern and Western costal area (More than 90 percent considered that the facilities for tourists very good or satisfactory), Colombo (over 80 percent found the facilities for tourists very good or satisfactory), and the hill country (over 80 percent found the facilities for tourists very good or satisfactory). Facilities for tourists were poorest in rising tourist attractions such as Jaffna (half of the sample found them poor), and Eastern coast (30.4 percent found facilities poor, with only 20 percent rating them as satisfactory).

Despite the thrust towards using tourism as a development strategy, it seems that the formal institutions of the country has done little to improve tourism related infrastructure in the so-called 'periphery areas' to integrate them with mainstream tourism development. Ironically, these are the areas that are abundant in resources that could be used to attract foreign and local tourists with some planned infrastructure development. Appendix 6 stands testimony to this fact by reflecting tourists' perception of a given set of facilities in the country. Accordingly, a majority of tourists thought that most facilities were available only at some places (33.2 percent, 24.5 percent, 18.7 percent, and 20 percent rated that toilet facilities, communication facilities, safety measures medical facilities for tourists are available only at some places). Interestingly, of those who responded that information in their language was rarely available, a majority of 20.3 percent were Japanese and Chinese each. Of those who said that toilet facilities were rarely available,

27.3 were Japanese. Japanese tourists also composed an overwhelming majority of 62.5 percent of those who thought that toilet facilities were not available at all. These findings throw light on important areas that the tourism industry in Sri Lanka will have to focus on in order to cater to the increasing number of East Asian tourists. While observations show that the use of Chinese language has slightly increased in the country where tourists haunt, it is yet to develop to a satisfactory level according to the feedbacks of the tourists themselves. It is important to note that improving the quality of these facilities/ services is just as important as establishing the facilities. The hearing survey and observations revealed that not only toilet facilities are not distributed evenly at public places, the cleanliness of the available facilities are questionable in most places as the Sri Lankan culture does not place high value on keeping toilets clean. Even the occupation of coolies is considered a poorly paid blue collar job that lies at the very base of the occupational pyramid that does not boast of any social prestige at all⁴⁹.

⁴⁹ Traditionally in Ceylon, cleaning was the job of servants who belonged to the lowest of the caste system. This is even worse in India, from where Sri Lanka was influenced to adopt the caste system, where such menial tasks were performed by outcasts who enjoyed absolutely no social rights so much as to tread soil that other casts walked. Any form of contact with them could cause spiritual corruption. Interestingly, a careful observation of cleaners employed by various private Hygiene Companies and government institutions in Sri Lanka reveal the bleak truth that a clear majority of them are still recruited from among ethnic Tamils who originated from Indian low castes. A field visit to an urban slum where they lived revealed that toilet cleaners had the worst toilet habits and poorly cleaned/ maintained toilet facilities imaginable. Their attitude was that they were doing the most unimportant, most menial job available to mankind given to them by destiny, and therefore no training was required for such an occupation.

Figure 4.10 Tourists' perception of hospitality of the local people in resort areas



Source: Same as Figure 4.1.

Figure 7.10 stand testimony to the fact that Sri Lanka possesses the spirit of hospitality, or what scholars recognize as the main ingredient to become a successful tourist destination. According to the figure, more than 90 percent of the tourists who had visited any given area in the country found the local people very hospitable or adequately hospitable⁵⁰. None of the tourists found any rude locals in the areas where historical sites were clustered. Foreign tourists described Sri Lanka as a country with “smiling”, “friendly” and “hospitable” people. This heralds a deeper qualitative analysis of the hospitality of the local people.

⁵⁰ Ten percent of tourists who visited Jaffna thought that people local Tamil people inhabiting the area rude, which is the highest ‘rude’ rating given by the sample. However results for Jaffna could be obscured due to the fact that only ten tourists have visited the area, and therefore statistical calculations may produce large values when calculated as a share of only those who have visited the area.

V. The impact of informal institutions on tourists' perception: Hospitality of the host community

When questioned if they think Sri Lankans were hospitable, an overwhelming 48 percent of the sample totally agreed, while another 43 percent agreed, bringing the total up to 91 percent. Only a small minority of 0.6 percent disagreed. Moreover, 50.3 percent of the sample admitted that they think Sri Lankan hospitality works highly in favor of tourism. Another 40 percent said it was favorable to tourism, while only a minority of 0.6 thought that it was harmful to the tourism industry. The study then dissected and operationalized the concept of hospitality into more detailed criteria that were generated through the system of snowballing. The list includes the following:

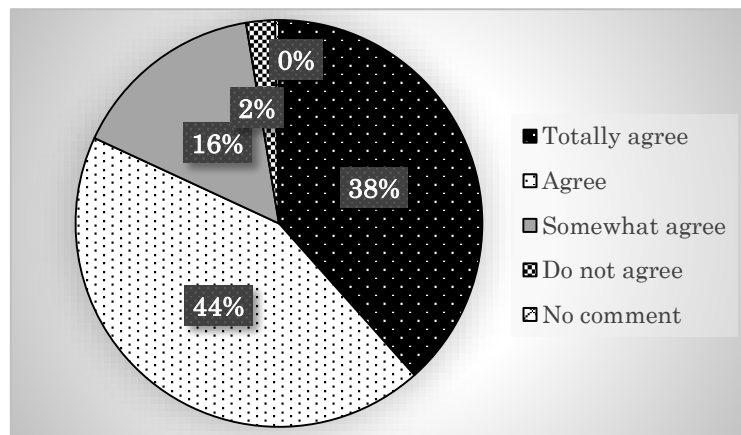
1. Greeting tourists with a smile
2. Helpfulness of the general public
 - i. Helping out strangers
 - ii. Helping strangers without expecting a return
3. Trustworthiness and professionalism
 - i. Trustworthiness of the general public/ informal institutions
 - ii. Trustworthiness/ professionalism of formal institutions
4. Free from prejudice and stereotyping

① Greeting tourists with a smile

As smiling is the first and the most important step in establishing rapport with a stranger especially in the hospitality industry (Frazer, 2003: 207), the study analyzed how tourists perceived this feature in the local people. Results show that 38.4 percent of the sample totally agree and 43.5 percent agree with the statement that Sri Lankans in general greet foreign tourists with a warm and welcoming smile. While 15.5 percent somewhat agree

with the premise, only a minority of 2.3 percent (all of the Chinese) thought that Sri Lankans do not smile enough to show hospitality to foreign tourists (Figure 4.11).

Figure 4.11 Tourists’ perception of Sri Lankan people’s tendency to welcome guests with a smile



Source: same as Figure 4.1

The study then considered overt and observable features of the tourists such as nationality, sex, and racial/ ethnic appearance to determine if such local people discriminated tourists on such observable features to welcome them with a smile. A simple Chi-square test suggests that there is strong evidence to show that nationality does not have a correlation with being greeted with a smile by local people. A similar Chi-square test gave no evidence to prove that local people discriminated against sex in greeting tourists with a smile. It also suggests that observable racial and ethnic features⁵¹ did not matter for the

⁵¹ As race refers to the observable biological differences among human groups such as those reflected in complexion, eyes and bone structure; and ethnicity refers to culturally and socially inherited features such as those made distinct through dress codes and language, this study constructed four categories that combines racial and ethnic features. These four categories are the first impression and assumption that the host will entertain. The categories are:

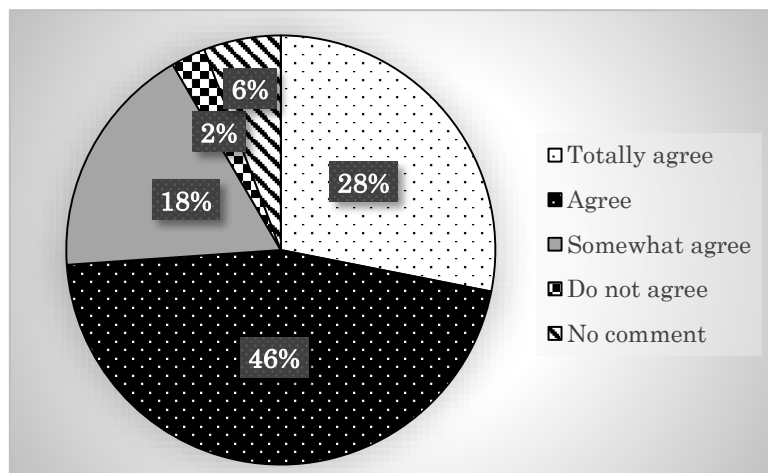
1. Western appearance
2. Eastern appearance
3. South Asian appearance
4. Middle Eastern appearance

local people to treat tourists with a smile. Thus at face value, statistics suggest that local people do not discriminate foreign tourists. This also shows that informal institutions in Sri Lanka has not yet reached the ‘animosity-prone’ stage described in Chapter 1, which is usually the last stage that the host community reaches when the destination becomes a mass tourist attraction.

② Helpfulness of the general public

The study questioned the validity of the discrimination-free welcoming of tourists with a smile as an indicator of hospitality. Therefore the study probed into more details and greater qualitative information to test this premise further. According to Figure 4.12, 28 percent of the sample totally agreed, 46 percent agreed and 18 percent somewhat agreed with the statement that the general public is helpful in Sri Lanka, with only a minority of 2 percent claiming the host communities unhelpful.

Figure 4.12 Tourists’ perceptions of the general public as helpful

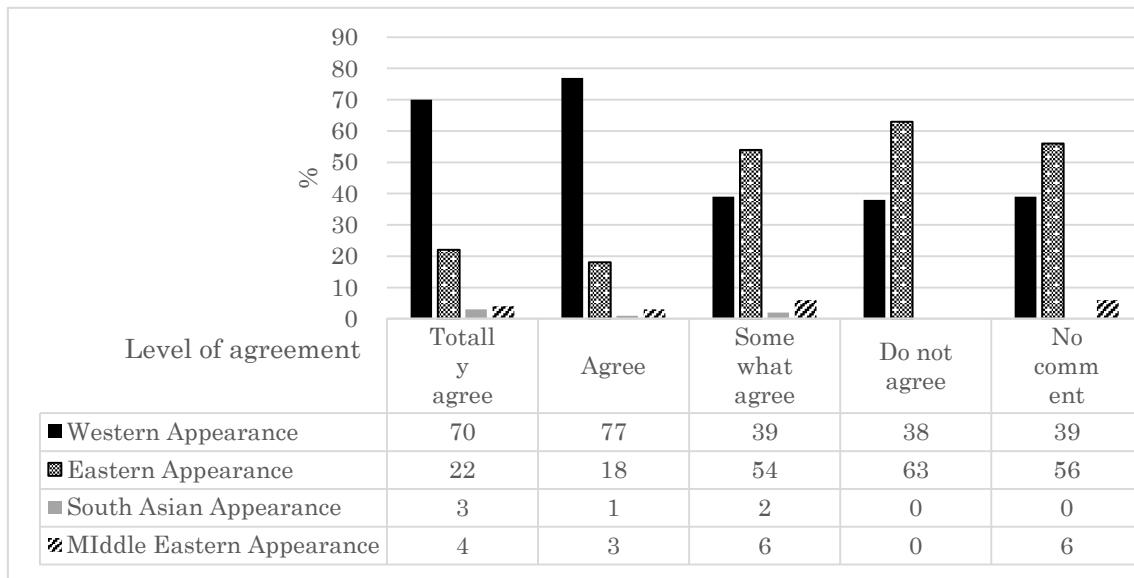


Source: Same as Figure 4.1

There were no Negroid people in the sample and therefore the categorization excludes a fifth option.

Interestingly, Chi-square tests prove that the tendency of the general public to help foreign tourists is contingent on the race (Chi-square= 41.009, df=12, P=0.000), age (Chi-square= 55.272, df=24, P=0.000), and type of tourist (Chi-square= 20.936, df=4, P=0.000) but there is not enough evidence to prove a connection with the sex of the tourist. To delve into greater details, cross tables suggest that White tourists are offered more help by the general public than any other race. As figure 4.13 shows, more White tourists find the general public offering them help while a higher percentage of East Asian tourists are clustered in the 'somewhat agree', 'do not agree' and 'no comments' categories. Yet when posed a direct statement to indicate the level of agreement on whether Sri Lankans prefer white tourists over others, a majority of 40.3 percent of the sample chose not to comment, while 38.7 percent agreed that it was true to varying degrees. Only 21 percent disagreed with the statement. The survey also has reasonable qualitative evidence to suggest that there is a significant trend in Sri Lanka to be biased towards tourists of apparently Western origin. As this is mainly determined by the outward appearance of the tourist, this tendency could be safely termed as *White Complex*. Despite the fact that there is a considerable increase in the number of East Asian and Middle Eastern arrivals, informal institutions still favor white skinned tourists with bonus treatment for English speakers, a trend which could be attributed to having been a colony of the Great Britain.

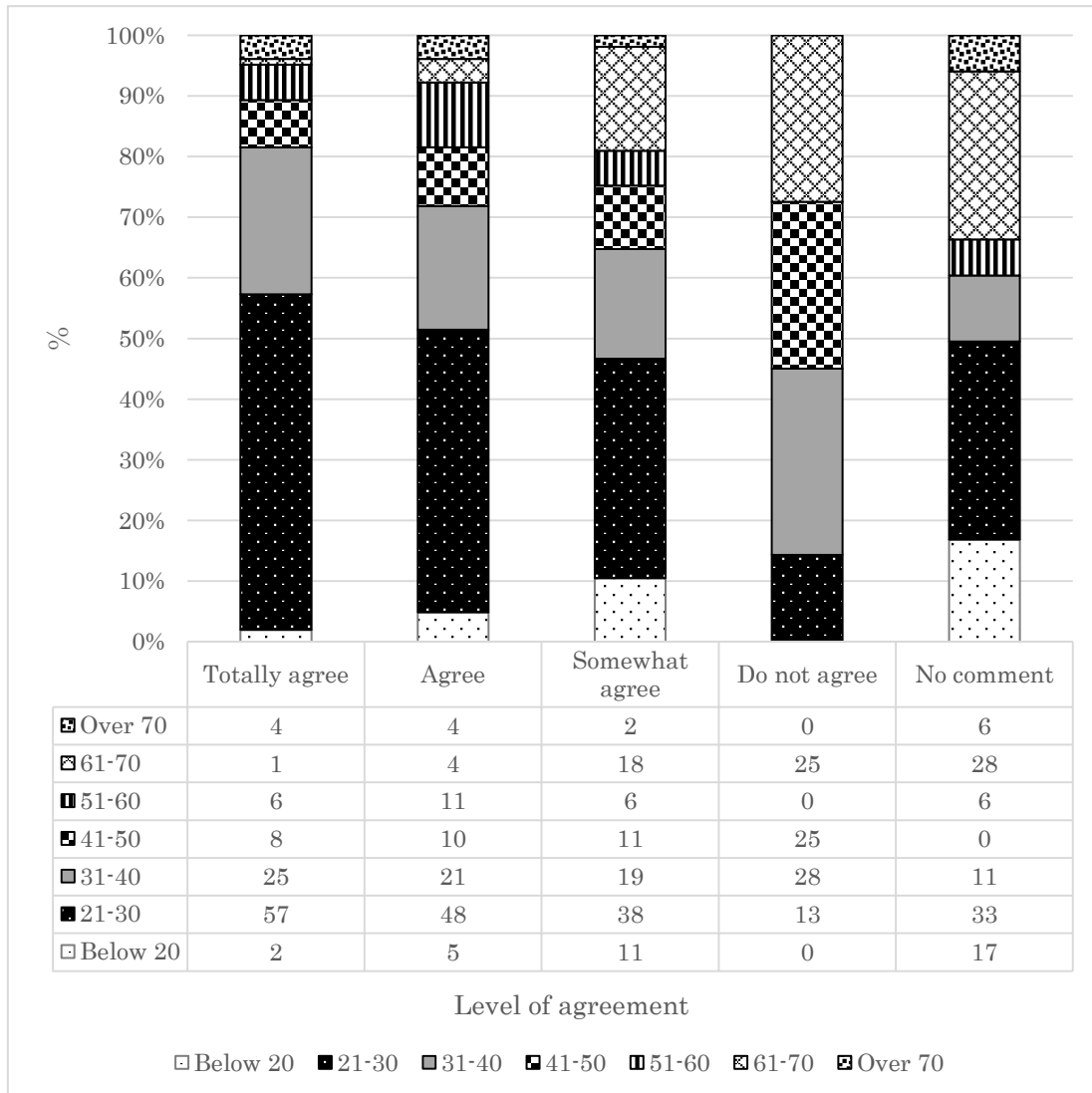
Figure 4.13 Tendency of the general public to be helpful to foreign tourists (by racial appearance)



Source: Same as Figure 4.1

On a similar tone, the general host community was more inclined to help young tourists than older tourists, and FITs more than Group tourists as Figures 4.14 and 4.15 exemplify respectively.

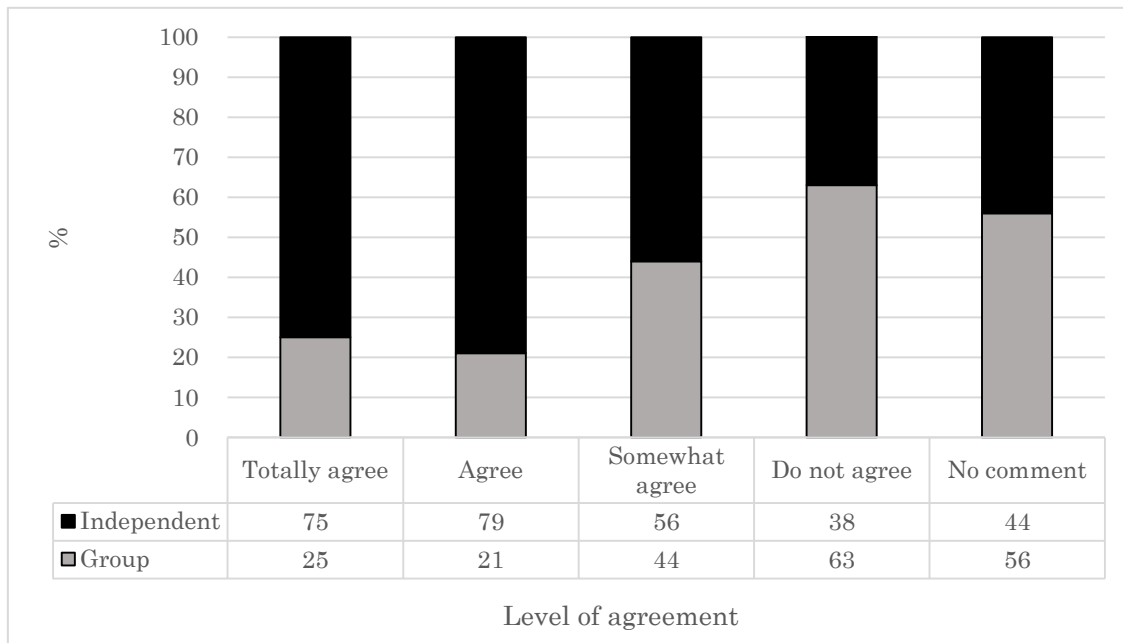
Figure 4.14 Tendency of the general public to be helpful to foreign tourists (by age category)



Source: Same as Figure 4.

Figure 4.14, displays a pattern in which greater shares of the positive responses such as totally agree, agree and agree are occupied by younger age groups. The share of younger age groups decline in the more negatively inclined responses, where they are replaced by age groups older than 50 years. The driving force behind age-discriminated treatment of tourists is associated with the type of tourist as well.

Figure 4.15 Tendency of the general public to be helpful to foreign tourists (by type of tourist)



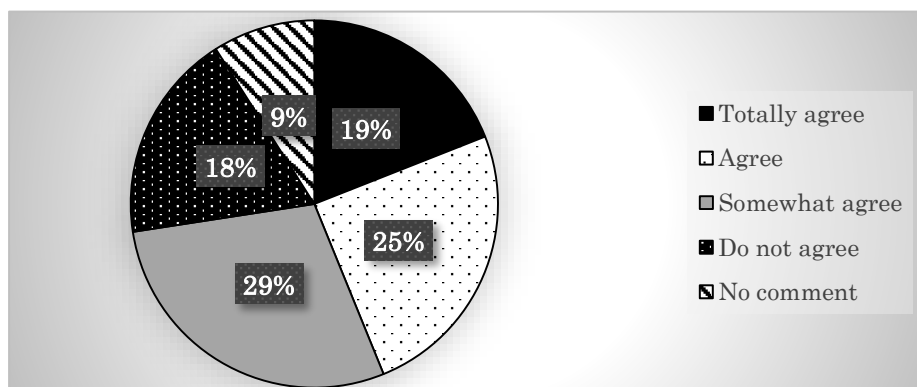
Source: Same as Figure 4.1

As reflected in the Figure, FITs have a greater tendency to receive help from the general public than group tourists as clearly larger shares of ‘totally agree’ and ‘agree’ columns are occupied by FITs (74.7 percent and 78.9 percent respectively). Their shares in ‘somewhat agree’ and ‘disagree’ columns fall dramatically as they come to be dominated by 43.6 percent and 62.5 percent of Group tourists respectively. As mentioned in the foregoing section, age is closely related to the type of tour, which means that more young people are travelling independently and more elderly people travelling in groups. A three-way cross tabulation makes this even more pronounced. As a result of this tendency, FITs (of which the majority is young) interact more with the general public in matters such as taking a ride in a taxi, asking for directions and making purchase, during which they may feel that the general public is helpful. The study noted that the tourism sector

in Sri Lanka is suffering from a considerable gap in information for tourists as government and private sector formal institutions do not have an effective mechanism to disseminate information for tourists such as manned information desks, maps, timetables, means of transport and locations of tourist attractions and various services, which is especially inconvenient to FITs, and thereby force them to resort to informal means such as asking the strangers on the road. The gap in information is especially pronounced in semi-urban and rural areas and languages such as Chinese and Japanese as elaborated before in a foregoing section. Group tourists on the other hand have minimal interaction with the general public as they do not feel the need to do so, when their entire tour is planned out by a formal institution and all they have to do is ask their tour guide.

Even though data suggests that the host community in Sri Lanka is generally hospitable and willing to help out a foreign tourist who is seeking help with simple day to day encounters, the study dug deeper into the matter by attempting to see if tourists perceived the hospitable gestures of the general public as genuine.

Figure 4.16 The tendency of the general public to offer help without expecting a return



Source: Same as Figure 4.1

According to Figure 4.16, a significant 72.5 percent agree in varying degrees (totally agree, agree and somewhat agree) that the general public in Sri Lanka is helpful without expecting a return. While this could be taken as a commendable response, it is important to pay attention to 18 percent of the tourists who thought that the Sri Lankan general public did not help a foreign tourist without expecting a return. As this share represents nearly one fifth of the sample, it gives the notion of a grave situation.

Following is how a French tourist felt about Sri Lankan people's smiling hospitality and their propensity to help a total stranger:

“Sri Lankans are a smiling race. But a few encounters with touts, wayside vendors and a handful of scammers made me have second thoughts. They think that tourists are *animals with money* [emphasized] not human beings with feelings, emotions and a tight purse. In other words, some of them think tourists are there to fleece”

On another occasion, a female tourist from Germany testified as follows:

“When in Sri Lanka, I'd go by the ancient saying 'beware of Greeks bearing gifts' and be savvy of strangers offering unsolicited help. The doorman will open the door for you and stretch out his palm for tip; the tuk tuk driver will load your baggage and expect a few extra Rupees; a total stranger [possibly a tout] will follow you around, giving you an unsolicited guided tour and demand money for the 'information' he just imparted. There likely is a hidden motive if someone offers help”

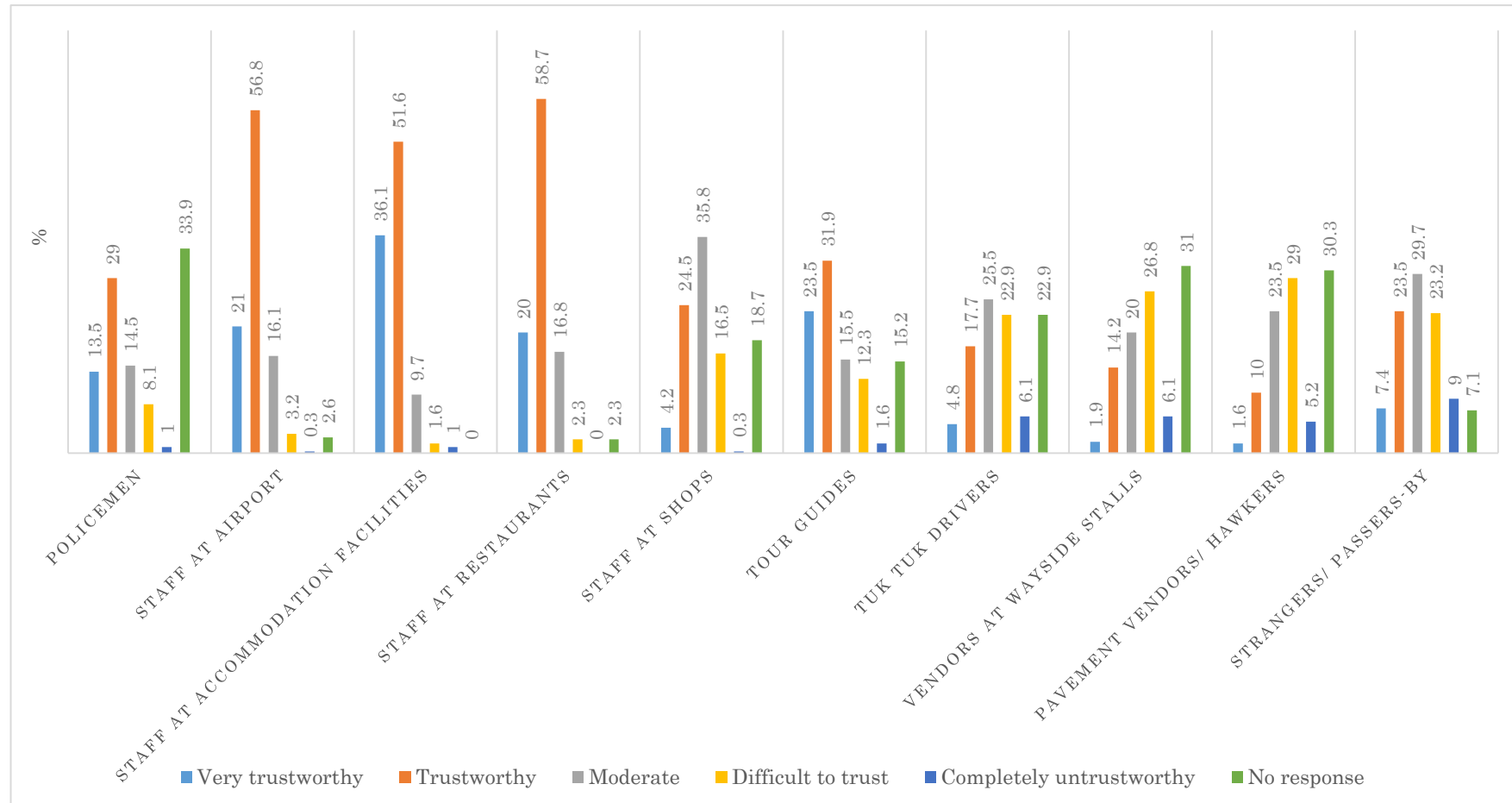
However, tourists' testimonials suggest that the propensity to expect something in return

for help is seen more among people who are already engaged in the tourism industry; most often those who have ventured into the tourism industry for quick money such as touts, beggars, street vendors/ hawks etc, and not the ordinary people that one may meet on the road going about their daily chores. Some of them are actually employed in tourism related formal institutions such as hotels and travel agencies but the fact that formal institutions have not properly trained the staff on ethics, values, hospitality and mannerism, and the fact that staff behavior is not monitored and rules and regulations are not properly enforced explain why such practices still take place within formal institutions. This phenomenon, which will be explained further taking the example of tipping, stands evidence to the fact that skewed informal institutions can actually hamper the functioning of formal institutions, which can in return hamper tourists' perception of the entire population of the host country.

③ **Trustworthiness**

This calls for an analysis of how much tourists could trust a total stranger in Sri Lanka against people working at formal institutions. The study attempts to seek the existence of trustworthiness in formal institutions and the grassroots level. It attempts to test how this vital factor affects economic benefits trickle down to the grassroots level as a result of how it is displayed to foreign tourists.

Figure 4.17 Perception of trustworthiness of types of hosts among foreign tourists



Source: Same as Figure 4.1

As Figure 4.17 reflects, the three most trustworthy hosts to foreign tourists seem to be staff at accommodation facilities (87.7 percent of the tourists rated them as very trustworthy or trustworthy), staff at restaurants (78.7 percent rated them as very trustworthy or trustworthy) and staff the airport (77.8 percent rated them very trustworthy or trustworthy). The most untrustworthy hosts were pavement vendors/ hawkers (34.2 percent of the tourists rated them as completely untrustworthy or untrustworthy) and vendors at wayside stalls 32.9 percent rated them as completely untrustworthy or untrustworthy).

Interestingly, the pattern of distribution of data on the histograms for tuk tuk drivers and strangers suggest that they are approximately normal distributions with most respondents clustered around the middle, meaning that more tourists display a moderate level of trust towards these hosts. Variance of trust levels for strangers is smaller than that of tuk tuk drivers ($1.712 < 2.329$), suggesting greater homogeneity within the sample.

Thus results suggest that tourists have a greater tendency to trust formal institutions as there is an element of responsibility attached to formal rules and regulations. Locals who are trying to make the ends meet by venturing into the tourism industry such as hawkers, vendors at wayside stalls, touts and beggars instill mistrust and fear in foreign tourists as they are more likely to resort to illegal and forceful means of extracting money from 'victims'. FITs are more likely to fall prey to tourist scams and scandals in Sri Lanka as observations suggest that formal institutions have not facilitated FITs satisfactorily by means of providing information, guidance and access to facilities.

i. Formal institutions affected by informal institutions: the case of tour guiding

The case of tour guides/ touts is the most representative example that explains the ‘trust’ issue with tourists. The biggest challenge in the service of tour guiding as recognized by many parties is the damage done by touts. In the words of a National Tourist Guide Lecturer; “Not only do touts tarnish the reputation of this profession in the process of making quick money, they also damage the image of Sri Lanka as a tourist destination due to the many fraudulent activities they engage”. True to this verdict, cross analyses indicate that 100 percent of those who completely distrust tour guides are FITs as all of those interviewed could relate at least one anecdote about having been followed or cheated by a tout as most FITs engage an Area/ Site⁵² guide or a tout for less money. The degree of trust towards tour guides was much higher among group tourists who are usually assigned a tour guide when they arrive in the country, and will be with them until the end of their journey. Such tour guides are attached to a formal institution (tour agency), professionally trained by formal institutions and bear responsibility towards customers and the institution, which help build trust between the customer and the service provider. In almost all cases they are licensed National Tourist Guide Lecturers or Chauffeur Tourist Guide Lecturers who had gone through at least one and half years of training⁵³ or those who had displayed outstanding performance in a particular foreign language and hospitality trade skills. As mentioned before, such tour guides are

⁵² Area guides are assigned to an area such as Anuradhapura or Polonnaruwa while Site guides are assigned to a particular site only, such as the Temple of the Tooth in Kandy.

⁵³ Tour Guide training is primarily conducted by state formal institutions such as the Sri Lanka Institute of Tourism and Hotel Management, and licensing and registrations of tour guides is done by the SLTDA. Licensing of Area and Site Guides is also done by the Department of Trade, Commerce and Tourism of respective Provincial Councils.

regulated and disciplined by strict rules and norms imposed by the private sector formal institutions that employ them, and the formal rules are such that the future of their career depends on the feedbacks given by their clients. Moreover, a licensed tour guide attached to an institution maintains comparatively longer contact, of several days if not weeks, which is an important ingredient to build trust. Touts on the other hand are not properly trained by formal institutions; they are not affiliated to a formal institution, and they have relatively shorter contact with clients of a few hours from the time they are picked up from the streets, which make them 'anonymous' and free to cheat. During the study, the researcher met with a few touts who have been 'faithful' to their clients, and as a result have been hired for several days instead of a few hours. Yet the hearing survey with touts revealed that in most instances, they lack long term vision, aspiration or career goals, and therefore have no concern over ethics or values in the treatment of foreign tourists.

As briefly alluded before, this trend is mainly due to the lack of regulation of the industry, poor human capital training that stems from it, and existing values of the society. While Area guides and Site guides receive very little training (less than six months) compared to the other two categories mentioned before, tour guiding is also a very vulnerable and excessively open industry which is regularized more by informal means than by formal institutions. Spurred by this lack of regulation by formal institutions, tourists are vulnerable to fraud and erroneous explanations by touts, painting the profession dishonest and less trustworthy. All the Area and Site guides and the touts/ Beach Boys⁵⁴

⁵⁴ Beach Boys in Sri Lanka are a kind of touts who operate in the coastal areas of the country. They pose ostensibly as tour guides yet without proper license or training. They are quickly recognizable by their signature long hair, tattooed shirtless bodies and knee length pants roaming in the beaches in search of 'customers'. In a clear majority of cases, Beach Boys are engaged in the occupation for the quick money that 'guiding'

interviewed confessed that they took up the profession because they could make quick money. Their lack of educational accreditation is justified by the fact that very few educated and qualified people are attracted by the profession. Neither is it a prestigious occupation in the eyes of the locals. Even though regulations exist for tour guiding, there is an unknown large number of unregistered and unlicensed tour guides operating as Area/ Site guides in Sri Lanka. While the operation of unlicensed tour guides reveal the machinations of politicization and nepotism in the system, weaknesses of the formal institutional set up is further inundated by the fact that the Tourist Police is not authorized to arrest such people or has not provisions for litigation unless they are implicated with some other crime such as drug use/ selling or harming a tourist in some way.

According to hearing surveys at the Tourist Police station in Kandy, until about two years before the study was conducted, there was a feeble mechanism in place to regulate the operation of touts. The Tourist Police kept a log book where touts were required to sign for the day if they were 'working'. In the least, the system stamped some identity on the touts that prevented them from breaking the law. Even this feeble attempt has been scrapped away today, and touting itself is still not against the law in Sri Lanka despite the fact that touts are behind many petty crimes and violence against tourists.

This matter becomes explicit with a closer look at the informal institutions that keep the touting system running where formal institutional regulations are absent. Area guides and Site guides are at loggerheads with each other on a daily basis for territory as there is no formal mechanism to allocate territories for licensed Area/ Site guides.

and prostitution could make. They are known for their (male) prostitution services as both homosexual and bisexual partners. It is also a well known fact that these men are both consumers and promoters of hazardous drugs.

Encroachment of someone's territory is a taboo that will be punished by filthy language and even aggressive expulsion if it is called for. What earn them vantage territory are norms that are peculiar to the profession such as 'first come, first served' and 'survival of the fittest'. The Researcher and Research Assistants were approached by several Area/Site guides during the study when attempts were made to conduct the questionnaire survey and hearing survey in public places such as the Lake Round in Kandy. They were agitated that the research team might be touts/ guides trespassing in their territories to snatch customers away from them. Some of them were downright angry as they considered tourists as their property. Thus a Site guide warned a Research Assistant when he explained that he was only conducting a hearing survey: "Whatever you do, don't even think about taking tourists away from this territory. This is *MY* territory, and the tourists passing through this area belong to me".

Area/ Site guides are engaged in a separate battle with a common enemy: touts who are completely unlicensed, yet as mentioned before, haunt illegally in tourist areas looking for a prey to earn a daily living. Interviews with the Tourist Police, licensed tour guides and other key informants as well as studies in the industry (Micheal, 2000: 9) and newspaper articles (Edirisinghe, 2013: 37) suggested that a vast majority of touts such as beach boys in the coastal areas, three-wheeler drivers/ wayside vendors, and drug addicts turn to tourist guiding to make quick money. As a constable at the Tourist Police summed up: "Someone tugging along a mango cart today might be seen 'guiding' an unsuspecting tourist tomorrow, doing his best to squeeze more tourist dollars out of him"

As touts are neither led by a proper work-culture nor concerned about values, hospitality or repeat tourists because they are principally led by individualistic short-term motives,

violations of the law by these people are prevalent.

As the tour guiding mechanism is poorly managed by formal institutions, politicization and nepotism have become other norms of regulation. A local newspaper article (Edirisinghe, 2013: 37) examined the case of Sigiriya⁵⁵ where touts bearing bona fides from a powerful local politician can operate on the site while licensed guides are turned away by the touts, as the latter hold the reins of power. The police nor any other formal institutional authority dare to question the system as it would only invite trouble. Thus the Tourist Police Post in Sigiriya exists only for the name's sake. In reality, the Post is empty and unmanned because policemen who had tried to enforce the law had been transferred from the locality. The Informal institutions in the area are powerless to fight against the injustice as they hold little or no decision-making power in the tourism industry. The article narrates several anecdotes about how the trust of foreign tourists have been violated by such touts operating in Sigiriya, tarnishing the image of the country.

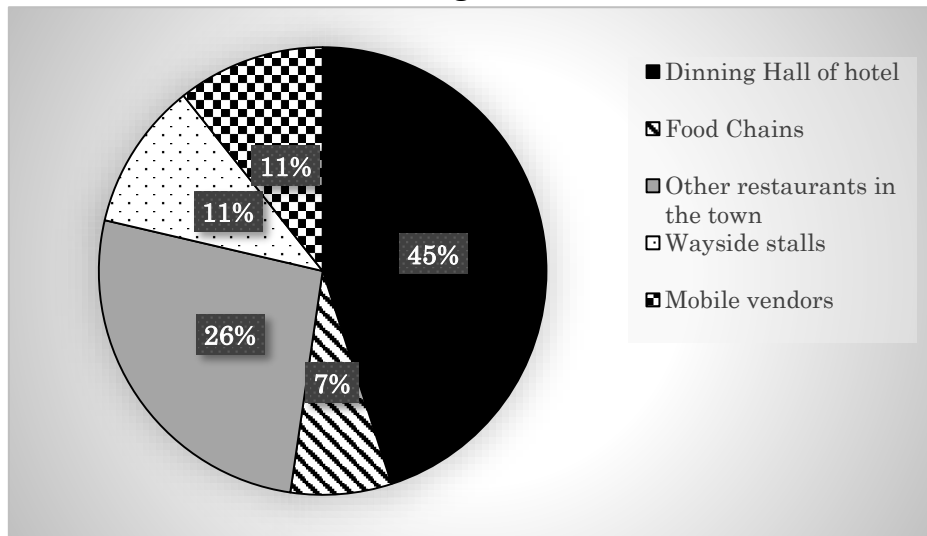
To investigate the trust issue even further, the study next examined the type of facilities that tourists utilized most during their trip to Sri Lanka. Subsequently, in an attempt to understand their level of trust for these facilities, respondents were then requested to rate the propensity of local hosts to cheat tourists for some form of economic benefit. As the following section will exemplify, analyses shows that in a foreigner's eyes, large formal organizations symbolize authenticity and responsibility towards tourists while small and individually operating entrepreneurs represent questionable quality, lack of authenticity and responsibility. In other words, trustworthiness increases with the size of the

⁵⁵ An ancient fortress, now a UNESCO Heritage site built in the 4th Century B.C. by King Kashyapa in the North Central Province of Sri Lanka that is known as the Eighth Wonder of the World.

institution. Blogs, travel reports and personal accounts on Sri Lanka on the internet and word of mouth could be held very much responsible for the proliferation of such an image.

ii. Dining habits of tourists as an indicator of trust

Figure 4.18 Tourists' utilization of dining facilities



Source: Same as Figure 4.1

Trust is best exemplified through an analysis of where tourists had dined most as food is something that humans are most concerned about. Food is an important determinant to the extent that it influences the length of stay of a tourist in a destination depending on whether s/he can tolerate food/ food habits of the destination and how well local food has been adapted to suit the customers' palate (Montanari & Staniscia, 2012: 24-25). Figure 4.18 shows the utilization pattern of dining facilities by tourists. According to the figure, the most widely used facility was the dining hall of the hotels tourists lodged (45 percent). The least used facilities were mobile vendors/ wayside stalls (11 percent each) and food chains such as KFC, Pizza Hut and Mc Donald's (7 percent). Thus data shows that dining patterns are inclined more towards using hotel dining facilities as they are not only

convenient, but they are more responsible towards the guest. In other words, there is greater trust involved due to longer contact and larger size of the establishment. The likelihood of tourists to patronize other restaurants in town shows that medium level establishments can also elicit this sense of trust more than micro level businesses such as wayside stalls and mobile vendors. The small share of tourists visiting food chains (despite the large size of the establishments) is simply due to the fact that these chain restaurants are not available in every city or town except in areas such as Colombo and Kandy. On the other hand, characteristics of the tourist can have an impact on the level of trust they have on the service provider.

Cross analyses against type of tourist show that there is a slightly greater likelihood for FITs to patronize smaller establishments and/ or individuals rendering tourist goods and services. For example, 23.3 percent of FITs had tried street food at wayside stalls against only 9.9 percent of group tourists. Cross analyses against per-day spending also shows that 24 percent of those who ate mostly at way side stalls and 24.2 percent of those who bought most meals from mobile vendors could not spend more than \$75 per day in Sri Lanka. Interestingly, 92.1 percent of those FITs actually liked food from wayside stalls, stating that it was satisfactory, good or excellent.

Appendix 3 analyzes more details about the quality of food purchased from different providers. The percentages in the graph were obtained as a share of respondents who had actually dined at the facilities in question. Accordingly, food bought from mobile vendors and wayside stalls tasted best (55.1 percent of while 51.7 percent of those who bought food from mobile vendors and wayside stalls rated them excellent or good respectively). Even though food at these places were delicious, and perhaps authentic,

tourists were aware of the fact that they were neither healthy nor hygienically prepared. Food sold at wayside stalls were considered as having the worst impact on health (15.3 percent rated them poor/ very poor in terms of impact on health), while mobile vendors were rated poorest in terms of hygiene (14.3 percent rated them poor/ very poor in terms of cleanliness). Dining facilities at hotels were best rated for cleanliness (57.3 percent) and food from restaurant chains such as KFC, Mc Donald's and Pizza Hut were considered having the least harm on health (70 percent of those who dined at such facilities considered them safe in terms of immediate/ short term effects on health). This may be because food chains, especially MNCs such as KFC, Mc Donald's and Pizza Hut are household names in most of the source countries and tourists believe that these chains follow global technical and quality standards when cooking and serving food to customers anywhere in the world. Yet news reports have uncovered that despite their popularity and fame, some food chains continue to serve expired, contaminated or low quality food to their customers (Retrieved from <https://www.consumeraffairs.com>).

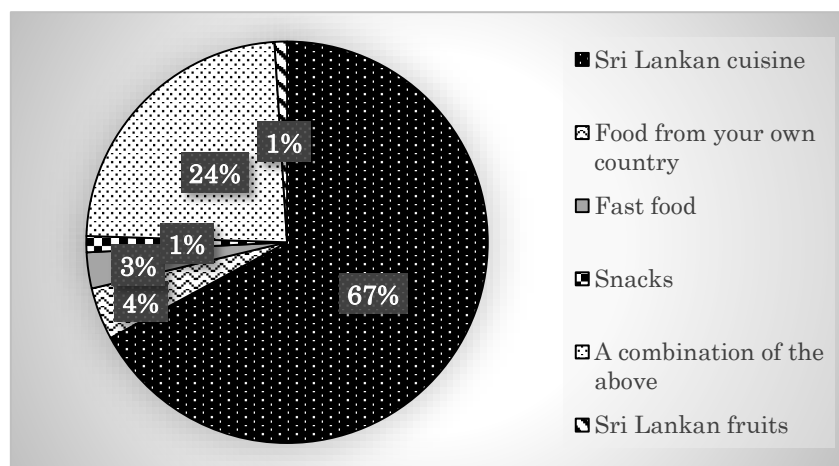
Tourists claimed that presentation of food was best (meaning they were mouthwatering and enticing) in wayside stalls (66.1 percent of those who bought food from wayside stalls claimed that presentation was excellent or good). Tourists elaborated on how wayside stalls had their food items such as fruits, vegetables and sweets arranged in a riot of colours, and local cuisine was prepared in the streets in a way that the steamy aroma wafted through the air and made the passers-by hungry. Twenty one out of the 24 tourists in the hearing survey had tried the local *kottu*⁵⁶ dish and they had enjoyed the

⁵⁶ *Kottu* is a local dish made of chopped wheat flour pancakes and spicy meat and an array of vegetables tossed and mixed and together with two metal spatulas. The clanking sound that the spatulas makes a noisy musical beat that was referred to as the *kottu beat* by some tourists.

truly authentic taste of Sri Lanka. According to the hearing survey, the biggest attraction of the dish was the *kottu beat* which was part of the presentation that played the role of advertising for the popular local cuisine. However, it is important to emphasize the fact that all of those who had tried and enjoyed *kottu* from the streets were FITs.

Another cross analysis shows that there is a greater tendency for European tourists to patronize small eating houses and mobile vendors. Of the 60 tourists that patronized wayside stalls, the highest 23.3 percent were from England, while of the 49 tourists that bought food from mobile vendors, the highest percentage (16.3 percent) came from France. 17.6 percent of those who visited medium level restaurants in the town for meals were from England. On the other hand, dining hall of the hotels were utilized most by Japanese tourists (15 percent of all those who utilized the facility) and food chains were frequented most by Chinese tourists (24.4 percent).

Figure 4.19 Tourists’ preferences for food in Sri Lanka



Source: Same as Figure 4.1

Figure 4.19 shows that a clear majority of tourists prefer to try Sri Lankan flavors (67

percent have mostly had Sri Lankan cuisine) in an attempt to understand the local culture of the place they were visiting. Twenty four percent have had a combination of Sri Lankan food, food from their own country that is served in restaurants or brought along when they arrived in Sri Lanka, fast food and snacks. Interestingly, a cross analysis shows that of all tourists who had Sri Lankan cuisine the majority were English (17 percent) and a majority of those who had food from their own cultures were Japanese and Indians (23.1 percent) and Arabs (15.4 percent). While Arabs ardently looked for halal food as it was taboo to eat otherwise according to their strict religious regulations, Japanese and Indian tourists looked for food from their own culture because of the nostalgic feeling associated with food. Not only do Japanese tourists have a very sensitive palate, they are also very much concerned about the safety of the food they consume, which operates a magnetic effect towards their own, well known/ familiar food. One old Japanese female tourist claimed that:

“I was warned by a friend who had been to Sri Lanka that Sri Lankan food is too hot and spicy to be eaten. Therefore I brought a suitcase full of instant Ramen to last my entire trip. But when I actually came here and tried Sri Lankan food, it was not that bad. I shouldn’t have brought all that ramen”

(Tourist from Japan)

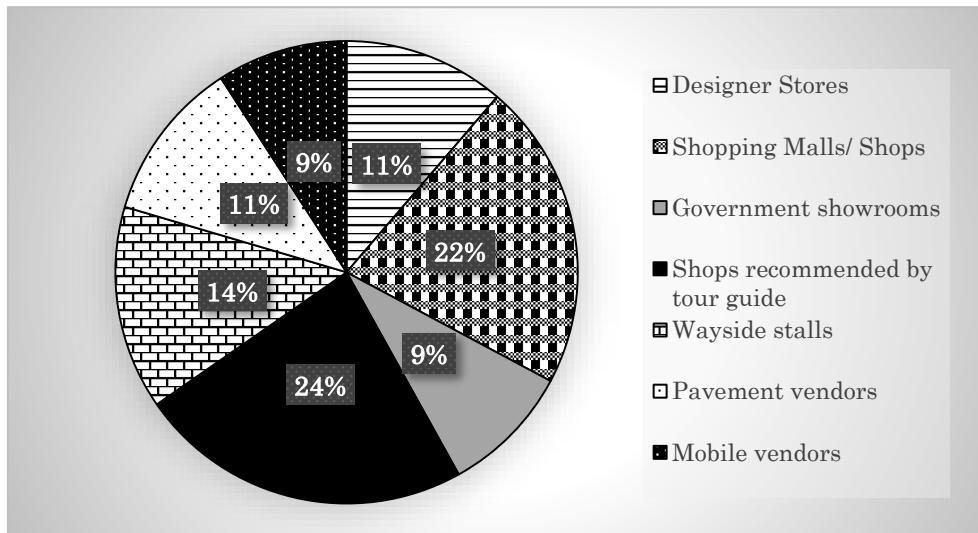
On another occasion in Japan, the researcher met an old Japanese lady and a gentleman who claimed that they prefer East Asia to South Asia for travel as their palates cannot tolerate the hot and spicy food in the South Asian countries.

These trends in dining of foreign tourists suggest that European tourists/ and or FITS are more adventurous in their expeditions and are keen to have ‘authentic’ Sri Lankan

experiences. East Asian tourists (particularly Japanese and Chinese tourists) on the other hand are new to the tourism industry and they are more concerned about safety, security, familiarity and convenience rather than trying out new things. Other studies have shown that local food becomes largely acceptable only when it is totally or partially transformed (Montanari & Staniscia, 2012: 24-25). While the aforementioned study proposes that this theory applies to tourists from industrialized countries who visit places that are late in developing, this study suggests that the culture of the source country: whether it is open or closed, and the timing of their entry to tourism: whether they are early or late entrants to traveling also play important roles in their tolerance of the food culture of the host country. In other words, if Sri Lanka aspires to attract more tourists from countries such as Japan, it is important to adapt the so-called authentic Sri Lankan flavors to suit the guest's palate. Tourists from Japan suggested that Sri Lankan restaurants could offer guests a choice in the level of spiciness to choose from, indicated on a scale of measurement ranging from 'one spoon of chili' to 'five/ six spoons of chili', which is a very common sight in restaurants in Japan. On a similar tone, it is important to cater to different nationalities and their special needs driven by religion and the like. For example, despite the fact that there has been a 13.6 percent increase in Tourist arrivals from the Middle East with 101,066 arrivals from the region in 2015 (SLTDA, 2015), many tourists from the region complained that halal food was not an option even in the biggest star class hotels, let alone small and medium eating houses. This is an unfortunate situation as according to data from 2011, Middle Eastern tourists recorded the highest average spending per tourist per day in Sri Lanka, which was \$ 128.1 (Non-package without airfare). They topped the package tourists' list with a record of \$ 214.1 spending per day per tourist including the airfare.

iii. Tourists' shopping behavior as an indicator of trust

Figure 4.20 Tourists' preference for souvenir shopping



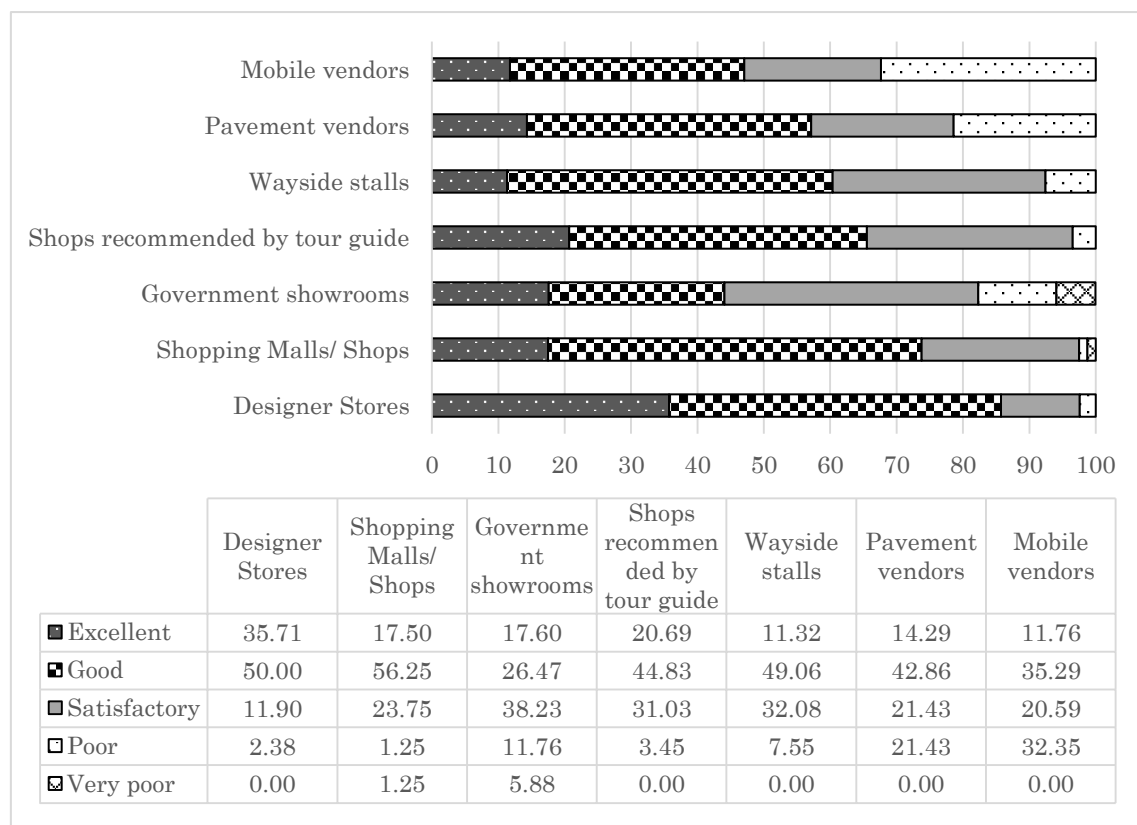
Source: Same as Figure 4.1

Even though Figure 4.20 shows that shopping preferences were more equitably distributed across categories than they were in tourists' preferences for food, data still show a preference for authenticity and trust. A majority of 24 percent bought souvenirs at shops recommended by their tour guides as it entails an element of trust and responsibility towards the shopper. Twenty two percent went shopping at malls and city shops. Nine percent shopped at government showrooms while 11 percent went to large designer stores in Colombo and Kandy. Together they account for 66 percent of the sample that shopped at large and authentic establishments. Only a very small minority of 11 percent had bought souvenirs from pavement vendors and even smaller minority had bought from mobile vendors.

Figure 4.21 shows the general ratings that tourists had given the aforementioned shopping facilities. According to the figure, the best ratings were received by designer stores

where branded items are sold (85.71 of those who visited designer stores rated them Excellent or good). They also received the lowest negative feedback with only 2.38 percent of the shoppers rating them poor. Shopping malls and other shops in cities were rated excellent or good by 73.75 percent of the tourists who shopped at such places. The highest rate of negative feedbacks were received by mobile vendors (32.35 percent rated them poor), pavement vendors (21.43 percent) while government showrooms received the highest rate of ‘very poor’ responses (5.88 percent). Tourists were highly displeased with government showrooms as they received comparatively lower positive ratings.

Figure 4.21 General rating of shopping facilities by foreign tourists



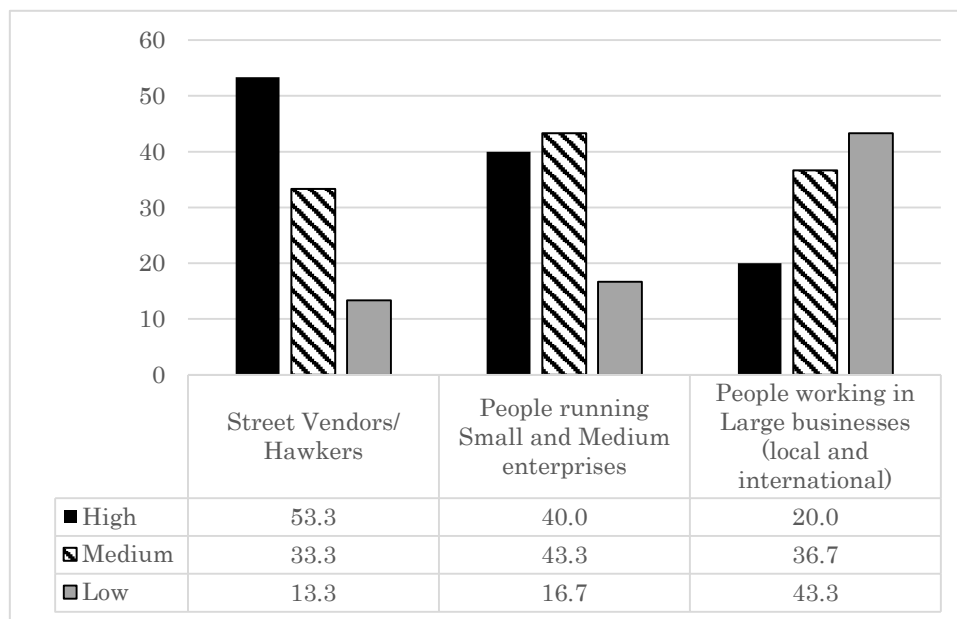
Source: Same as Figure 4.1

As the hearing survey indicated that tourists judged shopping facilities from the façade of the showrooms (outward appearance), presentation of goods for sale, quality and price of goods, and very importantly, the service of the staff, government showrooms elicited negative responses for all of the criteria. Tourists complained that government showrooms thirsted for attractive appearance, a welcoming atmosphere, and welcoming/friendly and helpful staff. They also lacked choices and options in goods for sale, let alone stocks. Despite the fact that formal institutions could train employees in hospitality and service, this remains a dead note, and as a result government showrooms are an epitome of the lethargic attitude of Sri Lankans towards work. This was well versed by a tourist from Japan:

“I shopped for souvenirs at a government showroom in Peradeniya and I was put off at the entrance itself. The staff looked lethargic and indifferent. They had no motivation to sell anything as they’d probably get their pay even if they did not sell a single thing for the entire month. Is that why the sales staff is so unwelcoming? They sat chatting and laughing away in corners and were not elated when my wife asked if they had stocks of a particular item. The lady gave a curt reply that they only have what was displayed on the shelves. She did not look sorry to be unable to help us”

Similarly, Mobile and pavement vendors and traders at wayside stalls were criticized for their poor, incompetent service and low quality wares sold at unreasonably high prices. In other words, trustworthiness is at stake when people shopped with such vendors. This pattern suggests that trustworthiness depends on the type and size of the establishment, which is reflected in Figure 4.22.

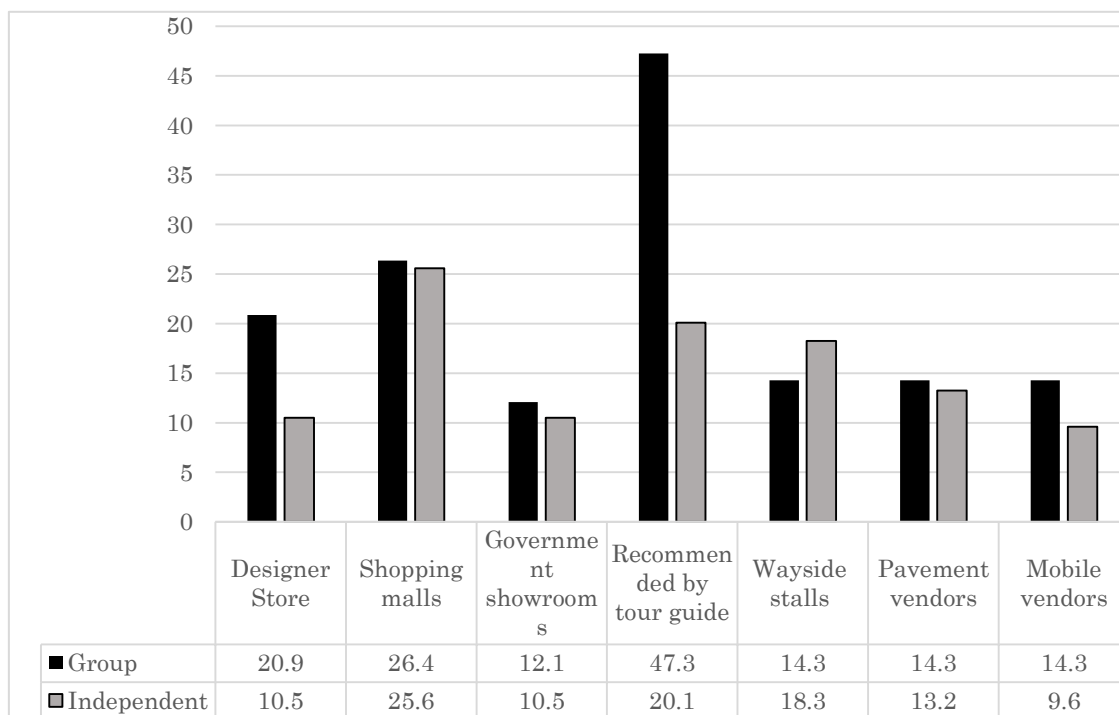
Figure 4.22 Tourists' perception of hosts' propensity to cheat tourists



Source: Same as Figure 4.1

According to the figure, a majority of tourists in the questionnaire survey believed that street vendors or hawkers are more likely to cheat tourists (53.3 percent thought that there is a high chance to be cheated) than those running small and medium business (40 percent thought that there was a high chance of being cheated) and the staff at large business establishments are least likely to cheat them (only 20 percent thought that there is a high chance of being cheated while 43.3 percent thought that there is a very low risk of being cheated). 20 of the 24 interviewed tourists testified that they encountered problems such as being cheated into buying overpriced and cheap quality goods when they shopped with street vendors or hawkers. Such vendors had no return/ exchange policy, and they were cheated into buying fake items such as cheap sun glasses faking the Rayban brand. It could be argued that trustworthiness is low or non-existent with such vendors due to two reasons: anonymity that their type of business allows them, and short term monetary motives that are not refined by work ethics.

Figure 4.23 Tourists' preference for shopping facilities by type of tourist



Source: Same as Figure 4.1

Figure 4.23 shows that there is a very high possibility for group tourists to make purchases from shops recommended by their tour guides. A deeper cross analysis shows that shops recommended by tour guides have received the highest positive ratings (24.5 percent of the group tourists have rated them excellent or good). The main reason is the existence of trustworthiness when a shop is recommended by the tour guide. Backstage, tour guides have established long term informal contracts with shop owners (usually medium and large scale enterprises) which ensures a handsome commission for every sale that their recommendations bring to the shop. Even though taking tour groups to pre-appointed shops where tour guides/ travel agencies receive a commission is an accepted norm in the tourism sector, group tourists commented that having their choice of shops limited, and having the price of goods driven up to make up for the commissions is unfair.

Thus even though the service was rated very good in such shops, tourists claimed that they were quite aware of the fact that they were paying a much higher price for something that could be bought for a lesser amount at a wayside stall. A minority of tourists (8.3 percent of those who responded to the hearing survey) considered that tour agents/ guides accepting commissions from tourist shops is also a form of dishonesty. Formal institutions of the tourism sector are in a position to use their executive powers to control this practice, but they have chosen to turn a blind eye instead. The best example for an attempt by formal institutions to address a similar issue comes from China, where according to their new law passed on the 1st of October 2013, Chinese tour operators and travel agents are fined heavily if they ostensibly sell low cost tour packages to tourists and later try to make up for the loss by receiving tips and commissions through ‘forced/ compulsory’ shopping sprees (<http://www.tourismnewzealand.com>).

Table 4.2 Top customers at shopping facilities

	Country	% as a share of the number of visitors to the type of facility
Designer Stores	China	33.3
Shopping malls	China	22.2
Government showrooms	Japan	14.7
Shops recommended by tour guide	Japan	33.3
Wayside stalls	England/ China	20.8
Pavement vendors	China	23.8
Mobile vendors	China	29.4

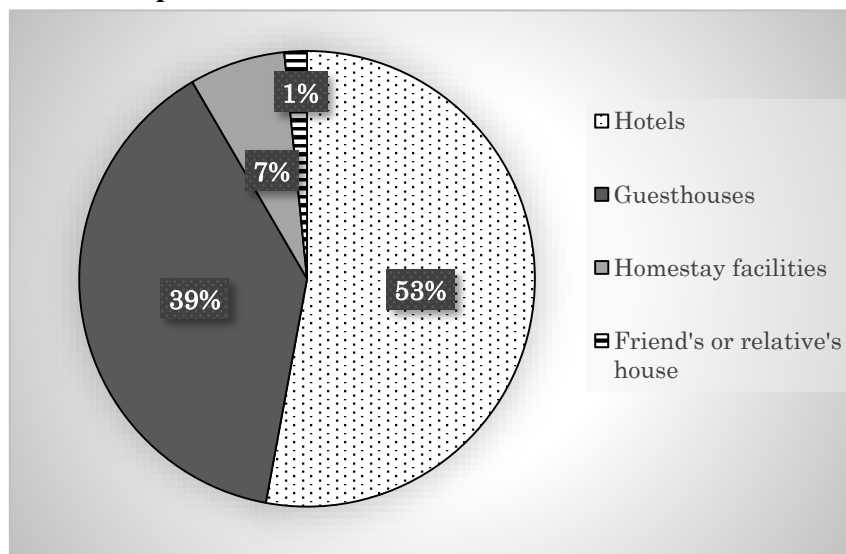
Source: Same as Table 4.1

Table 4.2 shows that most of the foreign customers that frequent various shopping facilities in Sri Lanka are Chinese. Their choice of facilities range from large designer showrooms, medium enterprises to small and micro level vendors. This means that even though their shopping choices allow some leakage of tourist dollars due to shopping at designer showrooms, a small share of benefits are reaching the grassroots level through Chinese tourists. Japanese tourists on the other hand are more concerned about the trustworthiness of the source as a majority of those who shopped at government showrooms and shops recommended by tour guides were Japanese (14.7 percent and 33.3 percent respectively).

iv. Improving informal institutions through formal institutional training: the case of the lack of professionalism in the accommodation sector in Sri Lanka

The study requested tourists to indicate the lodging facility that they utilized the most during their stay in Sri Lanka in an attempt to understand their level trust towards the accommodation subsector and how this is affecting the diversion of economic benefits of tourism to grassroots level service providers. This section will use some quantitative data along with more qualitative information obtained from hearing surveys, key informant surveys and descriptions published on authentic and popular internet booking engines.

Figure 4.24 Tourists' preferences for accommodation facilities



Source: Same as Figure 4.1

According to Figure 4.24, more than half of the sample had utilized hotel type of accommodation facilities. It was practically impossible to track down the ownership of these lodging facilities (whether MNCs or large local hotels or medium sized local ownership) as tourists were not aware of or did not recall details of the kind. Even in

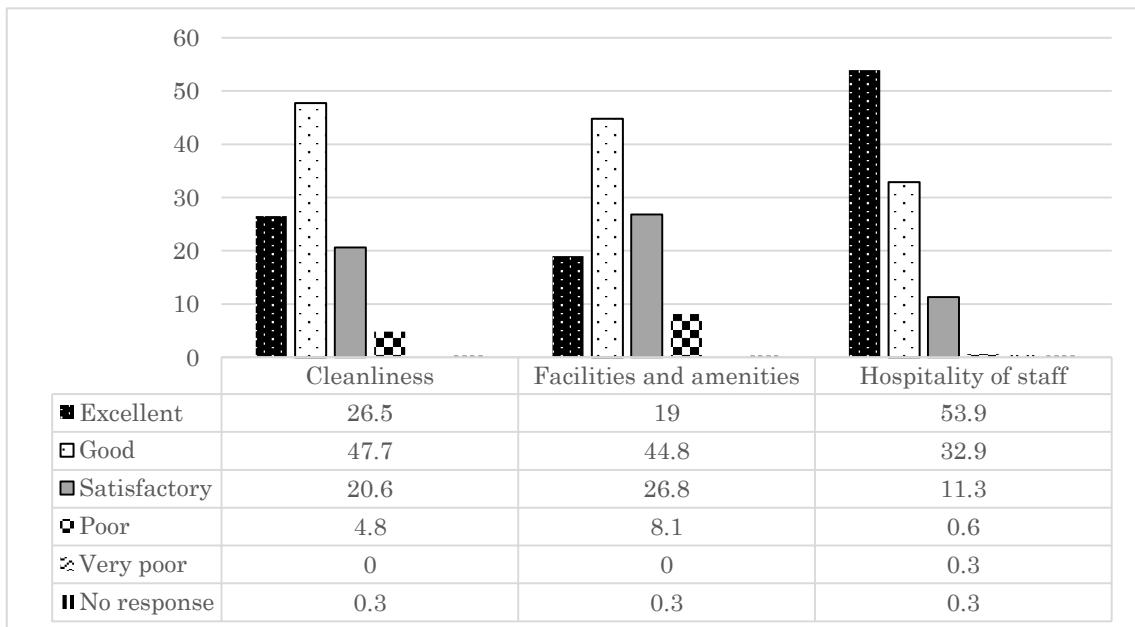
the absence of such details, it is still possible to see the fact that more tourists are heading to large establishments such as star class and classified hotels. However, 47 percent of the sample had stayed in guesthouses, homestay facilities and private homes, which indicates that there is a favorable tendency for tourists to patronize locally run small and medium facilities, trickling tourism dollars to the grassroots level.

On the other hand, there could be another reason behind the patronizing of supplementary establishments. To recall the macro level analysis on Chapter 2, there is a bias in the distribution of registered accommodation facilities, in which most of the facilities are clustered in the South Western coastal area and the capital city. This leaves tourists with no other choice but to lodge in supplementary type of facilities in areas where there is a dearth of registered/ classified establishments. During peak seasons, the situation turns from bad to worse, when local people convert their private abodes into guesthouses, rent out rooms, or even let sleeping mats to facilitate foreign tourists flocking in their thousands to the area. This was observed by the researcher in Arugambay during the peak surfing season from April to August. The opposite phenomenon was also observed as the monsoon winds swiftly reverse the tides in September, the beaches are left deserted; established hotels run on almost zero occupancy, and the local people turn to their regular/ main sources of income; i.e. fishing. It is very rarely that local people make tourism their main/ only occupation due to seasonality in Arugambay. Therefore they make hay while the sun shines by making as much money as possible during the few months when tourists keep pouring into the area during the peak season. The fact that tourism is seasonal in the area, and the formal institutions nor the host community has devised a

method to keep the tourism traffic flowing in during the off-peak season⁵⁷ has made the local people engage in activities that damage the trustworthiness of the tourism sector in the area.

The following analysis probes into the general accommodation sector services in the country, tourists' utilization pattern and how these two factors affect trustworthiness.

Figure 4.25 Tourists' perception about selected characteristics of accommodation facilities in Sri Lanka



Source: Same as Figure 4.1

Figure 4.25 shows that cleanliness, facilities and amenities and hospitality of the staff

⁵⁷ During the field visits in Arugambay, it was brought to the notice of the researcher that there are a number of places in and around Arugambay that could be turned into tourist attractions during the off-peak season. They include: Kudimbigala Monastery, Magul Maha Viharaya (temple), Muhudu maha Viharaya (temple), Okanda temple, and Mani Naaga Pabbatha (temple) all of which could be traced back to historical epic sagas. Oorani lagoon is recommended for mangrove watching.

were all within a satisfactory range in the accommodation sector in Sri Lanka. Of the three featured characteristics, hospitality of the staff was the best rated. Almost 54 percent rated it excellent, while 32.9 percent responded that it was good. If the satisfactory category is also included, that brings the total of satisfied customers to an overwhelming 98.1 percent with regard to hospitality of staff. Appendix 5 reflects an interesting finding that hospitality is best in supplementary/ small/ informal type of lodging facilities (such as homestay facilities, friends' or relatives' homes and guesthouses) than in large hotels. Hearing surveys on the other hand suggested that such establishments do not train their staff in hospitality or any other skill required to run an accommodation unit. Although this is the status quo in the tourism industry, tourists found hospitality in such small units genuine and 'homely', displaying authentic Sri Lankan hospitality. It could be thus argued that inherent favorable informal institutional traits such as the Sri Lankan norm to be hospitable towards guests/ visitors is pervasive to the extent that it is reflected in the functioning of formal institutions. As one British tourist claimed:

“I cannot expect to be treated like a prince when I paid like a pauper. But they gave me the best service for my money's worth. Yes, the waiter wore dirty shirts, spoke very little English and was a little lax too. But let's not forget that my room cost only Rs. 2500 and it was a guesthouse, not a hotel; so the service was that of a good guesthouse. What really mattered to me was the homely environment and warm service.”

However, what is expected from larger accommodation establishments is very different as they charge much higher rates and therefore customers expect exceptionally good staff

service and hospitality. This tendency is corroborated by the hearing survey in which it was emphasized that, though expensive hotels are better off than the inexpensive, they are not without serious defects. For example, it was mentioned by two National Tourist Guide Lecturers, the Chairman of a private tourism educational institute and several hotel managers as well as tourists that some of the leading five star and unclassified hotels are not worthy of the upgraded status they had acquired recently. In other words, the quality of their services was never upgraded to satisfy the high spending clientele. What this means is that hospitality should be coupled with professionalism. Professionalism will include attention to details, clean clothes on service staff, cleanliness of the property with special attention to toilets and kitchen, meals, access/ location and parking, and facilities and amenities offered to guests. Informal institutions affect the functioning of formal institutions as the Sri Lankan culture gives very little attention to details, impeccable finishing of a product is not a necessity, spick and span floors is not a norm, just as a stained uniform of a waiter is not frowned upon. Folkways of the Sri Lankan culture has not impeded on their warm hospitality but it has a weighty effect on professionalism. The hearing survey suggests that even though the vital seed of hospitality is already sewn in abundance by the Sri Lankan culture, other cultural traits as mentioned above form a stumbling block against the development of the hospitality industry if they are not refined appropriately to makeup professionalism. This means that professionalism is something that is 'taught' and 'trained for' through formal institutions. While it is important to accomplish this target to face the high competition in the tourism industry, it is not impossible to achieve it as formal and informal institutions are interdependent and interacting (Chapter 1).

Training in hospitality in Sri Lanka is mainly conducted through Sri Lanka Institute of

Tourism and Hotel Management (SLITHM) and its five satellite schools. Despite the fact that there has been a mushrooming of hotel schools in the main cities, according to top level employers in the tourism industry who participated in the hearing survey, quality of their courses are questionable. It was also pointed out that the SLITM also has to diversify their courses in this competitive environment. Uva Wellassa University and Sabaragamuwa University in Sri Lanka also offer four year degrees on tourism management for a limited number of registrations. The biggest obstacle to formal training is the high employee turnover in the tourism industry. The management of all hotels except the owners of small accommodation units declared that most employees complete their internship in a Sri Lankan hotel that gives them enough work experience to seek greener pastures in the Middle East. Consequently, Sri Lankan hotels are constantly left with batches of fresh recruits and interns with poor wages, making hospitality training a challenge as employees do not stay long.

Another challenge for attracting high quality people to the accommodation sector is the attitude of Sri Lankans towards tourists. This affects not only the accommodation subsector, but all other subsectors. Young people enter the tourism sector as a last resort when they have no other choices left for employment because tourism in the eyes of the general public is a place for least qualified people to make quick or dirty money; people engaged in tourism such as tour guides are promiscuous and have loose characters. In a nut shell, tourism-related occupations do not entail the social prestige that other government/ private sector jobs do. Interestingly, this prestige is totally disembodied from the income that is generated through the job. This matter will be further discussed in Chapter 5.

The study showed how poorly trained personnel manning large scale formal institutions are breaking the trust of tourists, which is affecting their feedbacks. Positive feedbacks are important to ensure repeat tourists/ potential first time visitors. Following are comments/ feedbacks from foreign tourists with regard to the accommodation subsector, which point at the weaknesses in the system that have damaged the trust of the guest.

“What the nasty check-in staff does - mainly at some bigger hotels - is saying 'Good afternoon Mr. Erik' (or whatever name), then upon receiving your voucher, say 'Sorry our records do not show a booking for Mr. Erik. Your booking website made a mistake it seems. However we do have rooms available, but sorry to say that we cannot give at the rate that you prepaid to the website. Instead, you must pay rack rate'. According to the popular website, another version of the above is to say: 'Sorry our records do not show a booking for Mr. Erik. Your booking website made a mistake it seems. And we are fully booked.' The reason here, unfortunately, is that sometimes they managed to sell the room for a better price (rack rate) than they did to you and simply want to avoid all responsibility... Or a third version will be to say 'Yes sir on the booking site you agreed on price xxx, but the actual price is [xxx +20%]'. Please pay the extra amount or cancel the booking. Next hotel is 20 km away” (general description on the accommodation sector in Sri Lanka on <https://www.tripadvisor.com>).

“The dining room staff should be trained adequately to meet customer needs, we had to spend over one hour to have lunch when there were not more than two other tables occupied (Tourist from China on a three star hotel in Kandy).

“Reception staff should handle customers more professionally. The service was very slow and we had to wait 40 minutes to check-in” (Tourist from USA on a three star hotel in Habarana)

“Staff is not hospitable and exactly at 10.30 they started going around tables reminding guests that they were closed for buffet and removing food from the buffet while the guests were seated inside the breakfast room! This is most unacceptable and frankly rude. Management needs to be reminded that guests pay for breakfast in the room rate and due courtesy needs to be extended” (Tourist from Uganda on a Five Star hotel in Colombo on.).

“The staff seemed very inexperienced. I arrived late at around 8:00pm, staying only for 1 day. I came to the reception but I was forced to go to the dining area, until the carrier of my bag did the check-in for me. And even when I stood up to go to the reception another staff insisted I stay here and wait. I was impatient because I wanted to talk to someone who could help me for the next day in booking a tour. They put in the last room in the corner with no balcony and when I asked the carrier of my luggage for another room, he told me that they were fully booked and it was the last room available. I was too tired to argue. The room was quite nice and all I wanted to do was sleep after a long trip. The point is, that in those kind of secluded resorts, the staff makes all the difference between having a great experience and a bad one. The staff seemed well intentioned but had no clue of what 5 star service meant. Staff should be trained extensively” (Tourist from Lebanon on a Five Star hotel in Kandalama).

The study also looked into two other features that count towards professionalism: general

cleanliness and availability of facilities. According to Appendix 5, more than 70 percent of tourists that used all four types of accommodation facilities as excellent or good in terms of cleanliness. Interestingly, poor/ very poor ratings were given only to hotels (3.7 percent rated them poor in cleanliness) and guest houses (7.5 percent rated them poor and 0.8 percent rated them very poor in cleanliness) and not to homestay facilities and friends' and relatives' houses. The reason behind this is that tourists expect much better service/professionalism when they pay larger prices for hotels. The following comments sum up the importance of cleanliness as an indicator of professionalism.

“The swimming pool was not clean it had frogs and snails, there were spiders near my room, the staff at the reception have no clue about anything. I found my tea cups and spoon in the toilet” (Tourist from UAE on a Five Star hotel in Kandy)

“Cleanliness was very low. Price was far too high for what we got” (Tourist from Australia on a Five Star hotel in Kandy)

“The swimming pool area could be better maintained. They have a big problem with crows and the staff just stood about chatting while the guests tried to shoo the crows away from their food. Also while we were there using the pool, the maintenance man went round and put some black substance between the tiles at the edge of the pool, so you didn't know if you'd get black gunk all over you if you touched the wall unknowingly” (Tourist from UK on a Five Star hotel in Colombo)

“Bathroom was dirty and bad smells were coming out. No wakeup call has

been made although we have asked for it (Tourist from Bangladesh on a Five Star hotel in Colombo).

The study also questioned foreign guests with regard to their perception of facilities and amenities such as toilets/ bathrooms, pool, spa and Wi-Fi at their most-utilized accommodation units. The results are displayed on Figure 4.24. Even though 63.8 percent claimed that they were excellent or good, it was the lowest level of positive ratings received for the three factors under consideration in this study. Facilities and amenities also received the highest negative ratings (8.1 percent rated them poor). Appendix 5 further clarifies that tourists expect more value for money from larger and more expensive establishments and that their experience at such establishments have been disappointing due to lack of professionalism in providing facilities and amenities. Tourists lodging at homestay facilities and private homes confessed that they did not expect much apart from decent toilet/ bath facilities/ convenient location, authentic meals and comfortable sleeping arrangements. The seven tourists who lodged in such small/ private/ informal facilities claimed that they got more than what they expected: the hosts had gone an extra mile to offer them services that they were not obliged to provide. Thus 85 percent of the tourists who stayed in homestay facilities claimed that facilities and amenities were excellent or good, while 80 percent of those who stayed at private homes also claimed the same. Only 59 percent of tourists that stayed in guest houses said that facilities and amenities were excellent or good, while 11 percent said that they were poor. Only 64.8 percent of the tourists that lodged in hotels admitted that facilities and amenities were excellent or good for the high price they paid. More than 7 percent claimed that they were poor.

The hearing survey disclosed that a majority of complaints were about unclean toilets and poor Wi-Fi connections in hotels; some of them were reputed and boasting five stars. There were also a considerable number of comments on loud noises such as ongoing construction activities within and without the hotel and loud music disturbing the tranquility and peace of mind of tourists. Some tourists claimed that these noises kept them awake all night or spoiled their vacation altogether. It is necessary to mention here that loud noises such as raising one's voice to attract attention, angry yelling, loud music in festive occasions and keeping the volume high on the television or radio on a daily basis is part and parcel of Sri Lankan culture. There is neither a custom of apologizing before or after turning on a loudspeaker in a village or town for religious prayers, hours long processions with drumming and music or months-long construction/ manufacturing activities that produce disturbing noises. Some of these rationalizations were valid when Sri Lanka consisted of small communities and villages where people shared their joys and sorrows with everyone else in the community, and these villages were homogenous to the maximum possible extent that interests, religions and a lot of other characteristics were commonly held. But as the country has diversified and now accommodate more heterogeneity than homogeneity, it is important to respect and accept differences. For example, these cultural norms are impeding on the tourism industry by disturbing foreign tourists who are looking for peace and tranquility

When asked to comment on facilities and amenities in their hotels, tourists gave the following feedbacks.

“Small details were not given proper attention like missing batteries in the remote-controller, broken light, cheap towels and sheets, no soap in the toilet,

room cleaning only upon request” (Tourist from Netherlands on a reputed hotel in Tangalle).

“The internet connection was poor. It was slow and broke off constantly” (Tourist from USA on a Five Star hotel in Colombo)

“The hotel is on a hill surrounded by villas belonging to rich people. The hotel itself is nice. But the local neighbors of the hotel are pretty inconsiderate. They played loud music through the night till the wee hours of the morning. The manager could not do anything about it, because the music came from a mansion where a rich and powerful local man lived” (Tourist from China on a reputed unclassified hotel in Kandy).

“We stayed at Hotel X for 5 nights. The rooms were very smelly from the smell emanating from the bathroom. Inside the bathroom, tiles were broken, the tap was leaking and the water flowed into the bedroom. We used a bath towel to mop up the water, just to avoid slipping on it” (Tourist from India on a reputed unclassified hotel in Colombo).

The overwhelming number of negative comments about toilets and washrooms in hotels (and in general) reveals the indifference with which the Sri Lankan culture regards this very important facility. Not only are toilets distributed very sparsely (according to Appendix 6 more than half of the sample testified that toilet facilities were available only occasionally in the country), the quality and cleanliness of the toilets are highly questionable. This is because it is not a highly valued cultural norm to keep toilets clean and dry. The result of such cultural values could be revolting to people from other

countries/ cultures and such informal institutions may have a lasting effect on the functioning of formal institutions in the tourism industry if they are not standardized to meet international expectations. In other words, formal education and training will have to train the staff on professionalism where necessary, without letting informal institutions inherited from the culture take control of certain aspects. As Chapter 1 had argued institutions exist for this very purpose of adaptation. As formal and informal institutions are interdependent and interacting, formal education could inculcate such values in the culture.

④ Informal institutions affecting service quality and safety of tourists: The case of cultural stereotypes and prejudice

The above qualitative information in the foregoing section heralds an eye opening finding: service quality in formal institutions differ according to the nationality or race of the tourist. A close analysis of testimonials by tourists show that some types of poor service (such as not getting a pre-appointed wake-up call, having to wait longer than others for a meal, finding personal items left in the toilet by the staff, getting a poor quality room, others receiving preferential treatment in front of his/ her own eyes) can reasonably be taken personally by the tourist as discrimination. As it would be poor judgement to try to prove this with statistics, qualitative information such as descriptions by tourists, accounts by key informants and observations by the researcher provide effective and convincing proof.

Most of the hotel staff interviewed were laden with stereotypical and prejudicial ideas about East Asian tourists, which may lead them to treat 'white' tourists with preference. Preferential treatment of the white tourist could be traced back to the impact of colonial

influence which remains in the form of residual white complex, which other races may arguably interpret as discrimination against them. Unfortunately, the white tourists in Sri Lanka do more to reinstate such stereotypes or prejudice. For example, some hotel workers described Chinese tourists as loud, clamorous and disorderly, which in so many occasions has been a matter of officially lodged complaints by white guests. This association is considerably widespread to the extent that owners of some small/ medium level lodging facilities confessed that they would not admit Chinese tourists into their guesthouses. This type of stereotypical thinking and prejudice is harmful to the tourism industry in Sri Lanka that is currently experiencing a considerable increase of East Asian, especially Chinese tourists who are bring more tourist dollars into the country as the first part of this explained.

On a similar tone, many hotel managers claimed that they do not like to accommodate Middle Eastern tourists (they emphasized the traditional burka-wearing type) as they have “too many requests for special treatment”. A guesthouse owner had once discovered that his Arab guests have been making a kind of flatbread for dinner on a heated iron in the bedroom. On another occasion, a group of Middle Eastern guests lodging at luxury camping site near Kandy had hunted and barbequed a goat belonging to a villager, provoking the entire Buddhist community to rally against the owner of the camping site for running such an ‘ungodly’ business in their territory. Such testimonials, and feedbacks by Middle Eastern tourists in the foregoing section on food and meals explain what is meant by “too many requests for special treatment”. Middle Eastern tourists require special halal meals, and most accommodation facilities and restaurants in Sri Lanka do not cater to this need, leading the guests to either request repeatedly or provide their meals by themselves as it is considered sacrilegious by their religion to eat haram

food.

Tipping is another norm practiced in tourism related institutions in Sri Lanka such as restaurants and hotels. Tipping is a norm in most Western countries but it is not so in countries like Japan. This anomaly has sparked negative attitudes from both the supply and demand sides. The hearing survey has shown that from the supply side, local hosts such as restaurant staff, bell boys and waiters have harbored negative attitudes towards Japanese tourists because they do not leave a tip for the services rendered. Hotel managers who participated in the hearing survey substantiated the fact that hotel workers earn a meager salary which is offset only by the commissions and tips they receive. Tips are also an important channel through which tourism dollars reach the lowest rungs of the tourism industry structure, which are usually manned by people from the local community. Therefore Japanese tourists are viewed as ‘useless’ to their economy, and all craft level employees in the hearing survey admitted that they do not like to serve Japanese tourists. To avoid such misconceptions, formal institutions in countries where tipping is not a norm have taken measures to make their people respect and accept the norm of tipping while touring other countries⁵⁸

Having to tip every other serviceman on the other side is seen as bad service by the demand side, and this creates a negative attitude towards by tourists. This is mainly because tipping is highly unregulated by formal institutions in Sri Lanka and calls for improvement. Even though tourists from certain countries accept tipping as a norm in

⁵⁸ China, the most recent advent to the international tourism arena introduced a new law and a booklet carrying “Guidelines on Civilized Travel Abroad” for their rapidly growing outbound tourists on the 1st of October 2013. Among many other guidelines the booklet instructs Chinese tourists to tip accordingly in other countries, even though it is not a norm in their own county (<http://edition.cnn.com> Accessed on 18th November 2013).

their cultures, it is important to note that this norm is regulated by their formal institutions. There is a fixed percentage decided by formal institutions for tips, which is absent in Sri Lanka and leaves tourists feeling confused or even conned. The absence of this regulative mechanism has irritated even travelers from countries where tipping is an accepted norm.

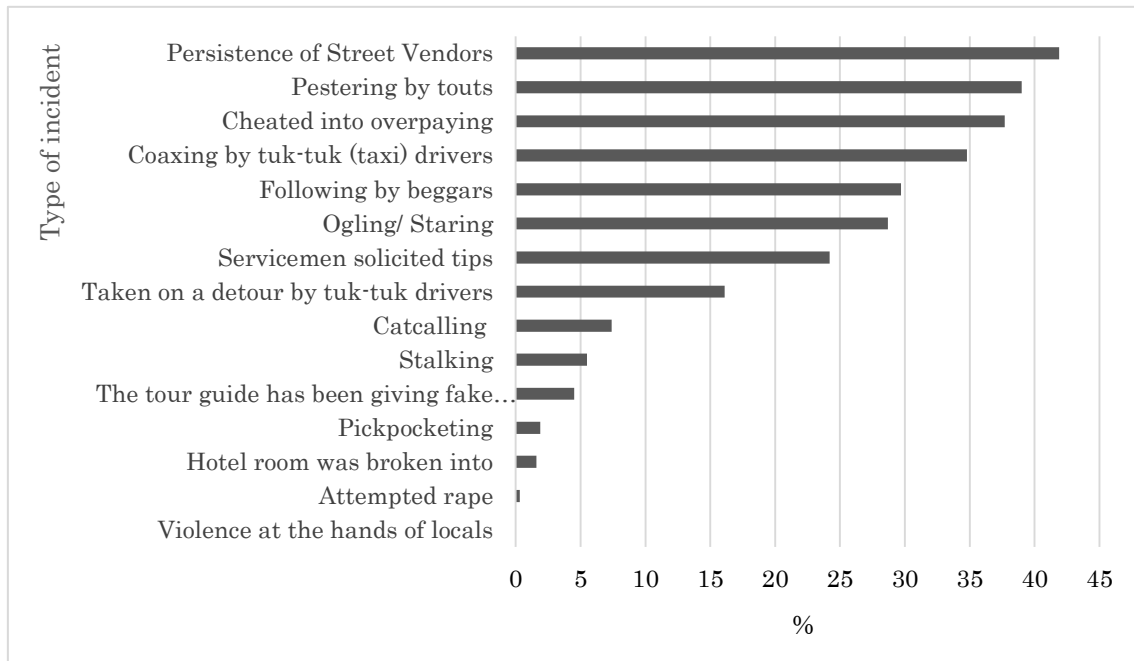
“Americans are absolutely fine with the idea of tipping. Not only is it an accepted practice in America, I am myself a waitress; so I understand the feeling very well. But the problem in Sri Lanka is that it is not done systematically. No one knew answers to the questions who should we tip and how much. For example, there was no end to tipping when we were at the Pinnawala elephant orphanage. Every other man offered to help you on to an elephant and expected a tip the size of the elephant itself. And we did not know how much was enough: a man there was angry when I gave him Rs.50 and demanded for more. The entrance fee seemed have included nothing but a huge sum just to get you across the gates” (USA).

On the other hand, even though the formal institutional structure does not approve of soliciting tips for standard duties that are part of an employee’s role, the study revealed that it is surreptitiously pursued by some employees of even well-known and expensive hotels. In the eyes of a tourist, hotel staff such as bellboys expecting tips for their incumbent services such as carrying luggage from the guest’s room to the main exit are obvious acts of dishonesty. The study suggests that this type of behavior could be overcome through formal institutional monitoring and training if the industry considers tourist satisfaction is important to develop the industry.

Tourists' safety and security is another area that is determined principally by stereotyping and prejudice. Despite the fact that the tourist police is involved in assuring safety of the tourists as explained in a preceding section, their coverage of tourist areas, and activities initiated for the purpose are not encompassing. On the other hand, the attitude of the local people and patterns of behavior thereof, which form important informal institutions are threatening the safety of tourists to the extent that policing alone is not adequate to ensure a safe trip to Sri Lanka. In other words, safety cannot be made sustainable if informal institutions are not cooperating with the formal institutions. Assurance of safety in fact is the main reason why foreign tourists are pouring into the country after the end of the civil war as explained in earlier sections.

As the national security issues have been solved and the country provided a secure atmosphere for foreign visitors, this study probed into factors that threatened the personal safety of tourists. The list of safety issues was constructed using the snowballing method. In other words in which respondents were asked to contribute to the list by adding occurrences when they will feel scared or their personal safety threatened during a trip abroad. This list was incorporated into the questionnaire during the survey and the results are summarized in Figure 4.26 below.

Figure 4.26 Incidents when tourists' personal safety was threatened during the visit to Sri Lanka



Source: Sample survey 2015.

According to the figure, the incident that has affected the majority was the persistence of street vendors. Nearly 42 percent of the tourists had experienced the persistence of street vendors, followed by pestering by touts (39 percent), and being cheated to over pay for goods and services (37.7 percent). None of the tourists had experienced violence at the hands of locals while 0.3 percent had experienced a rape attempt. Even though this is a small minority, given the graveness of the incident, it calls for special attention. It is also important to go beyond statistics and look into more qualitative accounts as numbers alone could mislead one to dismiss such incidents simply because they will not appear statistically significant.

Table 4.3 Tourists’ experiences and gender identity (calculated as a share of the total number of people that experienced the incident)

Type of experience	Male (%)	Female (%)
Violence by locals	0	0
Attempted rape	0	100
Hotel room was broken into	20	80
Pickpocketing	33	67
The tour guide has been giving fake information	57	43
Stalking	24	77
Catcalling	9	91
Led on a detour by tuk-tuk drivers	39	61
Servicemen solicited tips	45	55
Ogling/ Staring	29	71
Following by beggars	42	58
Coaxing by tuk-tuk (taxi) drivers	52	48
Cheated into overpaying	45	55
Pestering by touts	46	55
Persistence of Street Vendors	45	55

Source: Same as Table 4.1

A chi-square test was performed for the above information, which is given on Table 4.4. Table 4.3 shows that except for incidents such as coaxing by tuk tuk drivers, following and tour guides giving false information, all other incidents are very likely to happen to female tourists than males. According to the data there is only a slightly higher chance of more women to be cheated into overpaying, approached by servicemen soliciting tips, pestered by touts and street vendors. On the other hand, Figure 4.26 and Table 4.3 suggest that⁵⁹, ogling/ staring and catcalling are scary incidents that are likely to happen

⁵⁹ Chi-square test results for ‘Attempted rape’ is challenging to common sense as well

to female tourists more than to their male counterparts.

Table 4.4 Tourists’ experience based on gender identity

Incident	Chi-square	df	P value
Pestering by touts	.831a	1	0.362
Following by beggars	.001a	1	0.975
Persistence by street vendors	.510a	1	0.475
Coaxing by tuk-tuk drivers	1.571a	1	0.456
Pickpocketing	.200a	1	0.655
Catcalling	11.469a	1	0.001
Ogling/ Staring	8.706	1	0.003
Stalking	2.586a	1	0.108
Hotel room was broken into	1.032a	1	0.31
Violence at the hands of locals	-	-	-
Attempted rape	.734a	1	0.392
Realized that you had overpaid for goods/ services	.591a	1	0.442
Servicemen solicited tips	.383a	1	0.536
Realized that the tour guide has been giving fake information	1.331a	1	0.249
Taken on a detour by tuk-tuk drivers	2.319a	1	0.128

Source: Same as Table 4.2

Local newspapers report that violent crimes against foreign tourists such as sexual abuse, assault and murder on very rare occasions are not unheard of. Interviews at the Tourist Police disclosed that petty crimes such as theft or pick-pocketing are the most common violations against foreign tourists. However it is a grave situation that sexual violations of various degrees against foreign female tourists are on the rise, which was a matter emphasized at the hearing surveys as well.

due to the fact that no values exist in the ‘male’ category.

Hearing surveys disclosed a number of incidents when lone female foreigners were subject to catcalls, rude staring, uninvited following, and in one occasion, attempted rape. Following are a few quotations by female tourists that also hint at very strong gender implications;

“Seems to me that men in Sri Lanka are pretty immature. They look like embodiments of teenage-brains in grownup physiques. They crack the kind of jokes at women that only twelve-year-old kids make in my country” (United Kingdom).

“It is surprising how conservative men can be in Sri Lanka. Anything as mediocre as a sleeveless dress or a knee-length skirt is an object to gawk at” (France).

“When I walked alone anywhere in Sri Lanka, I got men following me, catcalling, staring and trying to be friendly. That was scary indeed” (China).

“My friend was alone on the beach in Negombo when she was approached by a local boy. He was nice to her at first. Later he tried to rape her” (Germany).

Hearing surveys suggest that such attitudes and behavior displayed by local men are projecting a very misogynist outlook, reinforcing the fact that informal institutions make Sri Lanka still a very much patriarchal society. All female respondents admitted that ‘staring’ was the most threatening gesture that they had encountered in Sri Lanka, especially when it comes from a man. As in Western countries it is a norm not to stare,

tourists were surprised to find that it was less than a more and more of a folkway in Sri Lanka. Yet it is interesting how this simple folkway as an informal institution has had a tremendous impact on how tourists perceive safety conditions in Sri Lanka. Safety, as referred to by the formal institutions (absence of political/ military violence and war) was not the same extent of safety that an actual traveler is concerned about.

A cross analysis against nationality shows that tourists from England are likely to be victims in most of the issues such as pestering by touts (23.1 percent), following by beggars (25 percent), persistence of street vendors (21.5 percent), coaxing by tuk tuk drivers (26.9 percent) and being taken on detours by them (26 percent), catcalling (34.8 percent), ogling (24.7 percent), stalking (29.4 percent), servicemen soliciting tips (20 percent) and being cheated into overpaying (18.8 percent). A majority of those who had experienced stalking were Germans (29.4 percent), while a majority of those who were lied to by the tour guide were Italians (21.4 percent), and the attempted rape was reported by a German female tourist. This means that most of the hazards were aimed at Western looking, White (Caucasian) tourists. On the other hand, Japanese tourists comprised an overwhelming majority of those who were victims of pickpocketing (50 percent). Japanese tourists were also a majority among whose hotel rooms were broken into (40 percent). This means that Caucasian tourists are likely to be targets of sexual violence/ related advances and con games whereas East Asian/ Mongolian tourists (Japanese tourists in particular) are clearly targets for pickpocketing and stealing. Led by these observations, the study then ran a chi-square test to establish if there is any correlation between race and vulnerability. The results are given below in Table 4.5.

Table 4.5 Tourists' vulnerability to fall prey to safety-violations according to their racial appearance

Incident	Chi-square	df	P value
Pestering by touts	13.046a	3	0.005
Following by beggars	6.359a	3	0.095
Persistence by street vendors	8.189a	3	0.042
Coaxing by tuk-tuk drivers	22.425a	6	0.001
Pickpocketing	8.847a	3	0.031
Catcalling	8.269a	3	0.041
Ogling/ Staring	14.769a	3	0.002
Stalking	7.934a	3	0.047
Hotel room was broken into	.535a	3	0.911
Attempted rape ⁶⁰	2.469	3	.481
Realized that you had overpaid for goods/ services	29.634	3	.000
Servicemen solicited tips	2.143	3	.543
Realized that the tour guide has been giving fake information	8.553	3	.036
Taken on a detour by tuk-tuk drivers	6.573	3	.087

Source: Same as Table 4.1

According to the table, there is strong evidence the (P value is less than 0.05) to conclude that there is a correlation with race in the cases of pestering by touts, coaxing by tuk tuk drivers, pickpocketing, catcalling, ogling/ staring, stalking, overpayment, and misguidance by the tour guide. The study subsequently matched the chi-square test results with that of the cross analysis to conclude that Caucasian/ White tourists are likely to be victims of gender related violations (often expressed in the form of catcalling, ogling, rape, etc), being approached and/ or cheated by locals engaged in the tourism sector where as East Asian tourists are likely to be victims of pickpocketing/ stealing. This

⁶⁰ See footnote 15.

correlation was established due to the very high share of Japanese tourists in the pickpocket victim category. The reasons for these varying degrees of vulnerability are explained in the following section.

Informal institutions such as values, norms, stereotypes, and attitudes/ prejudice of the local people could affect the safety of tourists in two ways. First, stereotyping and prejudice can threaten tourists' safety. Second, norms and values in the host society can prevent justice from being met for victims by negatively influencing the functioning of formal institutions such as the police or judicial system. According to the first argument, foreign tourists can be victims of safety-violations due to stereotypes about nationalities/ races entertained by locals. To be precise, this type of stereotyping can lead to prejudices that could place female tourists to walk a dangerous strait between Scylla and Charybdis. The metaphor means that women are facing two threats: first, there is risk involved because of gender stereotyping and second, because racial stereotyping. For example, interviews with beach boys, site/ area guides and local people of the beach areas revealed a stereotypical image of white women as sexual objects who are most likely to be consensual sexual partners, easy to be seduced. East Asian women are stereotyped as submissive and easy to be conned. Hearing surveys suggest that this type of stereotypes are generated and fueled by certain types of locals engaged in the tourism industry such as beach boys, touts, and tuk-tuk drivers.

Hearing surveys at the Tourist Police supported the aforementioned cross analysis and chi-square test that East Asian tourists (especially Japanese tourists) have a greater risk of being victims of theft and pickpocketing. Police records at the tourist police for the month of July/ August for the month of July/ August also showed that a majority of

pickpocket victims were Japanese. It was observed that Japanese tourists are usually less attentive to their belongings, and leave their personal items unattended even in public areas making them an easy prey to perpetrators. It could be argued that theft/pickpocketing of personal belongings is practically unheard of in Japan, which makes safety a 'natural' condition for Japanese tourists with their limited exposure in other countries⁶¹. This 'typical' habit of Japanese tourists has led to stereotyping of Japanese tourists as a race that carelessly carries valuables about them merely because items such as cameras and phones are extremely cheap in Japan and moreover, and all Japanese people are rich enough to afford to lose them. Such stereotyping becomes the 'source of knowledge' for perpetrators, rather than actual cultural understanding that comes through training.

According to the main argument, the second way in which values, norms, stereotypes, and attitudes/ prejudice of the local people could affect the safety of tourists is by negatively influencing the functioning of formal institutions that are responsible for ensuring justice. The key informant interview at the Tourist Police Station in Kandy established the fact that sexual violence against foreign female tourists are on the rise; the

⁶¹ This matter was confirmed by an NHK programme quoted by Trabich of Kanazawa Institute of Technology of Japan, which gave three most applicable reasons why Japanese tourists can become easy targets in other countries. First, Japanese people carry more valuables including large amounts of cash. Second, their trusting nature makes them less suspicious of strangers. Due to this characteristic, which is one result of their relatively safe public environment at home, they give very little attention to their valuable belongings. Thirdly, Japanese' sense of personal space is much narrower than other cultures, which is a characteristic known and abused by pickpockets to approach Japanese tourists in particular (<http://iteslj.org/Lessons/Trabich.-Travel.html>. Accessed on 15th November 2013).

perpetrators are mainly people who have forcefully entered the tourism industry without proper training or permission, and most violations go unreported due to two reasons. First, the victim does not want to ruin the vacation for herself or the people she is with. Second, the formal institutions responsible for enforcing and meting out justice (i.e. the police and judicial system) are plagued with shortcomings that a case filed may take many months to get a hearing in court, let alone see justice done. This is because a criminal offense becomes the responsibility of the criminal department and not of the Tourist Police. It will also have to await a hearing in the long general waiting list and there is no mechanism to speed up matters for tourists who arrive in the country on a short term visit visa. It is therefore very unlikely that the tourist could bring perpetrators before justice before his/ her visa expires. Most importantly, the formal institution of Police is largely politicized, making it impossible for police personnel to follow the formal rules to the letters. The hearing survey with a Constable gave evidence to the fact that a considerable number of violations against foreign tourists are committed by politicians or their accomplices, and any arrest attempts may result in transfers to the officers in charge. The Constable also pointed at a very important social value prevailing in the Sri Lankan culture that prevents effective law enforcement/ effective function of formal institutions:

“Sri Lankans are very concerned about one’s own rights. They know the law and its loopholes. This concern and knowledge about rights makes it impossible to protect other people’s rights: the victims’ rights to be exact. The moment we use force to get the truth out of a suspect (when we know for sure that he is the perpetrator), he will sue the police for using violence. Our formal system is such that if he does that, he would probably be bailed out and the police will also get into trouble for ‘using violence’. In the meantime, he

will continue his way of life in the general society”

This comment shows that the Sri Lankans place great value on rights but not so much on duties. The study argues that this value is a major reason for violations of rights in the country.

There are also informal institutional norms that affect the functioning of the police such as bribery that can help some perpetrators escape arrest/ imprisonment or have them bailed out speedily. Such practices have become the unwritten rules of the game mainly due to the apathetic attitude of the local people with which they treat injustice. The local people do not raise their voice against injustice; nor do they empathize with victims mainly because of diffused responsibility that increasing individualism can bring about. The study interviewed 30 local people who were not involved in the tourism industry on their opinions about how rising injustice in the country can affect tourist arrivals. It is interesting to note that all respondents knew that violence against tourists was on the rise. All of them thought that it was going to affect tourism in a negative manner, yet none of them considered it was their duty to react. Reacting to what was not one's concerns is considered as jeopardizing one's own skin. To view it from a different angle, the local communities lacked community/ group spirit. This has produced a cluster of individuals who lacked sense of ownership. The even more interesting finding is that people who are already engaged in the tourism industry did not differ much in this respect of team spirit and sense of ownership. The study argues that this lack of team spirit and sense of ownership are what deprives people of decision-making power. This matter will be discussed in detail in the next chapter on community participation.

VI. Concluding remarks

This chapter aimed to analyze the results of the survey conducted on foreign tourists' perception of formal and informal institutions of Sri Lanka. Accordingly, the sample consisted of a majority of young and middle aged tourists between 20 and 40 and more female tourists. A majority of the source countries were European, followed by East Asian countries due to the increased number of Chinese tourists pouring into the country. A majority of the sample was educated (with a university degree and above) and were engaged in professional occupations. The most popular purpose of visit was to experience the culture, and recommendations by acquaintances and friends have been the most influential factor for their decision to visit Sri Lanka. The sample was skewed towards lesser spending categories with a majority of tourists planning to spend less than \$ 75 per person per day in Sri Lanka. Chinese were the highest spending nationality in the sample.

The results suggested that tourists visiting Sri Lanka are more inclined towards spending less on accommodation and traveling and spending more on gaining experience. They were also more concerned about the environment, and valued authentic experience. Their feedbacks proved that both general infrastructure and tourism-related infrastructure in the country will have to be improved. The Northern area, Eastern coast and Ancient cities in the North-Central province were marked out as areas requiring development after the civil war.

The study argued that informal institutions such as attitudes, norms and values of the local culture affects the functioning of formal institutions by affecting the service quality, and it also affects the entire tourism industry by how these informal institutions lead locals to

treat foreign tourists in the absence of formal training. For example, it was noted that some facilities such as Wi-Fi, toilets, information in various languages, safety measures (where applicable such as in adventure tourism), and medical facilities for tourists were available only in some places, and more so, it was the quality of the available facilities that was not agreeable to international tourism. The study argued that the availability and quality of services are largely the result of informal institutions such as attitudes and norms entertained by locals. The questionable availability and cleanliness of toilets in the country for example, is a product of the cultural value that allots low importance to cleanliness and the occupation of cleaning.

The hospitality of the general public was seen as highly contributive to the tourism industry as the Sri Lankans have inherited hospitality as an essential value from their culture. As a result, tourists perceived the Sri Lankan general public as naturally smiling and willing to help tourists. However, further analysis showed that there is some form of residual White Complex in the country as White (Caucasian) tourists are more likely to receive better responses when help is requested from locals. Further analysis also showed that there is a tendency for local people to help tourists with an expectation of an economic return. This could be applied more to people who were already engaged in the tourism sector as touts, vendors, and taxi drivers. They are the people who have entered the tourism sector with little or no formal training, with the expectation of making quick money.

The study explained how the aforementioned behavior could result in breaking of the essential element of trustworthiness. The analysis showed that there is a tendency for tourists to patronize medium or large establishments due to the belief that large

establishments are more trustworthy than small and micro level enterprises. This was observed mainly in tourists' lodging, dining and shopping behaviors. Street vendors, tuk tuk drivers, hawkers and individually operating tour guides such as Area/ Site guides, and touts have impaired the trustworthiness of the system through acts of cheating as they seek to squeeze more tourist dollars with little effort. Yet the study pointed out that even though tourists were attracted to medium and large scale establishments with better trust, there are informal practices, norms and values that pervade into large establishments that returned negative feedbacks, dissatisfaction and distrust from foreign tourists. The study showed in detail how local attitudes and norms towards cleanliness, hospitality and providing facilities and amenities to foreign tourists in hotels are laden with White complex, and inattention to detail which has deprived the entire system of professionalism.

The last section of the chapter elaborated how cultural stereotypes and prejudice can affect service quality and the safety of foreign tourists. It was established that cultural differences of tourists have led to stereotypes and prejudice that can affect service quality offered to the customer. Japanese tourists are stereotyped as stingy by local service people because they are not familiar with the concept of tipping in their own culture. White tourists on the other hand are welcomed warmly because local people entertain the idea that they are lavish spenders and give generous tips.

The study showed how stereotyping and prejudice can threaten the safety of tourists by the proliferation of stereotypical images about all white women being promiscuous or all East Asian women being submissive. Thus Caucasian tourists (especially women) are at a greater risk of sexual violence and cheating while Japanese tourists are more vulnerable to pickpocketing and stealing. It was concluded that stereotyping can affect

the safety of tourists in a two-pronged manner: by instigating violence or human rights violations, and by preventing justice from being met due to informal institutions affecting the judicial/ legal system. Finally, this section concluded that the most important informal institution that maintains this status quo is the apathy of the general public which disarms them from decision-making power that can influence and change the system.

Chapter 5

The Impact of Community Attitudes and Participation on Tourism Development:

The Results of the Survey

I. Introduction

The aim of this chapter is to analyze the results of the questionnaire and hearing surveys in an attempt to explain the impact of community attitudes and community participation on tourism development in Sri Lanka. As the previous section observed the impact of informal institutions on tourism development from the point of view of the guest (tourist), this section observes the same through first hand feedbacks from the hosts (local community). Thus this section relies principally on primary data of both quantitative and qualitative nature to examine the attitude and the resultant behavior of the local community towards foreign tourists and tourism related activities in four tourist hubs in Sri Lanka. The chapter begins with a probe into the factors that influence local people's attitudes and behavior, and ends with the level of community participation in tourism activities in the four areas under consideration in this study. In the course of the analysis, the effect of the attitude and behavior of the host community on each of the areas is discussed simultaneously.

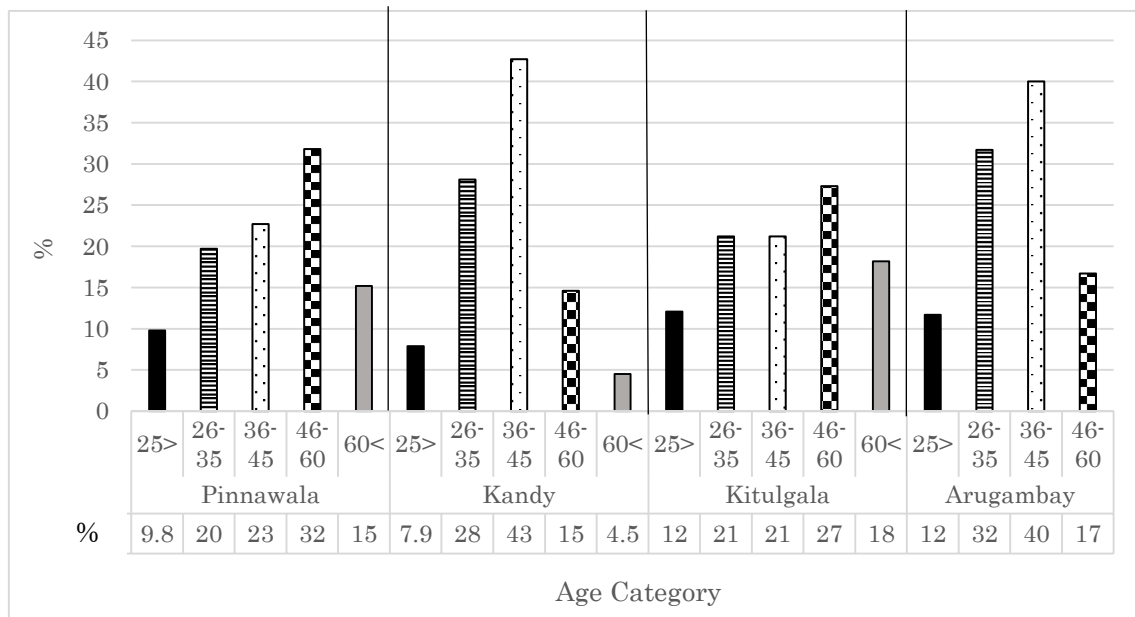
This chapter relies almost entirely on primary data that was furnished from the sample survey and the hearing surveys conducted in Sri Lanka.

II. Background of the Local Host Communities in the Survey

Figure 5.1 shows the age composition of the local communities in the survey: Pinnawala, Kandy, Kitulgala and Arugambay. According to the figure, a majority of the interviewees were middle aged (36-45 years) in Kandy (42.7 percent) and Arugambay

(31.7 percent) and inclined towards older age groups (46-60 years) in Pinnawala (31.8 percent) and Kitulagala (27.3 percent). The sample from Arugmbay had the largest percentage of people in younger age groups while Kitulagala had the largest percentage of people in older age groups such as 46-60 and over 60 categories.

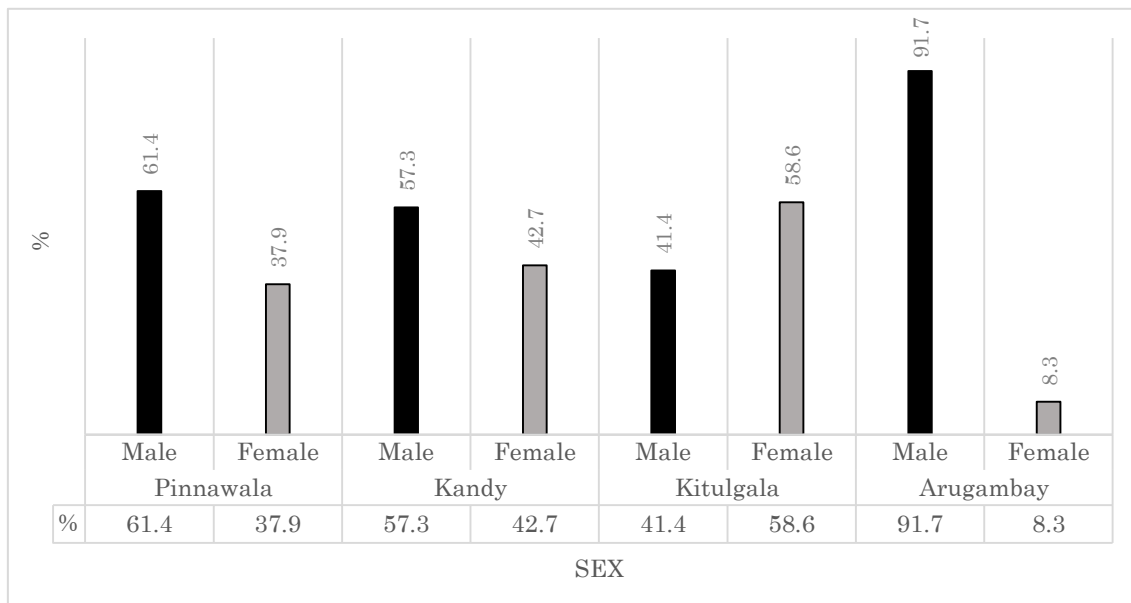
Figure 5.1 Age composition of the local communities in the survey



Source: Sample survey, 2015.

Figure 5.2 represents the sex composition of the four areas in the study. This figure shows that Arugambay had the highest percentage of male respondents (91.7 percent), while Kitulagala had the highest percentage of female respondents (58.6 percent), which was also slightly higher than the percentage of male respondents in Kitulagala.

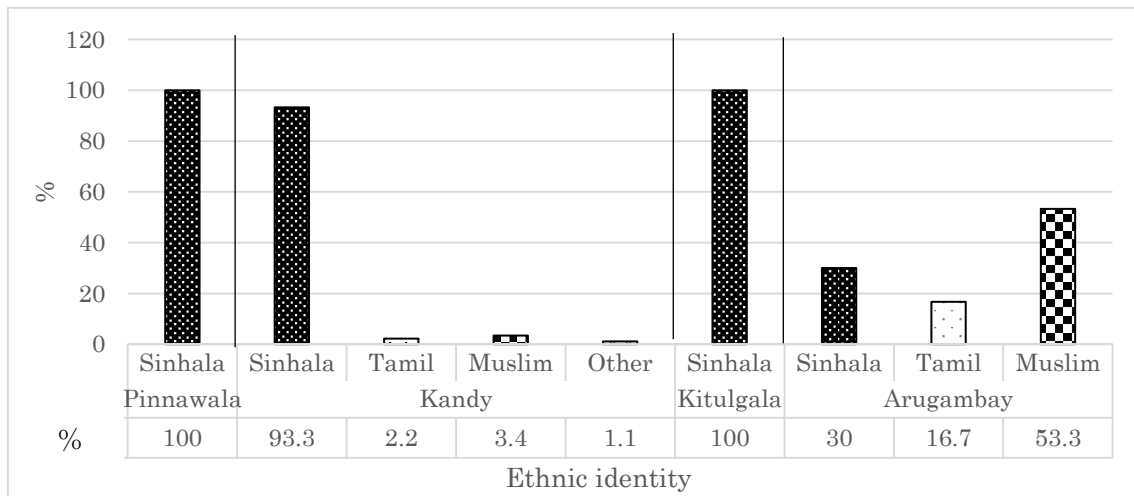
Figure 5.2 Sex composition of the local communities in the survey



Source: Same as Figure 5.1.

Figure 5.3 below explains the reason why Arugambay consists mainly of male respondents. More than half the sample from Arugambay was Muslim, as the area is predominantly populated by ethnic Muslims. According to Islamic religious obligations, women remained backstage while men were breadwinners; they ran businesses and made important decisions. Therefore the norm was for men to respond to the survey than women.

Figure 5.3 Ethnic composition of the local communities in the survey⁶²



Source: Same as Figure 5.1

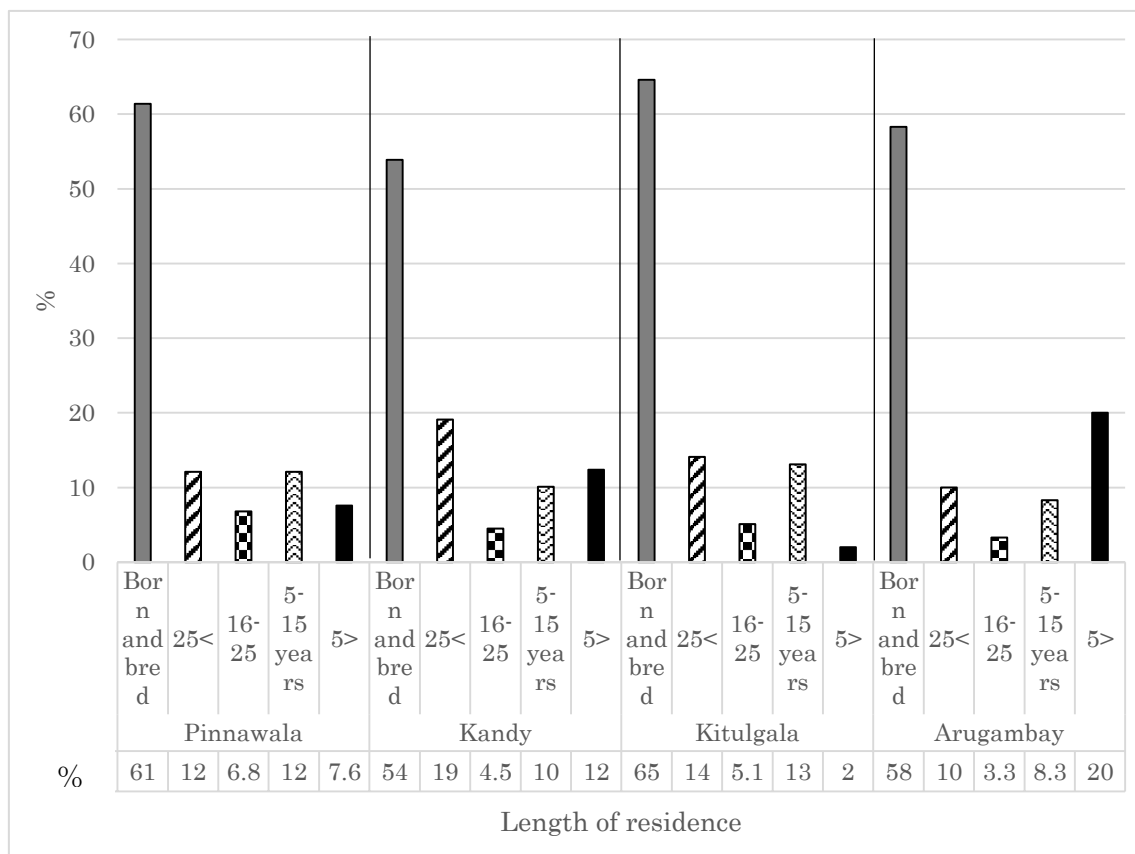
Respondents from Pinnawala and Kitulgala on the other hand were 100 percent Sinhalese while respondents from Kandy were predominantly Sinhala (93.3 percent).

Figure 5.4 shows the length of stay of residents in the four areas concerned. A majority of respondents from all four areas were born and bred in the respective area. This percentage was highest in Kitulgala where it was 64.6 percent. Kitulgala was also home to the lowest percentage of people who have moved into the area recently (five years or less). This was only 2 percent compared to the highest percentage of newcomers recorded in Arugambay, which was 20 percent). Length of residence in an area is important because it bestows residents with varying degrees of power to participate in and make decisions about economic and political activities taking place in the local community. It has been observed in Sri Lanka that longer the length of stay, the more

⁶² According to the Census data released in 2012, Sri Lanka had a population of 20,359,439 people of which 74.9 percent is Sinhala; 15.27 percent is Tamil (Sri Lankan and Indian Tamil), 9.3 percent is Sri Lankan Moor (this study refers to Moors as Muslims), and 0.54 percent is of other ethnic identities such as Burghers and Malays (<http://www.statistics.gov.lk>. Accessed on 1st September 2016).

recognition, power and prestige it carries. This study therefore considers it an important independent variable affecting people’s participation/ decision-making in tourism in the local area.

Figure 5.4 Length of residence of respondents in the four study areas



Source: Same as Figure 5.1.

Appendix 7 reflects some very interesting findings on why people have moved in to the respective areas. According to the graph, an overwhelming 59.3 percent of those who had moved into an area because of the lucrative prospects in tourism were in Arugambay. Further cross analysis shows that 50 percent of those who had moved into the area within the last five years⁶³ did so because of the aforementioned reason. It is important to

⁶³ This section focuses on settlers who had moved in the most recent five years between

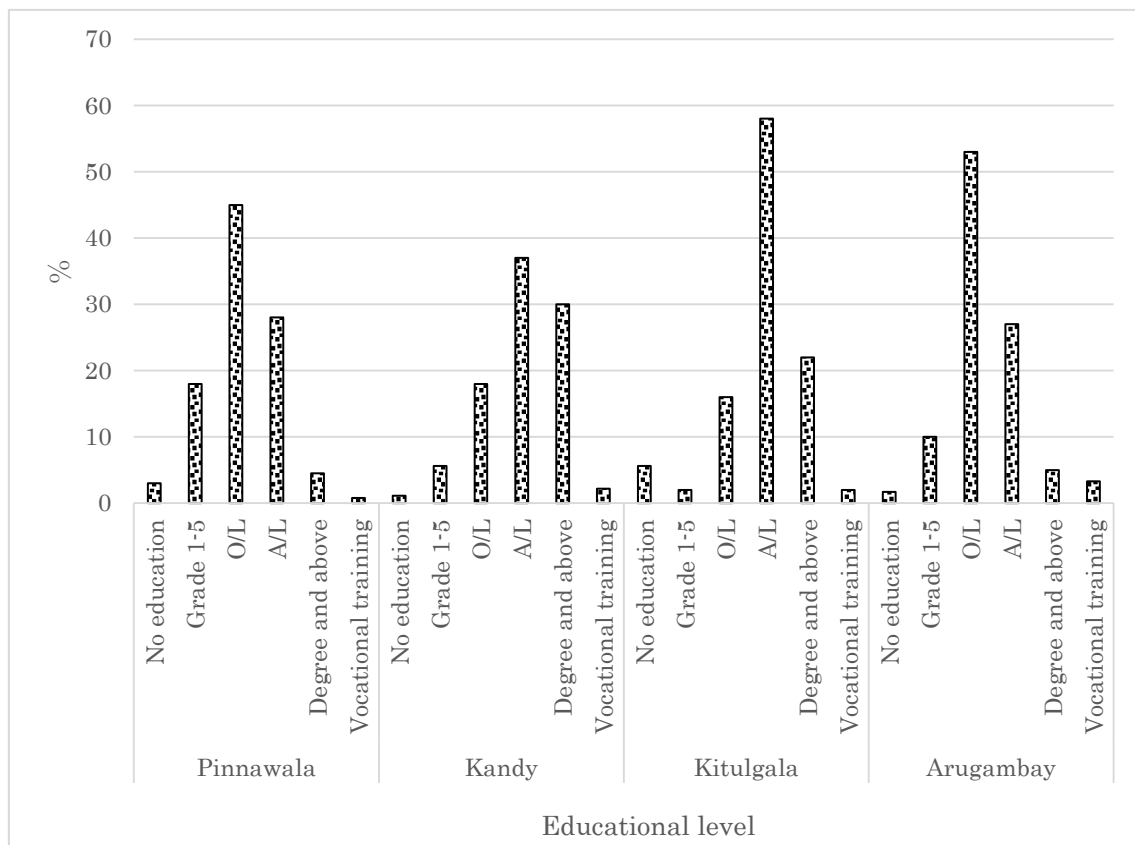
reiterate that all four localities are popular tourist areas, each famous for a different reason. The attraction of Arugmabay has been its beautiful sandy beaches and the ten amazing surfing points that are famous around the world among both beginners and expert surfers. According to experts, a surfing point becomes superior when it sports high waves that break consistently, creating a barrel section where the wave is hollow. In accordance to these criteria, to this very day Arugambay remains the fourth best surfing point in the world, next only to the surfing points in South Africa, Hawaii and Fiji. Yet its fame and accessibility had been hampered by the three-decade-old civil war until the destination resurfaced and tourists started pouring in after the dawning of peace in 2009. Hence the revived interest among locals to move into the area to start tourism-related businesses.

A close look at the data on Figure 5.3 shows that the percentage of recent settlers is very low in other areas. Cross analyses show that in Kandy and Kitulgala, the percentage of people who had moved into the area within the last five years, stimulated by the lucrative opportunities offered by tourism is zero. In both cases however, a considerable percentage of people had moved in due to occupational obligations (54.5 percent and 50 percent in Kandy and Kitulgala respectively) which could be remotely related to tourism as the industry creates backward and forward linkages. Interestingly, the hearing survey revealed that people neither recognize nor appreciate this linkage. A similar pattern was perceived in Pinnawala where 30 percent of those who had moved into the area within the last five years did so to start tourism related business, while 70 percent did so due to occupational obligations. Some of these occupations were linked to tourism in a circular way which was not recognized by the respondents simply because they lacked ownership

2010-2015 because it was in 2009 that the civil war came to an end and tourism regained life.

of the business or industry and they remained wage-laborers who do not enjoy the lucrative prospects of tourism.

Figure 5.5 Level of education of respondents in the four communities



Source: Same as Figure 5.1

Figure 5.5 shows that a majority of respondents in the three areas of Pinnawala, Kitulgala and Arugambay had only passed the 11th Grade examination of the General Certificate of Education, Ordinary Level⁶⁴. Respondents in Kandy were more educated than people from the other three areas as a majority from Kandy (37.1 percent) had passed the General

⁶⁴ This Examination, known as the GCE O/L is the rough equivalent to the High School Entrance Examination.

Certificate of Education, Advanced Level⁶⁵. Kandy also had a clearly higher percentage of degree holders (30.3 percent) than other areas.

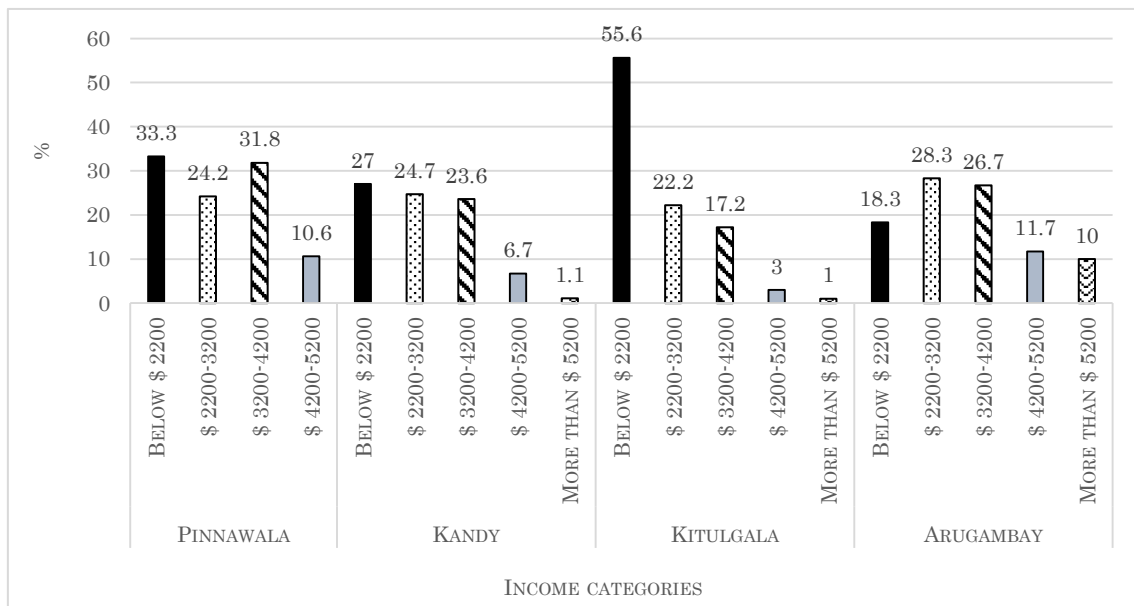
Appendix 8 analyzes the occupational pattern of respondents in the survey. The figure that records the main occupation of respondents shows an interesting finding that the highest percentage of self-employed persons in the tourism sector, and persons engaged in tourism related private sector jobs were recorded in Arugambay. These figures were 50 percent and 18.3 percent respectively. Pinnawala had the second highest rate of self-employment in the tourism sector and employment in the tourism related private sector, which were 43.2 percent and 16.7 percent respectively. Kandy on the other hand had a majority engaged in the government sector (29.2 percent) and a significant majority of respondents from Kitulgala were not professionally employed (40.4 percent). Thus the analysis so far suggests that respondents from Arugambay are more involved in tourism related occupations than respondents from the other three areas. Respondents from Pinnawala could be ranked second in terms of involvement in tourism, while people in Kitulgala were the least involved in terms of occupation. Kandy on the other hand had an eclectic body of respondents.

Figure 5.6 depicts the annual income of the respondents in the survey in US Dollars. Respondents were requested to provide this information in Sri Lankan Rupees, which was later converted to its approximate value in US Dollars. The ethically sensitive nature of inquiring after the income resulted in a large number of people refusing to respond to this question. Thus 16.9 percent of respondents from Kandy, one percent of respondents from Kitulagala and five percent of respondents from Arugambay refrained from

⁶⁵ GCE A/L Examination is the University Entrance examination in Sri Lanka.

answering the question. In reality, inquiring after a person’s income is against the accepted social norm in the Sri Lankan culture. It is also highly possible that respondents may have provided fake information due both to ignorance and fear of income taxation.

Figure 5.6 Annual income of the respondents in the study areas



Source: Same as Figure 5.1

According to the figure, the lowest annual income was recorded in Kitulgala, with a whopping 55.6 percent of the sample claiming that their annual income was below \$ 2200. If the next income group is also added to this share, an overwhelming 77.8 percent of the respondents from Kitulgala earned less than the official national GDP per capita for the year 2015, which was \$ 3637.5. In Argambay on the other hand, 10 percent of the sample claimed to be earning more than \$ 5200 per annum, while their share of people in the lowest income bracket of below \$ 2200 was lowest (18.3 percent). Kandy and Pinnawala had mixed results.

Table 5.1 Annual income of respondents against type of main occupation (as a share of the income category)

Area	Income category	Government sector	Private sector Tourism related	Private sector	Self-employed Tourism related	Self-employed	NGO	Not employed	Student	Retired	Casual Laborer
Pinnawala	Below \$ 2200	2%	10%	2%	26%	12%	0%	17%	12%	17%	2%
	\$ 2200-3200	3%	22%	0%	56%	13%	0%	6%	0%	0%	0%
	\$ 3200-4200	2%	14%	12%	50%	7%	0%	12%	0%	2%	0%
	\$ 4200-5200	7%	36%	7%	50%	0%	0%	0%	0%	0%	0%
Kandy	Below \$ 2200	4%	13%	4%	4%	33%	0%	25%	13%	4%	0%
	\$ 2200-3200	36%	32%	14%	9%	5%	0%	0%	0%	5%	0%
	\$ 3200-4200	48%	14%	29%	5%	0%	0%	0%	5%	0%	0%
	\$ 4200-5200	17%	0%	50%	33%	0%	0%	0%	0%	0%	0%
	More than \$ 5200	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%
Kitulgala	Below \$ 2200	2%	0%	0%	0%	4%	0%	69%	6%	4%	16%
	\$ 2200-3200	5%	27%	32%	9%	14%	0%	0%	0%	14%	0%
	\$ 3200-4200	12%	12%	41%	12%	12%	0%	6%	0%	6%	0%
	\$ 4200-5200	0%	33%	0%	0%	33%	0%	33%	0%	0%	0%
	More than \$ 5200	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
Arugambay	Below \$ 2200	0%	9%	18%	46%	18%	9%	0%	0%	0%	0%
	\$ 2200-3200	12%	12%	6%	59%	6%	6%	0%	0%	0%	0%
	\$ 3200-4200	0%	25%	13%	44%	13%	0%	0%	0%	6%	0%
	\$ 4200-5200	0%	29%	0%	57%	14%	0%	0%	0%	0%	0%
	More than \$ 5200	0%	33%	0%	67%	0%	0%	0%	0%	0%	0%

Source: Sample Survey, 2015.

Table 5.1 displays the results of a cross analysis between the annual income and the type/sector of main occupation that was discussed earlier. The cells highlighted in dark gray on the table stand testimony to the fact that a larger share of the higher income categories are made up of people engaged in tourism related self-employment (owners of lodging facilities, travel agencies, adventure tourism businesses etc.) or tourism related private sector jobs. While this is evident in all four areas in the study, it is most pronounced in Arugambay where 67 percent of the highest income category and 57 percent of the second highest income category are self-employed in the tourism sector.

Another interesting finding is that a majority of the lowest income category is also likely to be clustered in the tourism related self-employment category. The lowest self-employed categories include mobile vendors, small shop owners, suppliers of goods such as handmade souvenirs/ sweets/ vegetables and tuk tuk drivers. While this pattern is not very evident in Kandy and Kitulgala, it is clearly visible in Pinnawala and Arugambay. The light grey cells on Table 5.1 show that 46 percent of the lowest income category and 59 percent of the second lowest income category in Arugambay are self-employed in the aforementioned occupations. Similarly, 26 percent of the lowest income category and 56 percent in the second lowest income category in Pinnawala were also self-employed in the tourism sector. This shows that the

Table 5.2 displays the particular sectors where respondents in the four areas were employed. Percentages for the four areas were obtained as a share of the total number of tourism-related occupations for that particular area. According to the table, the most popular tourism related occupation was to own/ work in tourist shops, with a majority of 18 percent of the sample claiming to be linked to a tourist shop. It was also the most

popular tourism-related occupation in Pinnawala with 35 percent engaged in the category. Supplying goods to tourism-related business such as supplying vegetables and fruits, handmade souvenirs and adventure tourism supplies was the most popular ways of supplying goods in the study areas. This was the second-most popular tourism-related occupation in both Pinnawala (23 percent) and Kandy (22 percent). Engaging in adventure tourism related occupations was the most popular option in both Kitulgala (45 percent) and Arugambay (19 percent).

Table 5.2 Share of persons engaged in tourism-related occupations in the study areas

Sector	Total	%	PW	%	KY	%	KG	%	AB	%
Backward linkages										
Supplies	36	17	23	23	6	22	2	9	5	7
Mobile vendors	15	7	14	14	1	4	0	0	0	0
Tuk-tuk	26	12	10	10	1	4	3	14	12	18
Restaurant	12	6	5	5	1	4	1	5	5	7
Hiring and renting	11	5	2	2	1	4	2	9	6	9
Total	103	46	66	54	5	37	9	36	23	42
Sectors directly involved in the tourism industry										
Tour Agency	11	5	1	1	4	15	0	0	6	9
Hotel	25	12	8	8	10	37	1	5	6	9
Guesthouse	15	7	0	0	2	7	0	0	13	19
Homestay	1	0	0	0	0	0	0	0	1	1
Adventure tourism	25	12	2	2	0	0	10	45	13	19
Tourist shop	39	18	35	35	1	4	3	14	0	0
Total	77	54	11	46	16	63	11	64	39	58

Key: PW-Pinnawala; KY-Kandy; KG-Kitulgala; AB-Arugambay

Source: Same as Table 5.1

The table also exemplifies how tourism is linked with backward industries in the four

study areas⁶⁶. Accordingly, tourism appeared to be an end product that does not supply inputs to other sectors in this study and hence the absence of forward linkages. Yet there was an overwhelming share of locals employed in sectors that operated as backward linkages to the tourism industry. Even though the share of people occupied in backwardly linked occupations are less than the share of those involved in direct tourism related occupations in the majority of cases, the former is by no means insignificant. The share of backwardly linked occupations is higher in Pinnawala (54 percent) than the share of occupations directed related to tourism (only 46 percent). This share is lowest in Kandy (37 percent) and Kitulagala (36 percent). This is an interesting finding as it signifies that the possibility of local people in these two areas to be linked to tourism is comparatively low if they are not directly engaged in a tourism-related occupation.

Even though an earlier analysis showed that tourism related employment may generate more income than other sectors in the economy, this study further suggests that there is a considerable gap in income generation between subsectors in tourism as well as employment statuses within subsectors. This was evident through a cross analysis which analyzed the type of employment in the different tourism subsectors against annual income. In order to perform this analysis, employees in the tourism sector were isolated from other unrelated sectors mentioned on Table 5.1, and were questioned further about their type of employment and income. Percentages for each income category were calculated as a share of the total number engaged in a status within a given subsector.

Respondents were also instructed to state the net income after reducing the costs of

⁶⁶ For the purpose of this study, forward linkages will be defined as sectors other than those directly involved in tourism that use tourism as the input supplier of goods and services, while backward linkages will be defined as sectors that supply inputs to the tourism industry.

running the business.

The analysis reiterates the obvious factor that owners of tourism related businesses generate the highest possible income as 100 percent of Tour Agency owners and adventure tourism site owners, and 80 percent of restaurant owners as well as 70 percent of the guesthouse owners in the sample earned more than \$ 4200 per annum. 100 percent of the homestay owners earned more than \$ 5200 per annum. A significant share of owners in all of the aforementioned subsectors earned more than \$ 5200 per annum. The first point that the study desires to make is that the income is contingent upon the sector and scale of the business. Thus owners of other tourism-related business do not earn as much as owners of the accommodation and restaurant subsector. For example, owners of tourist shops and tuk-tuks were more in the middle income category. A majority of 71 percent of the tuk-tuk owners and nearly 60 percent of tourist shop owners earned only between \$ 3200 – 4200 per annum. Micro level industry owners such as mobile vendors were the lowest earning category, with 80 percent of the mobile vendors in the sample claiming to be generating an income below \$ 2200 per annum. Observations suggest that the small percentage of tuk-tuk owners and tourist shop owners that subscribed to a higher income category run businesses that are larger in scale compared to their counterparts in lower income categories.

The second point is more encompassing, and may be generalized to almost all tourism subsectors. Occupations other than owners within the aforementioned subsectors generated a much lower annual income, creating a gaping inequality between occupational hierarchies. This is most evident from the sample drawn from the hotel, restaurant and adventure tourism subsectors in this study. Hundred percent of the

kitchen staff and waiters working in hotels (better known as craft-level occupations) in the sample earned only between \$ 2200-3200 per annum, while the lowest ranks in hotels such as manual workers and room boys earned less than \$ 2200 per year. The hearing survey with waiters in hotels and restaurants threw light on the fact that the bulk of their income comes from tips and commissions rather than from the basic salary on the pay slip. The paycheck in the lowest ranks of the employment hierarchy has hit the rock bottom that young, single males employed in the hotel sector in Sri Lanka are known for job-hopping and leaving for the Middle East in search for greener pastures as soon as they have gained the experience necessary to apply.

For nearly half of the sample (48.2 percent) tourism was not a source of income for the main respondent. Of the remaining 51.8 percent of those who were actively engaged in tourism, an overwhelming 83.8 percent had started the business recently, while only 16.2 percent was continuing a business that they had inherited down the generation. The end of the war in 2009 created an environment that was favorable to tourism: tourist arrivals boomed in the subsequent years and the government formal institutions have been encouraging both foreign and local investment in the tourism sector. For example, the government encourages foreign investors by providing them with preferential tax rates, constitutional guarantees on investment agreements, exemptions from exchange control and 100% repatriation of profits. The One-Stop-Unit (OSU) was set up at the SLTDA for the purpose of assisting potential investors in their application process from its inception until the end of construction of the business.

Even though formal institutions exist perfectly in black and white as given above, in practice these institutions are plagued with two types of weaknesses that do not sanction

the institutions to function smoothly as stipulated in writing. First, there are formal institutional weaknesses such as politicization and nepotism that will require ‘connections’ to get work done through a formal institution. For those who do not have the said connections, the rules, regulations and policies of the formal institution will act as a barricade of red-tape. Secondly, there are informal institutions such as lethargic working culture, attitude to work, stereotyping of customers and discriminative treatment based on prejudice that ironically hamper the smooth functioning of formal institutions that have been initiated by law to assist local people to invest/ participate in tourism activities. These factors was observed at the SLTDA by the researcher which was then backed up by testimonials from local entrepreneurs (Appendix 9). The Appendix not only shows how informal institutions affect the functioning of formal institutions, but also how thereby local grassroots level participation in tourism activities is heavily discouraged in reality. The Appendix also exemplifies how powerless the public is before formal institutions that exercise power over their activities.

III. Local people’s attitude towards tourism

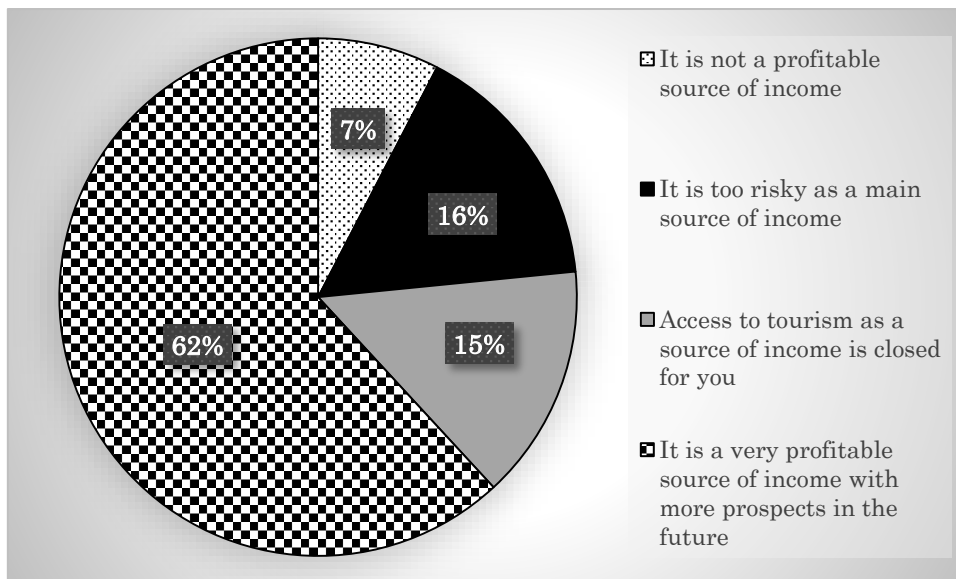
Local people’s attitude towards tourism was examined along two aspects. First, it was examined on the basis of economic benefits that accrue to people on a personal level. Second, it was examined on how people perceive its impact on their community.

Figure 5.7 shows the opinion of respondents about the economic benefits that tourism may accrue to the local people in terms of personal income. According to the Figure, a majority of 62 percent of respondents, herein after will be called Optimists, thought that tourism is a very profitable income with increased prospects in the future. Even though this seems a very good trend to start with, a significant 23 percent of the sample had rather

negative opinions about tourism as a source of income.

Seven percent claimed that it was not a profitable source of income, while 16 percent claimed that it was too risky as a main source of income. This group will be labeled Pessimists and will include who are more sensitive to the volatility of tourism that is contingent on internal and external factors. The decades-long civil war that disrupted not only tourism but all economic sectors in the country may be the reason for the existence of such a large share of local people who are savvy about the potentials of tourism. The remaining 15 percent also represents an important category of people who may aspire to be part of the thriving tourism industry but find their access blocked. This study argues that it has been blocked by institutional machinations, both formal and informal. This category will be labeled as Aspirers in this study.

Figure 5.7 General opinion of local people about economic benefits generated through tourism



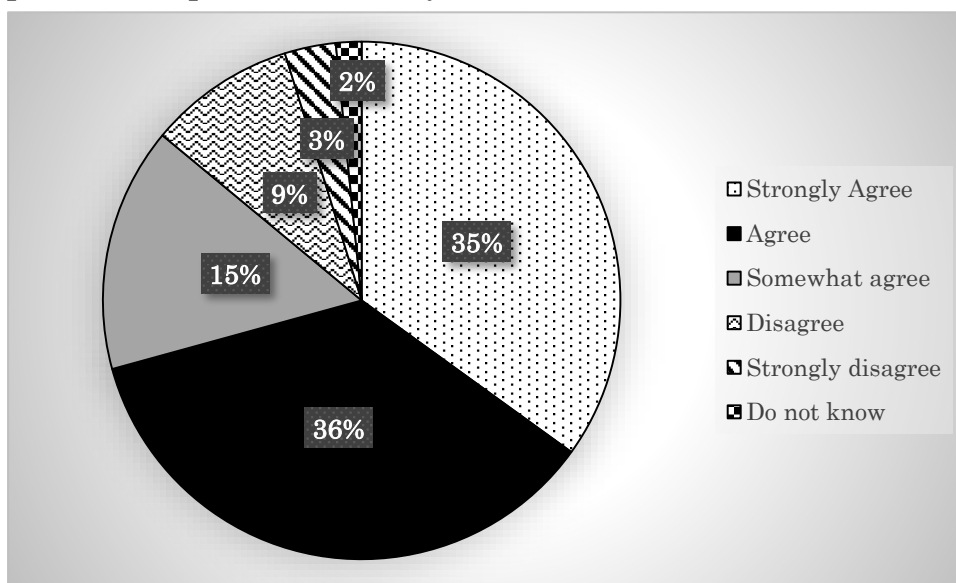
Source: Same as Figure 5.1

Appendix 10 returned very interesting findings on respondents' opinion about tourism

based on their main occupation. The percentages on the Figure were obtained as a share of the number of respondents in a particular opinion category. Accordingly, 29.2 percent of Optimists were self-employed in the tourism sector. Yet, more than 27 percent of those who claimed that it is not a profitable source of income, and 25.4 percent of those who thought that it was too risky as the main source of income were also from the same employment category. This is because a majority of Optimists are owners of enterprises across sectors whereas a majority of Pessimists are the craft level employees and micro-level businessmen such as mobile vendors. They are all in the same employment category. A majority of Aspirers are either unemployed (25 percent) or engaged in private sector jobs unrelated to the tourism sector (23.2 percent).

Next, the study inquired local people’s opinion about tourism at a broader level: i.e. in terms of its impact on their community.

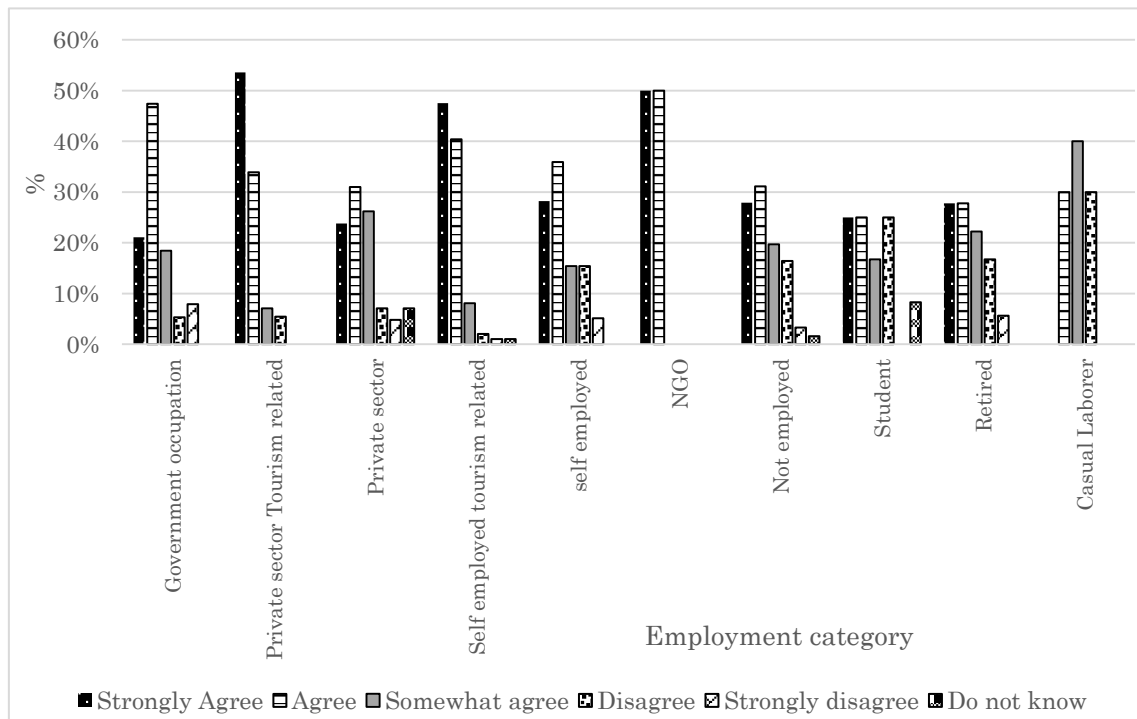
Figure 5.8 Local people’s level of agreement with the fact that tourism is important to improve/ develop their community



Source: Same as Figure 5.1

Figure 5.8 exemplifies that an overwhelming majority of 35 percent strongly agree that tourism is important to improve/ develop their community. Thirty six percent agreed with the statement, which brings the total share of those who agree to 71 percent. Only 12 percent of the sample disagreed or strongly disagreed. Cross analyses show that people who are already engaged in the tourism sector have a slightly greater tendency to be strong adherents of the premise while a majority of people in other categories agree. Interestingly, a majority of the casual laborer category (40 percent) only somewhat agree with the statement while the highest percentage of those who disagree that tourism is important to their community (30 percent) also comes from this occupational category. The results are depicted on Figure 5.9.

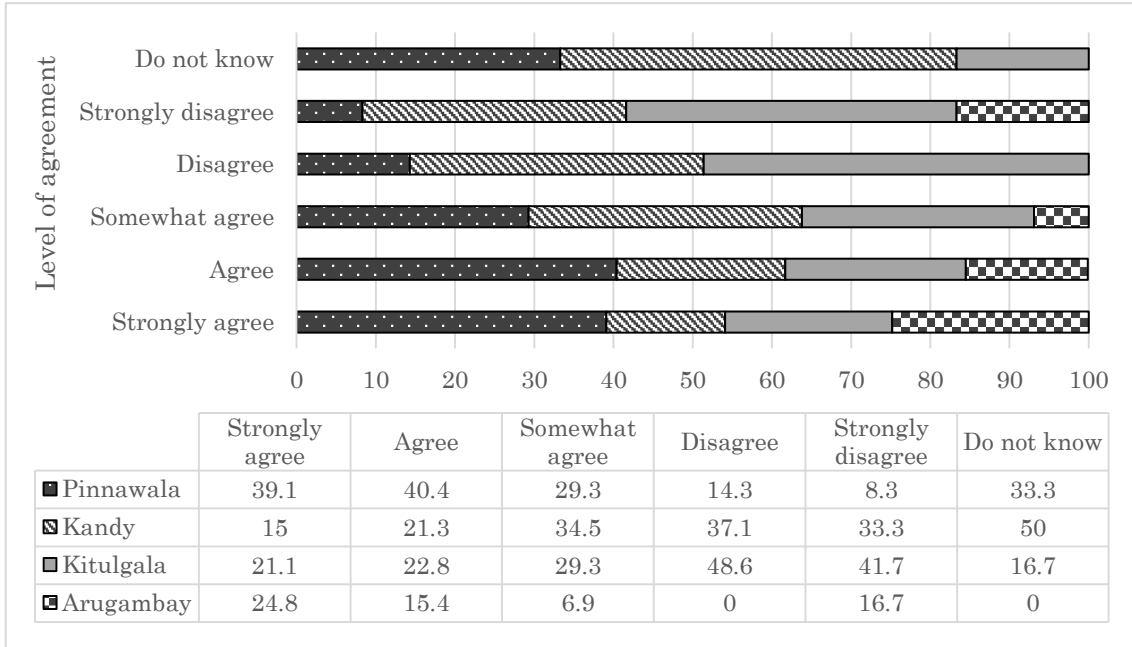
Figure 5.9 Level of agreement with the importance of tourism to the development of local communities according to the main occupation of respondents



Source: Same as Figure 5.1

Even though cross analyses/ chi-square tests against other seemingly correlated variables such as age, level of education and length of residence in the community returned results that they are actually not correlated, Figure 5.10 shows that it has some correlation with the area under study (Chi-square= 47.981, df=15, P=0.000). With a P value that is well below 0.005, there is strong evidence to argue that people's opinion about the impact of tourism on the community is correlated with the tourist area in question. For example, a large majority of those who strongly agree that tourism is important to develop their home community were from Pinnawala (39.1 percent). An even larger majority of those who agreed (40 percent) were also from Pinnawala. A majority of those who agreed somewhat were from Kandy (34.5 percent) while interestingly, a majority of those who strongly disagreed (41.7 percent) and disagreed (48.6 percent) were from Kitulgala. The reason for this is evident when one looks at the profiles of the areas (Chapter 3). Pinnawala has opportunities for individuals to enter the tourism sector in many scales and levels ranging from large, medium, small and micro level (retail).

Figure 5.10 Local people’s attitude towards tourism as a vehicle for development according to the tourist area



Source: Same as Figure 5.1

While whether these businesses are making profit is a different concern, the researcher observed that there is ample access to the tourism sector. Previous studies have shown that the 80 percent of the businesses in the Pinnawla area depend on the Elephant orphanage that is the main (and perhaps the only) tourist attraction in the area (Bandara, 2008: 63). Observations confirmed that a large majority of the surrounding villages were linked to the flourishing tourism industry: some even as remotely as leasing their property to outsiders seeking business opportunities. On the other hand, tourism has been active in Pinnawala for more than four decades since the inception of the Elephant Orphanage in 1975, giving ample time for people to establish and run their businesses. It is also an attraction that was safely tucked away in an area that was least affected by the civil war. Thus a cross analysis shows that tourism businesses in Pinnawala are the oldest compared to other areas. More than 56 percent of the businesses that have been

running for two or more generations are located in Pinnawala (Table 5.3). Thus this reiterates that access to tourism in Pinnawla seems to be more liberal than other areas in the study which may be the reason for their recognition of tourism as a vehicle for community development.

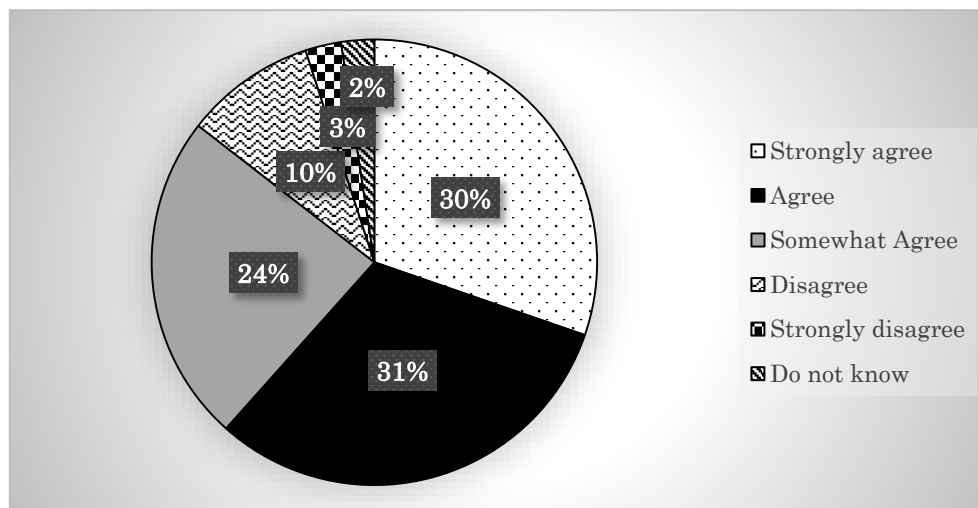
Table 5.3 Maturity of the tourism-related businesses according to area

Maturity of the tourism-business	Pinnawala (%)	Kandy (%)	Kitulgala (%)	Arugambay (%)
Two generations or more	56	16	3	25
Recently started business	49	13	14	24
Tourism is not a source of income	19	34	41	7

Source: Same as Table 5.1

The same cross analysis above shows that a majority of 41 percent to whom tourism is not a source of income are from Kitulgala. Observations indicate that tourism in Kitulgala on the other hand is relatively new and concentrated in the hands of a few enterprises that control the adventure tourism activities feasible in the area. Not only are a just a few local villagers engaged in the throbbing tourism industry, tourism itself is culturally and socially alien to the community (See Chapter 3 for more details). In other words, access to the tourism industry and opportunities for personal economic profit is very low in Kitulagala compared to other areas, resulting in a multitude of local residents not viewing tourism as a good mode of economic development.

Figure 5.11 Level of agreement with the statement that positive impacts of tourism outdo the negative impacts



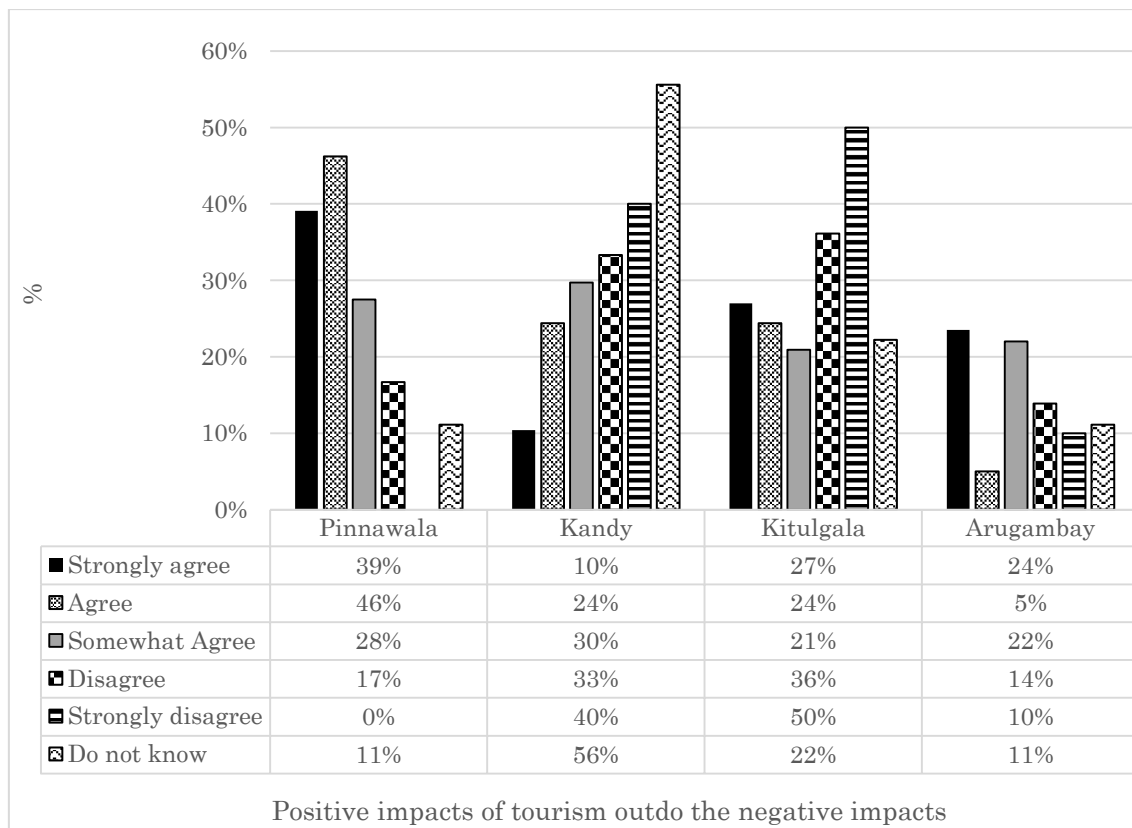
Source: Same as Figure 5.1

According to Figure 5.11, a majority of 31 percent of the local people strongly agreed that the positive impacts of tourism outdid the negative impacts. Thirty percent agreed with the statement, adding up to a majority of 61 percent agreeing with the statement. Only a minority of 13 percent disagreed or strongly disagreed with the statement. The pattern of agreement with negative and positive impacts closely resemble that of impact of tourism on the local community as represented in Figure 5.8. This means that a majority of local people recognize the fact that the positive impacts of tourism outdo the negative impacts, making tourism an important vehicle for local community development. The hearing survey with local people also confirmed this matter.

A Chi-square test returned strong evidence (Chi-square= 51.725, df=15, P=0.000) to prove that there is a correlation between area and local people's level of agreement with the positive and negative impacts of tourism. Thus a cross analysis between people's attitude towards positive and negative impacts of tourism and area of residence (Figure

5.12) shows that a majority of people who strongly agree that positive impacts of tourism outdo negative impacts are from Pinnawala (39 percent). A majority of 46 percent of those who agree are also from Pinnawala while a majority of those who disagree (36 percent) and strongly disagree (50 percent) are from Kitulgala. More than half of those who were undecided about the balance of impacts were from Kandy.

Figure 5.12 Level of agreement with the statement that positive impacts of tourism outdo the negative impacts according to area

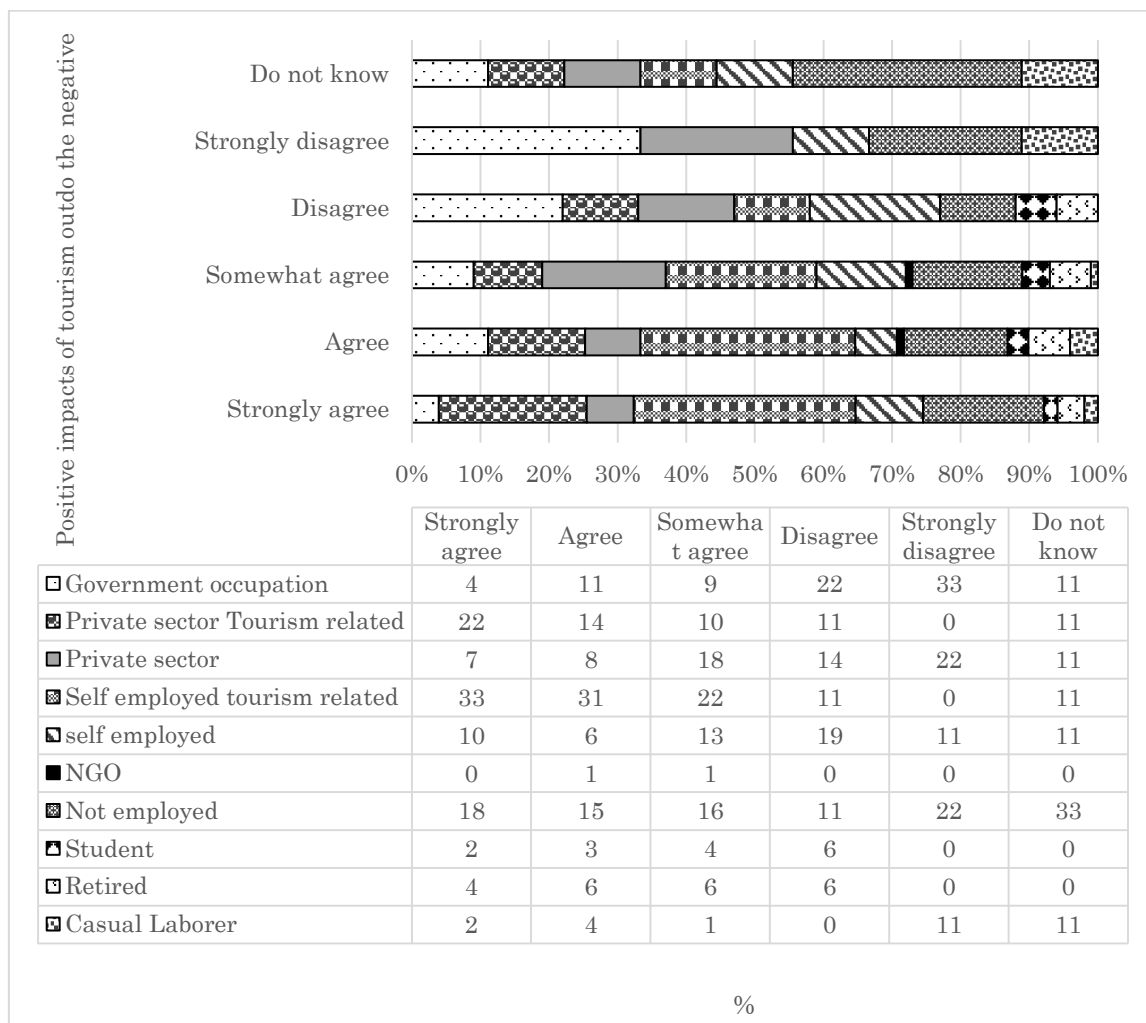


Source: Same as Figure 5.1

Figure 5.13 shows how this perception varies according to the main occupation of the respondent. Data exemplifies that those who are making a living out of tourism are more inclined to see the positive side of tourism whereas those who are not are likely to

think otherwise.

Figure 5.13 Level of agreement with the statement that positive impacts of tourism outdo the negative impacts according to main occupation



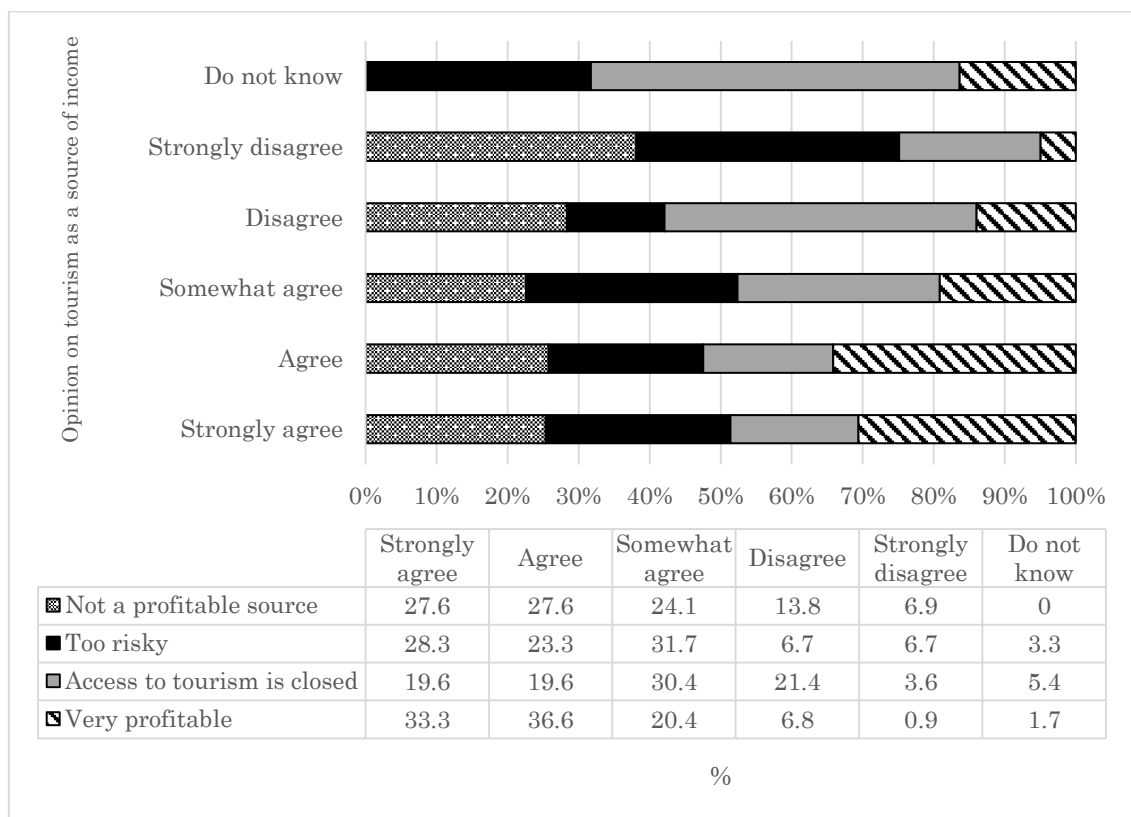
Source: Same as Figure 5.1

Thus according to the figure, a clear majority of those who strongly disagreed (33 percent) and disagreed (22 percent) that positive impacts of tourism outdo the negative, were government servants who did not enjoy personal economic benefits from tourism. On the other hand, those who strongly agree (33 percent) and agree (31 percent) were actively

generating a personal income through self-employment in the tourism sector.

A similar trend could be deciphered through a cross analysis between people’s opinion about the potentials of tourism as an income generating activity and their perception of positive and negative impacts of tourism (Figure 5.14). The percentages were obtained as a share of the total number of like-minded people with regard to their opinion on tourism as an income generating activity.

Figure 5.14 Level of agreement with the statement that positive impacts of tourism outdo the negative impacts according to respondent’s attitude towards income generating potentials of tourism



Source: Same as Figure 5.1

While chi-square tests provide strong evidence for the correlation with a P value of 0.005>

(Chi-square= 36.144, df=15, P=0.002), the cross analysis shows that a majority of Optimists (36.6 percent) also agreed that there are more positive impacts of tourism than negative. A majority of those who strongly disagreed with that positive impacts of tourism outdid the negative (6.9 percent) were the Pessimists who thought that tourism was not a profitable income. A majority of those who disagreed with the statement (21.4 percent) were people who considered that access to tourism was closed to them. On the other hand, a majority of those who agreed that tourism was more a boon than a bane (36.6 percent) and those who strongly agreed (33.6 percent) were people who thought that tourism was a very profitable source of income. These results and the hearing survey suggested that even though a majority of local people thought that positive impacts outdo the negative impacts, there is a tendency among locals to associate the positive impacts of tourism with personal income and nothing else. In other words, the best thing about tourism is that it brings tourist dollars in a large volume that it is big enough to shadow the negative effects. When asked to list positive and negative impacts of tourism, a clear majority of local residents could not list anything other than income/ employment opportunities as positive effects. Yet the list of negative effects was much longer. The other distinguishing factor about people's opinions is that they emphasized personal economic benefits, and how negative impacts of tourism may affect their personal lives more than how they might affect their community or country.

To summarize this subsection, the reasons for varied perceptions of tourism as discussed above could be attributed to three factors:

The type of tourism popular in the area and whether this segment of tourism is culturally compatible to the host area can strongly affect how locals perceive and react to tourism.

Thus according to the hearing survey, local residents in Kitulgala were most averse to the skimpily dressed foreign tourists (particularly female tourists) roaming their streets and kayaking down the river that they visited on a daily basis to bathe and collect drinking water. The traditional Sinhala Buddhists living in the area were concerned about bringing up their children in “such a defiled social background” where according to villagers “now scantily clad foreign women sunbathed, men and women frolicked, young people drank unashamedly and made merry around bonfires in the night when their children were trying to sleep or study”. Sinhala Buddhists in Sri Lanka consider themselves nationalistic, patriotic and protectors of what could be termed as the Sinhala Buddhist culture. To recall Chapter 4, a popular indicator of these qualities is the dress code of women.

How well tourism is established in the area and the level/ scale of tourism development also has some effect on local people's attitude towards tourism activities taking place in their neighborhood.

The four study areas displayed unique characteristics with regard to this factor. Contrary to the popular theories discussed in Chapter 1, locals in mass tourist areas such as Kandy, Pinnawala and Arugambay were not antagonistic towards tourism. Instead, locals in Pinnawala and Arugambay were enthusiastic about tourism while residents in Kandy were rather indifferent. Adventure tourism in Kitulgala was still in the development stage yet local people were already antagonistic towards tourism. However, mass-scale tourism can inculcate a kind of anonymity which could be the reason behind increased crime against tourists. This is a combined effect of both mass scale development of tourism and urbanization of the area in question.

Thus the factor that has the most profound effect on local people's attitude towards tourism is the degree of access to economic benefits generated through tourism for the local people.

Be it animosity, intolerance, indifference or enthusiasm, they were all outcomes of the varied levels/ scales of involvement of people in the tourism industry for economic gains rather than the actual scale of the tourism industry in the area. This was apparent in all four areas and particularly pronounced in Kitulgala. It is important to recall that according to Figure 5.6 more than half of the sample from Kitulgala earn less than \$ 2200 per annum, making them the lowest income earners in the study. Kitulgala also has the lowest proportion of residents involved in tourism-related occupations (Appendix 11). According to the figure, only 4 percent of the sample in Kitulgala was engaged in self employment related to tourism, and only 9.1 percent was engaged in tourism-related private sector occupations against the highest unemployment rate (40.4 percent) and highest share of people engaged in casual labor (9.1 percent).

Kitulgala is also the location for the Broadlands Project which includes the construction of two dams and a power house (See Chapter 3 for more details). The hearing survey threw light on the fact that people who make a living out of adventure tourism in the area are vociferously against the construction as the dams will kill the rapids that sustain the main tourist attraction: white water rafting. According to the testimonials of key informants engaged in rafting, hundreds of people are likely to be laid off as a result. On the other hand, people who are not connected to tourism are bosom supporters of the power generation project. Sources indicate that 146 out of 430 households in the Kitulgala South area still do not have electricity (සම්පත් පැතිකඩ [Facets of Resources]).

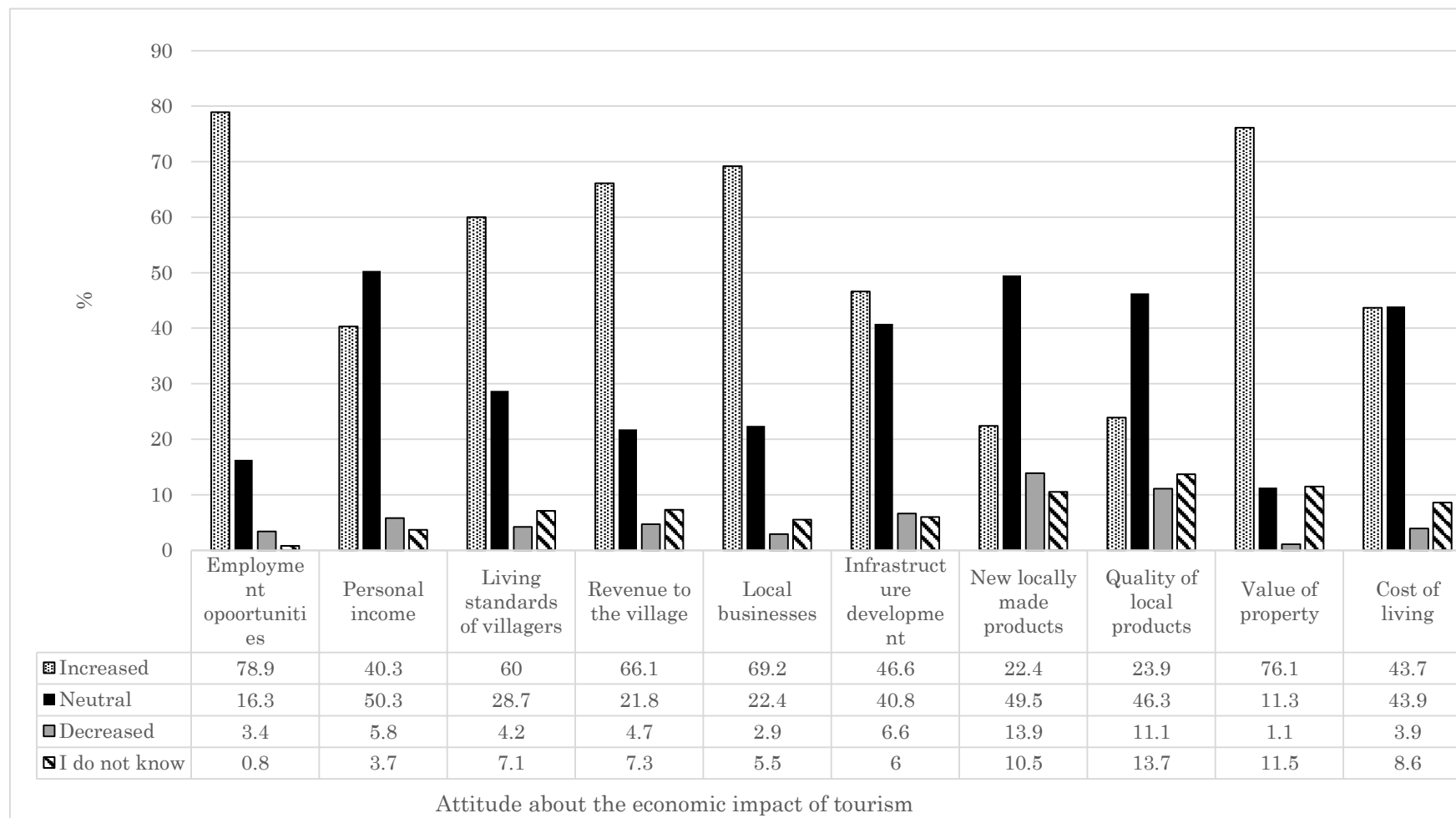
2014: 33) and as a result, people who are not involved in tourism see better sense and personal benefit in the power generation project.

A careful analysis of the hearing survey with key informants and local residents of the area suggests that lack of access to tourism activities can generate envy among non-participants against active participants. This envy could be unfavorable towards tourism as envious locals could engage in destructive activities to vent their frustration. The owner of a private White Water Rafting Agency in Kitulgala testified that local people in the area have pelted their camping site in the night when foreign guests were at a barbeque party in their camp by the river. Fortunately, none of the stones had hit or injured the guests physically, but the incident had nevertheless left indelible scars on their perception about the hospitality of local people in Sri Lanka. When the case was followed up by the researcher, the locals did not deny that they attacked the camping site. Instead they gave reasons as to why they resorted to such behavior: they claimed that the music reverberating from the buffets was too loud. Local people did not consider it a collective social responsibility to be hospitable to foreign tourists. They especially did not consider themselves hosts if they were not directly engaged in a tourism-sector occupation. This was pronounced in Kitulgala, while it was apparent in the other three areas in the form of apathy towards tourism/ tourists.

① **Local people's attitude towards economic impacts of tourism**

Keeping these three factors as a base, the study next examined local people's attitude about economic, environmental and social impacts of tourism. Figure 5.15 summarizes local people's attitude on the impact of tourism on a given list of economic factors.

Figure 5.15 Local people’s attitudes on the impact of tourism on the local economy



Source: Same as Figure 5.1

According to the figure, a majority of locals in the entire sample recognize that tourism has the potentials to increase employment opportunities (78.9 percent). As mentioned earlier, providing employment opportunities is the most tangible benefit of tourism that local people could think of. A majority of the respondents also claimed that tourism could increase living standards of villagers (60 percent), local businesses (69.2 percent), infrastructure (46.6 percent), and the value of property in the area (76.1 percent). A majority of 50.3 percent recognized that tourism does not have an effect on personal income. This is because only those whose main occupation is tourism related see it as a vehicle for personal economic advancement. A majority of respondents also claimed that tourism does not have an impact on new locally made products (49.5 percent), quality of locally made products (46.3 percent) and cost of living (43.9 percent). Data suggests that rather than improving the quality of the tourism product, increased tourist arrivals has only worked to reduce it in the areas under study. This idea was also supported by the hearing survey and observations. The following testimony by a foreign tourist sums up this situation:

“We as foreign tourists are looking forward to purchase souvenirs in Sri Lanka. But this country has not tapped this area satisfactorily. First we don’t see many authentic Sri Lankan souvenirs. It is disappointing to see that most of the goods are made in China. We don’t come all the way from England to Sri Lanka to buy ‘local souvenirs’ made in China. Second, local host areas do not have products peculiar to that area. Wherever you visit, you get the same T-Shirt with ‘Sri Lanka’ written across the chest sporting a beachside scenery. And that same T-Shirt is available at large stores, stalls or pavement

hawkers for different prices. Local areas need to diversify their products and target foreign tourists” (England)

The worst economic impact that locals believe that tourism has had on their area is the hiking of real estate prices. A majority of 76.1 percent of the sample claimed that real estate values in their area have shot up as the areas became popular as a tourist destination.

Appendix 12 depicts the local people’s perception of the impact of tourism on various economic factors in their respective area. Percentages were calculated as a share of the total number of locals from each host community. Accordingly, the Appendix reflects an astonishing trend for a majority of people from Kitulgala to perceive that tourism does not have any impact on all except one (value of property) of the economic factors listed on the questionnaire. This shows that contrary to the popular belief, the economic impact of tourism on the local economy in Kitulgala is rather neutral. This is mainly because, as explained before, tourism activities in the area are concentrated in the hands of a few. As the shares in the ‘decreased’ row are below 10 percent in all but two factors (new locally produced good and quality of the local products) the study considered them too insignificant for analysis. Observations in the Kitulgala survey area showed that tourism has not brought any infrastructural development for the area. The study team walked approximately 3km on a woodland path that was unpaved and inundated with potholes. Some potholes were more than one foot deep, which was enough to have a tuk-tuk stuck for good without help. It was not clearly not motorable as it was not even fit to walk on foot. Despite this condition of the road, and the fact that the forest was getting intrusive by growing its vines, branches and weeds into the narrow pathway, the area was residential. About 2km of another road that led to a popular tourist attraction

site (Kataramgala) was not motorable either, with the exception of motorbikes and a few tuk-tuks daring to take the unpaved rocky road. The study team had to get off the tuk-tuk a number of times and push it out of potholes that interrupted the ride as some of them too deep for a tuk-tuk to climb out with only its engine power. Despite the popular belief that the hydropower project may improve infrastructure facilities in the area, it is adding to the deterioration as most of the potholes are the result of heavy vehicles carrying building materials for the hydropower project. The people of Kitulgala still cross the ferocious river on a menacingly narrow and wobbly suspension bridge⁶⁷. Despite the fact that a few acrophobic members of the research team could not cross the bridge, children, elderly people and most people of Kitulgala cross this rocking bridge on a daily basis. It was also observed that the foothold of the bridge was made of iron strips. Many strips were missing; some were loose, exposing one to a deadly fall into the gushing rapids about 50 feet below.

A majority in the category of people who did not have an idea about the impact of tourism were from Kandy in most cases. In other words, most people from Kandy were apathetic towards tourism and its impact on their local economy. This could be because Kandy, as the second largest city in the country has a diversified economy, and a majority of people are not over dependent on tourism for a living. Pinnawala on the other hand shows its comparative dependence on tourism as the largest share of locals who found five major economic factors (including living standards of villagers (74%), revenue to the village (71%), local businesses (79%), infrastructure development (56%), and value of

⁶⁷ A new motorable concrete bridge has been built but people continue to use the suspension bridge as it is a short cut to the village. The new concrete bridge is situated too far for one side of the village.

property (90%) increased due the impact of tourism was from Pinnawala.

While equitable access to tourism is visible in Pinnawala, observations suggest that new locally manufactured products and their quality has not improved to suit the demand from foreign tourists. An invisible line divided the area into two sectors: one sector, which was more affluent was strategically located along the road that winded down to the river where elephants bathe cater to foreign tourists. The shops in this sector were better off than the shops in the other sector. This sector also has two small enterprises that use elephant dung as raw material to produce paper (popularly known as poo paper). Apart from the two poo paper enterprises, there are only a negligible few who use local resources to produce authentic local goods employing local people in the area. The other sector lies along the main road, clustered around a muddy car park, which mainly caters to domestic tourists. As the government formal institutions have moved the main entrance of the orphanage to a different location, it has further cut off the flow of clientele to this sector. According to the hearing survey, tour guides discourage foreign tourists visiting this sector as they are not signed up to receive commissions from the sales. Instead, they are led to the affluent sector where the better shops are located. Most of the shops in this sector were run by local people from the village, whereas most of the shops in the affluent sector belonged to 'rich outsiders' from other areas of the country. About seven shops in the second sector were set up on encroached land, and this line of temporary/ semi-permanent facades tell a hideous tale of arson, pillage and political revenge due to questionable landownership. It is interesting to note that all seven of these illegal shops were run by women, which has made them further vulnerable to attacks. Observations showed that the quality of the goods in these shops were very low. Items

for sale were covered with a thick veil of dirt from the clouds of dust constantly churned by the passing traffic. Products were propped on shelves that were covered with tattered polythene sheets or old newspapers. Bargaining was the way to get a decent price as prices were not marked. None of the foreign tourists thought these products fit to be purchased as the few who passed that way ignored the loud solicitations by the vendors and hurried away. On the other hand, to recall the testimony by the English tourist in the foregoing section, they were not souvenirs suitable for foreign tourists. Products included toy water-guns, rubber balls, key tags and the like. The hearing survey suggested that products are usually brought from other areas in the country such as Kegalle, Mawanella, Kadugannawa and Colombo. Most of these items were made in China. Even the elephant souvenirs were made in China.

Similar situations prevailed in Arugambay and Kitulgala. In Arugambay, one had to go several miles to find products/ souvenirs or even simple services such as take-away meals, communication facilities etc. It is hard to find souvenirs that can become a memory of one's trip to Arugambay. The tourist shops in Arugambay sold products such as tea that were totally irrelevant to the local area or the type of tourism activities taking place. The prices of items were astronomical as there were only a few such shops in business. In Kitulgala on the other hand, it would be correct to argue that there is not a single souvenir shop within a 10km radius from the main White Water rafting site. There are absolutely no Kitulgala-souvenirs for tourists except for the memories they might carry. There are no restaurants except for small village shops serving black tea and a few varieties of breads. The only reason that foreign tourists visit these shops is to buy bottled water.

Cross analysis against main occupation shows that a majority of those who think that

tourism increases all of the given economic conditions such as employment opportunities (27.9 percent), personal income (47.7 percent), living standards of villagers (29.3 percent), local businesses (30 percent), infrastructure development (30.7 percent), new local products (29.4 percent), quality of local products (26.7 percent), value of property in the area (26.9 percent), and cost of living (32.1 percent) were self-employed in tourism sector occupations. In some cases, chi-square tests returned P values that supported this finding with strong evidence (highlighted cells on Table 5.4) for a correlation between attitude towards economic impacts of tourism and being engaged in a tourism related occupation. Only the major findings were isolated and are given below in Table 5.4. The cells that are $0.05 >$, representing a statistically significant co-relation are highlighted.

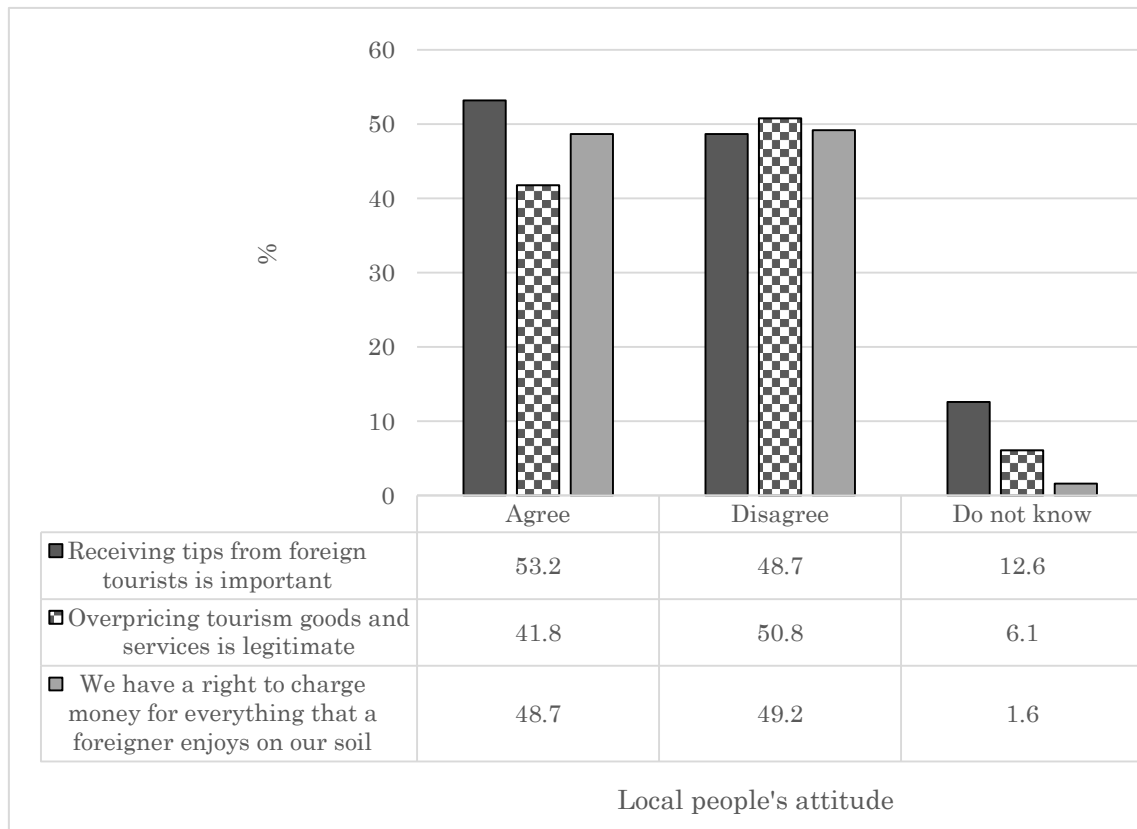
Table 5.4 Cross analysis and chi-square test results for the economic impacts of tourism against main occupation

	Self-employed in tourism sector (Majority)	Private sector tourism-related (Second highest)	Pearson chi-square test value	Degree of Freedom	P value
Employment opportunities	27.9	16.8	51.655	27	0.003
Personal Income	29.3	17.7	158.648	27	0.000
Living standards of villagers	31.1	18.2	76.312	27	0.000
Revenue to village	29.3	17.7	67.355	27	0.000
Local Businesses	30	16.5	46.22	27	0.120
Infrastructure Development	30.7	18.2	38.617	27	0.069
New local products	29.4	17.6	42.328	27	0.031
Quality of local products	26.7	17.8	35.471	27	0.127
Value of property	29.6	15.3	49.087	27	0.006
Cost of living	32.1	20	41.044	27	0.410

Source: Same as Table 5.1

The study focused on three more attitudes about tourism that local hosts may entertain, that can have an impact on the level of hospitality and tourism services. Figure 5.16 summarizes the results on what locals think about foreign tourists and tipping; overpricing tourist goods and services; and attaching a price tag to all tourist goods and services.

Figure 5.16 Local people’s attitude on the channels that bring revenue from tourism



Source: Same as Figure 5.1

As the figure reveals, a significant majority of 53 percent believe that receiving tips from foreign tourists is very important to ensure personal income. As explained in Chapter 4, most of the tourism related occupations are commission based, while the craft level occupations such as waiters, room boys and other similar ranks are especially dependent on commissions that come in the form of tips as their basic wages are very low. It was

also explained that tourists varying tipping behavior is largely responsible for the formation of stereotypes and prejudices among local hosts. This is reflected in a cross analysis of attitude on tipping against different employment statuses within subsectors of tourism, which is given in Appendix 17. According to the table, receiving tips seems to be very important to craft level employees such as waiters and room boys at restaurants, hotels, guesthouses, and drivers/ owners of tuk-tuks as a clear majority of them agreed in varying degrees (strongly agreed, agreed or somewhat agreed) that receiving tips was important.

Even though data suggest that a majority of people do not agree with overpricing and charging money for everything that a foreigner enjoys, the share of people who agree with the two premises is worrisomely high. Forty one percent and 49 percent agree with the premises respectively (in varying degrees), which shows that tourism is seen as an industry that can generate quick money. Such attitudes can affect service quality negatively, and label Sri Lanka as an expensive destination, which is discouraging for potential first-time visitors and repeat tourists. It was observed that these attitudes are behind the tiered fee structure in developing countries, which condones an excessive gap between local and foreign fees for services. This was corroborated by all key informants such as officers at the SLTDA, hotel managers and tour guides who acknowledged that entrance fees to attraction sites such as Sigiriya, Anuradhapura/ Polonnaruwa ruins are too expensive. A top government officer at the SLTDA admitted that each site falls under the purview of a different formal institution such as the Central Cultural Triangle, Wild Life Conservation Department or individual formal institutions such as the Maligawa Trust over which the state tourism authorities do not exercise any control.

Thus entrance fees are arbitrarily determined and enforced by these institutions that also get to enjoy the profit upon paying incumbent government taxes. The problem is aggravated by the fact that tourists are increasingly getting restless about the tiered structure of fees that allows local tourists to enter free or pay a very small amount compared to the astronomical fees foreigners are charged. For example, entrance fee for Sigiriya is LKR 3750 (USD 30) for foreigners and only about LKR 50 (USD 0.40) for locals, which is a difference of about 75 times. Sigiriya is considered the 8th wonder of the world, but nearest of the other seven world wonders, the Taj Mahal in India can be visited for only half the price (only about USD 15). Even though all tourists who responded to the hearing survey were amicable with the tiered fee, especially because Sri Lanka is using tourism as a primary strategy to earn foreign exchange, they expressed concern over three important anomalies: the gap between foreign and local tourists is disturbingly wide; the quality of services at places where they charge high entrance fees is not always satisfactory and the entrance fee is not all-inclusive in most cases.

A cross analysis against occupations showed the attitude that overpricing tourist goods and services is a legitimate way of earning revenue is most prevalent among people who are engaged in tourism-related occupations and even more interestingly, owners of tourist shops, guesthouses, restaurants and tuk-tuk drivers, followed by people who are working as waiters, and cooks in, guesthouses and restaurants. Clearly, the share of respondents who agreed that tipping is important exceeds that of the respondents who disagreed (Appendix 17), and all of these sectors were medium and small enterprises. A similar cross analysis for the other two factors, i.e. tipping by foreign tourists; and attaching a price tag to all tourist goods and services also returned similar results.

On a similar note, a majority engaged as craft and manual workers or those running small or micro enterprises such as mobile vendors, tuk-tuk drivers, small tourist shops, waiters, cooks and those engaged in manual work have a great tendency to consider that the host community has the right to charge money for practically everything that a foreigner does in the host country. They are the people who have lesser access to greater economic benefits and lesser chances for proper hospitality training, which increases the chances of their exploiting whatever available opportunities. The following statement by a local National Tourist Guide Lecturer stands testimony to the fact:

“A King Coconut is sold to a foreigner at about four times its original price. I don’t think it is cheating. That is why tourism is here for: to bring us foreign exchange. That is the only way the benefits of tourism reach the poor people in the community. I do not stop the poor vendors because foreigners will have to pay extra to enjoy what is originally ours. It is our right” (Silva, National Tourist Guide Lecturer).

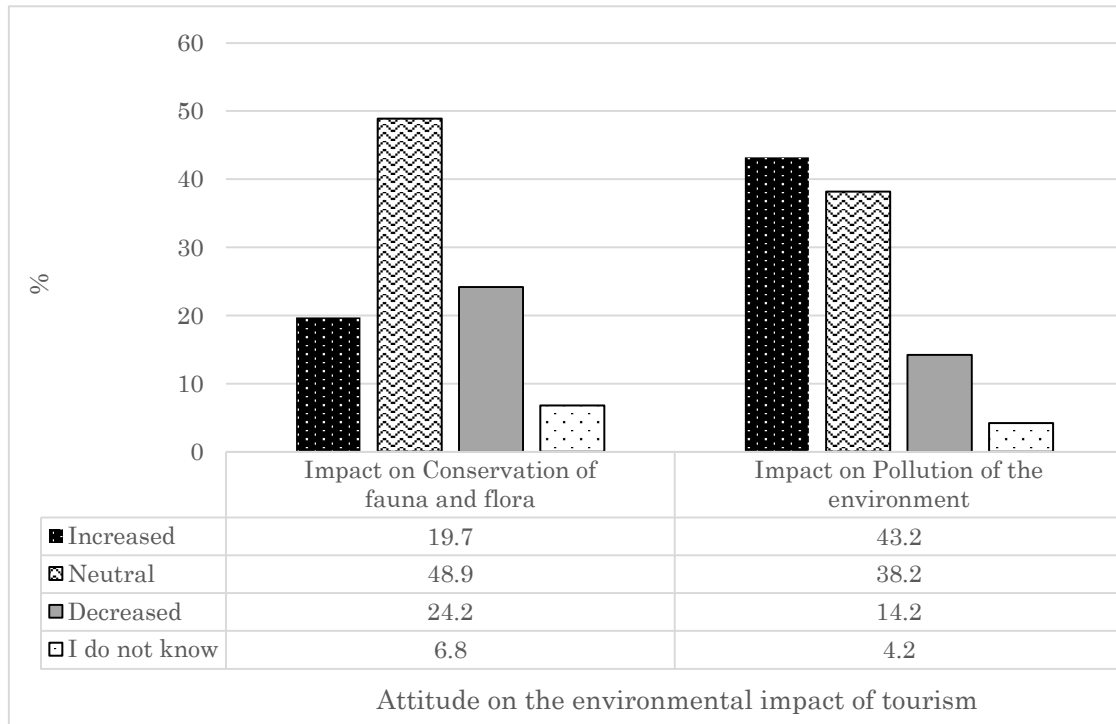
Thus this section suggests that lack of access to tourism activities that allows to generate economic benefits is the main reason for economic exploitation of the sector.

② Local people’s attitude towards environmental impacts of tourism

Figure 5.17 summarizes the general attitude of local people towards the impact of tourism on the environment. It reflects local people’s belief that tourism has a negative impact on the environment. Only 20 percent of the sample tourism provides a platform for the conservation of the fauna and flora. Nearly quarter of the sample thought that tourism has a negative effect on conservation efforts, while nearly half of the sample considered

that tourism has a neutral effect. On the other hand, a majority of 43.2 percent of the sample thought that the industry was polluting the local environment.

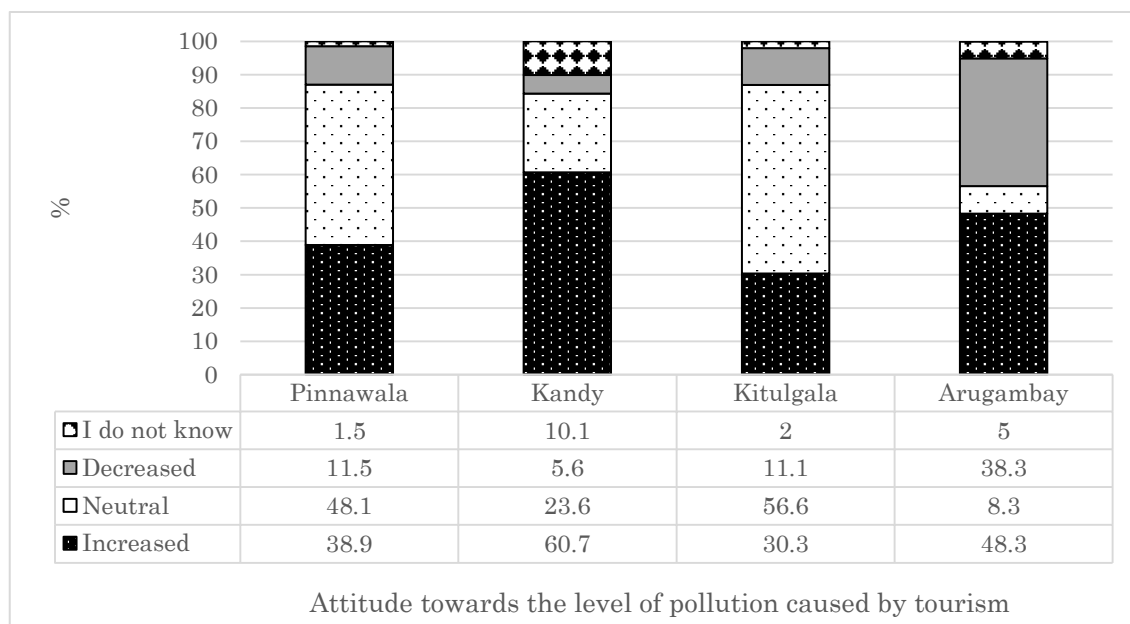
Figure 5.17 Attitude of local people towards the impact of tourism on the environment



Source: Same as Figure 5.1

A cross analysis of local people’s attitude against their area of residence returned very interesting findings that are summarized on Figure 5.18. Results were calculated as a percentage of the total number of respondents from each area. According to the figure, a majority of local people Kandy (60.7 percent) and Arugambay (48.3 percent) believed that tourism has a damaging impact on the environment, while a majority of Pinnawala (48.1 percent) and Kitulagala (56.6 percent) considered that tourism does not increase or decrease pollution.

Figure 5.18 Attitude towards the impact of tourism on pollution against tourist area



Source: Same as Figure 5.1

Observations show that Kandy is the most polluted area out of the four areas under study. However, tourism cannot be held responsible for much of the pollution in the area. The issue of air pollution in Kandy, which exceeds that of the commercial capital of Colombo has made headlines in the recent past. Yet this is mostly due to traffic and the geographic location of the city that retains polluted air close to the ground level.

On the other hand, there is much pollution caused by domestic pilgrims visiting Kandy in their thousands around the year and especially during the Kandy *Esala Perahera* season⁶⁸. Clearly the number of domestic tourists to Kandy exceed that of foreign

⁶⁸ The *Esala Perahera* is a religious pageant that is held annually for ten consecutive days in the colorfully lit night streets of Kandy. The procession is chiefly organized and led by the Temple of the Tooth (*Sri Dalanda Maligawa*) to honour the sacred tooth relic of Lord Buddha, which is housed with great reverence at the *Sri Dalanda Maligawa*. Originally the procession was held as a thanks-giving ceremony for all the blessings in the past year and to invoke further blessings of the gods for the coming year, especially with regard to agricultural activities, which was the main mode of living of the people.

tourists, and observations suggest that this large number of local tourists cause much harm to the environment than foreigners. Littering and using public toilets without etiquette are the most commonly observed ways that locals pollute the environment. The morning after the Perahera in 2015, the researcher observed that the streets of Kandy were littered with all sorts of food wrappers, PET bottles, polythene bags, remnants and morsels of food, and droppings of the countless crows that flock to feed on garbage thus strewn about. There were not enough garbage bins placed at convenient intervals; they were not emptied by authorities, and the people had not been careful about targeting garbage into the dustbin. Instead, there was more waste lying around the dustbin than what was inside. There were only one set of mobile toilets installed in a location where most people could access them. Their stench could be felt from several feet away, that the stench alone could conveniently guide users to the toilets in the absence of other forms of directions. Passers-by were noticed curling their noses and fanning away the stench as they walked past the toilets. Public littering is not frowned upon by the Sri Lankan culture. Neither is using public toilets without etiquette. As these practices have become folkways/ norms of conduct, there is so reason for them to be punished by the culture. Neither does the culture reward those who comply with proper garbage disposal methods. On the other hand, persons who are too mindful about proper garbage disposal could be mocked at as being 'queer ducks'. Thus fostered by public apathy, such practices perpetuate.

A similar situation was observed at Arugambay. The area was still unspoiled as it was still a budding destination. The only difference was that local residents were causing more pollution than domestic or foreign tourists. Small guesthouses and surf shops

dotted the beach for several miles; some of them built right in the reservation areas. Long stretches of the beach were littered with canine and human feces making it practically impossible to take a stroll along the beach with one's eyes feasting on the surrounding beauty. This again points out cultural practices of the local people in the host areas. It is a common folkway in most beach areas in the country to defecate on the beach, which could be a repulsive sight for foreign tourists. Locals in the area considered it the responsibility of formal institutions to clean the beach for them as the Special Task Force (STF), a branch of the Sri Lanka Police is deployed every three months to clean the beach for the local residents. When questioned how the residents contribute to this enterprise, guesthouse owners replied that they give the soldiers free drinks. Locals in the village hardly get together voluntarily to clean the beach, which tourism in the area hinged on.

Tourism in Pinnawala was clustered around the main attraction: the elephant orphanage and the surrounding commercial area. The study observed that pollution was not an issue in the area. Kitulgala was perhaps the most unspoiled area at the moment, as tourism was still in its infancy and the type of tourism (white water rafting/ hiking etc) hosted by Kitulgala was more inclined towards nature tourism and eco-tourism, principally attracting nature lovers who are concerned about preservation of the environment. Yet Kitulgala will not remain unscathed for very long. The village is caught between Cylla and Charybdis, facing environmental hazards from two directions. On the other hand, symptoms show that the type of environmental hazards that have started manifesting in Kitulgala are of a different, more damaging kind. First, the blooming adventure tourism businesses are building into the reservation areas.

According to the key informant interview with the Buddhist priest of the village temple and representative of the Divisional Secretariat of Kitulgala, most of the rafting sites run without proper permission from the authorities, and therefore without any concern for the sustenance of the environment. Villagers complained that considerable harm is caused by rafting shops and their accommodation/ dining facilities channeling their waste (including toilet waste) into the river where villagers bathe and collect water for drinking.

A villager testified as follows:

“Rafters conveniently dump their garbage, wastewater and toilet waste into our river. Not very long ago my daughter was terrified when a long vine of animal gut tangled around her head as she took a dip in the river. It was kitchen waste from some rafting site. Domestic tourists don’t take their garbage with them, so they litter our village and waterways. They drink alcohol and smash the bottles on the rocks in *Kataram Oya*. Kitulgala did not even have garbage bins in public places, until very recently two large plastic garbage bins were installed near the tea shop where a lot of tourists pass to get to *Kataaram Oya*. We still don’t have public toilets except for one toilet near the *Kurukele* forest reserve. It is about a twenty minute walk from here, quite a distance away from the hub. Just last week a foreign female tourist was searching for a toilet desperately, and when she couldn’t find one, she had no choice but to go behind a bush near the temple. Villagers were aghast about why she had to choose a spot near the sacred temple” (Suraweera).

This testimony is evidence to the sorry situation where informal institutions are unable to control the effects of tourism as formal institutions are plagued with weaknesses. As

mentioned in the foregoing section, bribery is the informal practice that has the power to circumvent reactions from formal institutions.

The second environmental hazard that the village is facing is the ongoing reservoir project that consists of two dams and a power plant. As mentioned in the foregoing section, the power plant is capable of destroying the natural beauty of the area by constantly drying up the river to channel water to generate power. Not only will this mark the end of the only white water rafting site in the country as mentioned in Chapter 3, there is also copious literature to prove that construction of reservoirs can incur lasting damage to the environment such as sedimentation, fragmentation of river ecosystems, river-line erosion, differential water temperature that is harmful to the underwater eco-system. In August 2016, twelve families were forced to evacuate an area that is situated right above where the Polpitiya tunnel is dug for the Power Plant, as the earth in the area sunk more than six feet into the ground. Other residents living nearby have been advised not to stay in their houses for safety reasons, which has left an unestimated number of people in the lurch. A joint Environmental Impact Report by JICA and (Ceylon Electricity Board (CEB) clearly indicates that “The river section between the dam/weir site the powerhouse site will be decreased, and therefore the rafting cannot be operated” (JAICA & CEB, 2004:11). Not only is the report too old, socio economic conditions have changed at massive scales since 2004, and therefore statistics with regard to tourism are incorrect compared to present data. In other words, the damage is far more serious than what it may have been more than a decade ago as the number of people engaged in the rafting industry has increased largely. On the other hand, the study has only considered two zones in the immediate vicinity of the project (JAICA & CEB, 2004:6), which may be misleading with

regard to tourism and a number of other sectors. The impact of a project as such could be felt hundreds of miles up and down the river, and it is erroneous to consider only the immediate vicinity.

In other words, the type of damage that the dams may incur is more lasting and more harmful than that of tourism related activities, which can be successfully averted by improving informal institutions. Not only were the villagers ignorant about the negative effects of reservoir construction, they were rather supportive of the project than they were of the tourism industry that did not benefit them. The main reason for this is because Kitulgala is an epitome of deprivation and barred access, and people lack awareness in just about anything due to poor education. This makes local people easy targets of manipulation. Thus the people who are not linked with the tourism industry believe that building the reservoir with a power plant will bring them more benefits (such as infrastructure development and electricity) and curb the 'pollution' caused by tourism.

③ Local people's attitude towards social impacts of tourism

Appendix 13 shows local people's perception about how tourism is affecting their social backdrop. As per the figure, a majority of respondents considered that reputation of the village (68.3 percent) had increased due to tourism activities taking place in the area. As a result, the pride of the local residents has increased (48.2 percent) and so has women's participation in tourism activities (43.7 percent). In other words, respondents in the sample in general bore the attitude that tourism has a neutral impact on most positive and negative social factors except for the three positive social factors mentioned before, which they consider as increased. The positive social factors that is not influenced by tourism

according to the local people are contamination of local values and norms (42.9 percent), crime against tourists (48.9 percent), other crimes such as drug abuse and murder (43.4 percent), prostitution (37.6 percent), mutual understanding between cultures (43.2 percent), peaceful atmosphere of the village (50.8 percent), collective consciousness of the local people in the community (47.4 percent), tourism education (31.6 percent), and health risks (37.6 percent). While these general findings give the illusion that local people think of tourism as an industry that has a neutral effect on most social factors, and has a positive effect on some social matters, which basically defines it has a benevolent industry, cross analyses, hearing survey, key informant interviews and observations suggest otherwise.

According to Appendix 14, there are clear differences in people's attitudes according to their area of residence. Contamination of cultural values and norms was a negative impact affecting a majority of people from Arugambay (45 percent) as a majority of them were Muslims and they valued more discretion in dress codes of women. Foreign tourists on the other hand are only 'appropriately dressed' in bikinis and other scanty swim wear for the type of tourism hosted in Arugambay, namely surfing, sunbathing and other beach activities. This is where the Western values collide with that of other cultures⁶⁹. Exposing too much skin something that is frowned upon not only by

⁶⁹ When the burkini (Muslim full-body swim-suit) was banned in a number of areas in France in August 2016, a French Mayor was known to declare that "access to beaches and for swimming is banned to anyone who does not have (bathing apparel) which respects good customs and secularism", which is a founding principle of the French republic (www.telegraph.co.uk. Accessed on 29th August 2016). While the ban on burkinis was largely due to thwart terrorist attacks, this incident also points at the conflict of values between cultures. While exposing one's body on the beach is a good custom/ value in the Western culture (it is recognized as being appropriately dressed), not exposing one's body on any occasion is the cardinal value of Muslims.

Muslims but also by the general public of other ethnic groups in Sri Lanka. For example, residents in Kitulgala said that one of the biggest problems that tourism has created for them is the influx of scantily clad foreign women sunbathing where their children could lay their eyes on such evil and get morally corrupted. Kandy, which is a religious city has strict rules for behavior and dress code for tourists visiting the Temple of the Tooth and other religious places. If at the entrance, the visitor is not dressed suitably, s/he will be turned away or given a white shawl to cover any inappropriately exposed skin. All head gear and foot wear will have to be removed before visitors entered the building. In some temples, visitors had to remove footwear and walk bare foot several hundred meters before they reached the temple building. In hot areas such as Anuradhapura, this scalded and gave blisters on their feet as they walked the white hot sand dotted with razor sharp pebbles. But for Sri Lankan Buddhists, removing these items represented piety and respect to Lord Buddha. Attempts have been made by formal institutions to guide tourists to respect the local culture by dressing appropriately and behaving appropriately through tourist guides, sign boards and pamphlets. But these are weak and not encompassing, feeding the moral conflict between tourists and locals.

Local people's pride has been highest in Pinnawala (66 percent), as a result of which, the collective consciousness of the people is also highest in the same area (50.4 percent). Collective consciousness was also very high in Arugambay (46 percent). A majority of Kitulgala (69 percent) said that the collective consciences of locals has not been affected by tourism, while a majority of Kandy (30 percent) said it has decreased. This means that in Kandy and Kitulgala, tourism as an industry was fragmented; and there were very few collective efforts to develop the industry with a sincere sense of ownership. Kandy

boasted of a diversified economy and therefore people led highly individualized lives, running their own races with little concern for industries/ sectors that did not bring them individual benefits. In Kitulgala, a majority of residents were too poor and too unskilled/ unqualified to embark in tourism activities, leaving the industry in the hands of a few who had the capital and skills to start tourism businesses. Leaving some people out of the industry has created a cleft between the two groups; the *insiders* and *outsiders*, which manifests itself in the form of conflict of interests and values. Insiders and outsiders hardly get together for a common cause as they do not see each other as folks on the same page of the book. Instead, whatever collective consciousness there was, has been ruptured because outsiders see insiders as exploiters of their resources for individual economic benefits. The case of Kitulgala shows that these loathing outsiders are unlikely to form a collective consciousness against the other party as they lack the power to do so as the foregoing sections explained. Pinnawala and Arugambay on the other hand were more united in the case of tourism activities taking place in their communities. This will be examined in the next section, which will also analyze the collective consciousness of the insiders and its effect on developing the tourism sector.

A majority of respondents from Kandy also were of the opinion that crimes against tourists (32 percent), other crimes such as drug abuse and murder (54 percent), and prostitution (61 percent) have increased in the city as a result of the booming tourism industry. Tourist police records also indicate that crimes against tourists have increased over the years, and so have other crimes and prostitution. However whether the latter two phenomena could be directly linked to tourism is questionable.

Kandy, being a much larger city than the other four areas is likely to attract more people

in search of economic benefits from tourism. The anonymity that a city can give its multitudes is the perfect cover-up for people such as drug addicts, pick pockets, prostitutes and the like. Tourist police records as mentioned before in Chapter 4 show that crimes against tourists such as pickpocketing, sexual assault, stealing and cheating have increased in Kandy due to this anonymity. It is also important to reiterate the analysis in the same chapter that public apathy is a stumbling block to alleviating crimes. The anonymity and diversity of Kandy could be a reason for public apathy due to diffused responsibility⁷⁰.

According to the Police Constable on duty, young vagrants are attracted to Kandy from the suburbs such as Digana, Akurana, Penideniya and Madawala to ‘watch foreign women’. Most often they are reported of displaying sexually aggressive behavior such as attempting to touch the female victims. At this point it is important to reiterate the findings described on Chapter 4 about stereotyping of foreign women. On the other hand, profiles of the suspects and convicted persons show that they are either unoccupied or engaged in blue collar work. Some of them were tested positive for substance abuse. Substance abuse can spur people to display delinquent behavior in two ways: people

⁷⁰ When there are a number of stakeholders present, the probability of any given person taking the responsibility in a risky situation for the common good is low with the expectation that someone else might do it. When the number of participants/stakeholders get smaller, their sense of responsibility increases and the probability of taking risks for the common good will also increase. This is an accepted folkway in the country as there is even a folklore that elaborates how diffusion of responsibility functions. The simple story describes how seven travelers resting at a wayside-rest boil a pot of water to make porridge. Each of them agree to contribute with his share of rice but they all refrain from doing so. By waving a clenched hand toward the pot, they only pretend to throw in a fistful of rice with the expectation that six others will be contributing anyway, and one persons’ non-compliance will go unnoticed. At the end all six of them are left with only a pot of boiled water in place of porridge as none had thrown rice into the pot. Free riding had a price to pay.

under the influence of drugs may do things that are legally and morally unacceptable. On the other hand, they may resort to crime to earn money to purchase drugs. Key informants claim that foreign tourists bring along drugs surreptitiously, demand for drugs from locals or introduce drugs to locals, which is why tourism and drugs are closely connected and/or leading to crimes. According to a National Tourist Guide Lecturer, despite the sacredness and emphasis on cultural and religious values, the area around the Sacred Temple of the Tooth and the adjacent Lake Round is perhaps where drugs are most dealt in Kandy.

According to the key informant interview with the Officer in Charge of the Tourist Police Station in Kandy, even though female commercial sex workers have increased in Kandy this is not necessarily due to tourists demanding their service. Sri Lankan commercial sex workers are in demand by local men, and not foreigners. However, there has been an influx of foreign commercial sex workers from East Asia (particularly China and Thailand) and Eastern Europe who are more popular among customers and earn better than locals. In fact according to key informants such as dealers (better known by their colloquial term *pimps*, largely played by tuk-tuk drivers in Sri Lanka) foreign prostitutes are more sought after by foreigners. As running brothels and forcing persons for prostitution is illegal in the country, such clandestine operations do not reveal exact statistics. As a result of increasing prostitution, a majority of local people in Kandy (40 percent) believe that the risk of HIV/AIDS too has risen⁷¹.

⁷¹ However, according to official reports, there were only 89 HIV/AIDS patients in Kandy, which was 4.8 percent of all reported HIV/AIDS patients in the country (Ministry of Health, 2013). Data did not break down the number to indicate if they were linked to prostitution. Sources suggest that commercial sex related HIV/AIDS should be a considerable problem in beach areas where male commercial sex workers (homosexuals

A majority of respondents from Kitulgala thought that all three factors crime against tourists (69 percent), other crimes (65 percent) and prostitution (68 percent) have had no influence by tourism in the area. A majority of Arugambay believed that there is a decrease in all three factors. The hearing survey with foreign visitors on the other hand pointed at a number of incidences that were worthy of police attention, yet went unreported. They included overcharging tourists for surf boards, hotel rooms and tuk-tuk hires. Even though Arugambay has a number of tourism related associations (this matter will be discussed in detail later) and they have drafted rules and regulations with the best interests of both the host and the guest in mind, there were many occasions when these rules were broken by the hosts to make more tourist dollars as made evident by the following testimonials:

“I rented a surf board from a surf shop that later accused me of damaging it. I ended up paying for a repair which obviously was not my fault just to get my passport. The rental went up four times” (Norway).

“We rented two surfboards for three days and I realized on the second day that the leash was broken. I don't know if it was broken when I rented it or how it happened. I was glad I noticed it on the beach and not in the water. They changed the leash but when we gave the surfboards back they demanded us to pay LKR 5000 for the broken leash. They threatened to keep our passports if we didn't pay” (Germany).

as well as males providing services to female clients) and child sex workers are rampant (World Health Organization, 2006: 2).

“One surf shop in Arugumbay charged me 9,000 rupees for damage to a surfboard. When I said that was way too expensive he started threatening me. When I said I would go to the police he threatened me even more saying it would cost me much more and that he knows how to get money from me because he is Sri Lankan” (USA).

The Arugumbay Three-wheeler Association has drawn up a list of taxi fares for different locations, and all tuk-tuks operating in the area are supposed to display this fare card for transparency. However, a majority of the observed tuk-tuks (seven out of ten) did not have the fare card displayed. Tourists in the hearing survey described tuk-tuk drivers in Arugumbay as “persistent people who do not take ‘No’ for an answer”. They also described instances when they were overcharged for the distance they covered.

A cross analysis against age categories shows that young people are more concerned about the social costs of tourism than older people as a majority of 86 percent of the age category below 25 confessed that tourism has increased contamination of local values and norms. Forty three percent of the same category said that crime against tourism has increased; and 71 percent of the same category claimed that other crimes in the society can be blamed on the booming tourism industry. A majority of 43 percent of the same youngest age group were of the opinion that the number of commercial sex worker on the streets have increased because of tourism. However, this age group has not associated prostitution, tourism and risk of HIV/AIDS. On the contrary, people in mature age groups seem to think of tourism as a social boon. For example, a majority of 80 percent of the age group 46-60 thought that local people’s pride has increased because of tourism. Eighty percent of the same age group thought that tourists visiting the area constantly is a symbol of a

peaceful environment; 60 percent claimed that the collective consciousness of the locals has increased; 40 percent thought that tourism related education has increased while 50 percent each of the two age groups 46-60 and 36-45 thought that mutual understanding between cultures has increased due to tourism. The results are given on Appendix 15. The main reason for this could be the thinking pattern of youth, which is cultivated through the education system of the country. It could be argued that the education system of the country trains its youth to ‘look at things critically’ to the extent that young people tend to see the negative side of practically anything. Young people are also easy targets of political manipulation which plays on emotions and not information. The responses of young people in the sample showed that awareness about tourism and its benefits was very low which could be the main reasons behind the unfavorable attitude towards tourism.

As discussed in detail in Chapter 4, apart from general education, tourism education is also very poor for a country that is striving to hop on the tourism bandwagon for development. This was evident in the cross analysis against area as seen on Table 5.5 and Chi-square test results (Chi-square= 88.542, df=9, P=0.000). Percentages were obtained as a share of the total number respondents from the area.

Table 5.5 Local people’s attitude on tourism education according to area

	Increased	Neutral	Decreased	Do not know
Pinnawala	14.50%	34.40%	14.50%	36.60%
Kandy	53.90%	22.50%	4.50%	19.10%
Kitulgala	18.20%	41.40%	9.10%	31.30%
Arugambay	28.80%	23.70%	39.00%	8.50%

Source: Same as Table 5.1

According to the table, a majority of people in Kandy were of the opinion that tourism education and training has increased due to the booming tourist industry in the country. To recall the details given on Chapter 4, this belief may not be totally true in reality. Appendix 18 also delves into the reality of the situation, which summarizes the actual level of training that people who are currently employed in the industry have received. Data suggests that locals engaged in backwardly linked occupations such as mobile vendors, tuk-tuk drivers, locals providing hiring and renting services and supplying goods have had no formal training in tourism. What is worrisome is the fact that a majority of occupations that are directly linked to tourism do not have a satisfactory level of tourism-related formal training either. Thus except for the hotel, Tour Agency and restaurant subsectors where 80 percent, 30 percent and 5 percent of the employees have had a formal long term training of more than one year, a majority of all other sectors such as guesthouses, homestays, and employees at adventure tourism enterprises and tourist shops only had short term (less than 6 months) or no training at all.

However, residents in Kandy and Colombo have seen better opportunities for tourism education than other areas, which reflects an urban bias in the distribution of facilities for education. The government institution for tourism education, SLITHM has only seven provincial colleges, of which one is located in Pallekele, Kandy. The Kandy College was built under Japanese aid to include state of the art facilities to train students on a range of areas such as cookery, front office, housekeeping, food and beverage and management. Despite the apparent prosperity in terms of infrastructure, the system thus still cries for many areas that have been neglected. A key informant interview with the Principal of the Kandy College revealed the fact that students are not given any training

to improve informal institutions.

A majority of 41 percent from Kitulgala confessed that they have not seen any improvement in tourism education despite increased tourist arrivals. A whopping 39 percent of Arugambay stated that training and education in the tourism sector has in fact decreased as more and more unqualified people enter the industry for quick money. For example, none of the employees working as rafting guides who participated in the hearing survey in Kitulgala have had any form of formal training. They were mostly young men from the adjacent villages who have not fared well in education (some of them could not even make to High School) and therefore unable to find a decent occupation elsewhere. When the researcher questioned them on their training, the respondents looked baffled and replied:

“What training? Why do you need training to traverse the river where we spent our entire childhood? We are given a short training on first aid by the Sri Lanka Red Cross but that’s about all the training’ we get. Even that training is for the purpose of obtaining or annual renewal of the license to operate as a rafting guide” (Roshan, Rafting Guide)

It is shocking to discover that unsuspecting visitors are putting their lives in the hands of rafting guides with no formal training in the ferocious rapids splashing mercilessly against the giant rocks looming at every few feet of the river. According to the representative of the Provincial Council in Kitulgala, there have been five deaths due to negligence involved in rafting so far.

Another interesting finding was that groups of local tourists from Universities and large

companies visit Kitulgala for what is termed as Corporate and Leadership Training. These groups consist of mostly educated professionals. In fact according to rafting guides/ instructors, local tourists to Kitulgala exceed that of foreign tourists due to the high demand for Corporate/ Leadership training at the location. The local groups from institutions spend about two days for a fee of about LKR 6500 per person (about USD 45) to get trained in team work, leadership and problem solving skills from the rafting guides/ instructors who had barely passed Middle School. It is also questionable how much skills could be cultivate within just a couple of days.

According to Appendix 12, a majority of 43.7 percent had claimed that the number of women employed in the tourism industry has increased. A cross analysis against area as shown on Table 5.6 shows that this response is correlated to the area, which is also supported by a Chi-square test that returned a P value well below 0.05 (Chi-square= 278.308, df=9, P=0.000). Percentages were obtained as a share of the total number respondents from the area.

Table 5.6 Local people’s attitude on women in tourism according to area

	Increased (%)	Neutral (%)	Decreased (%)	Do not know (%)
Pinnawala	70.50	21.20	0.80	7.60
Kandy	53.90	18.00	3.40	24.70
Kitulgala	15.30	67.30	11.20	6.10
Arugambay	16.70	5.00	68.30	10.00

Source: Same as Table 5.1

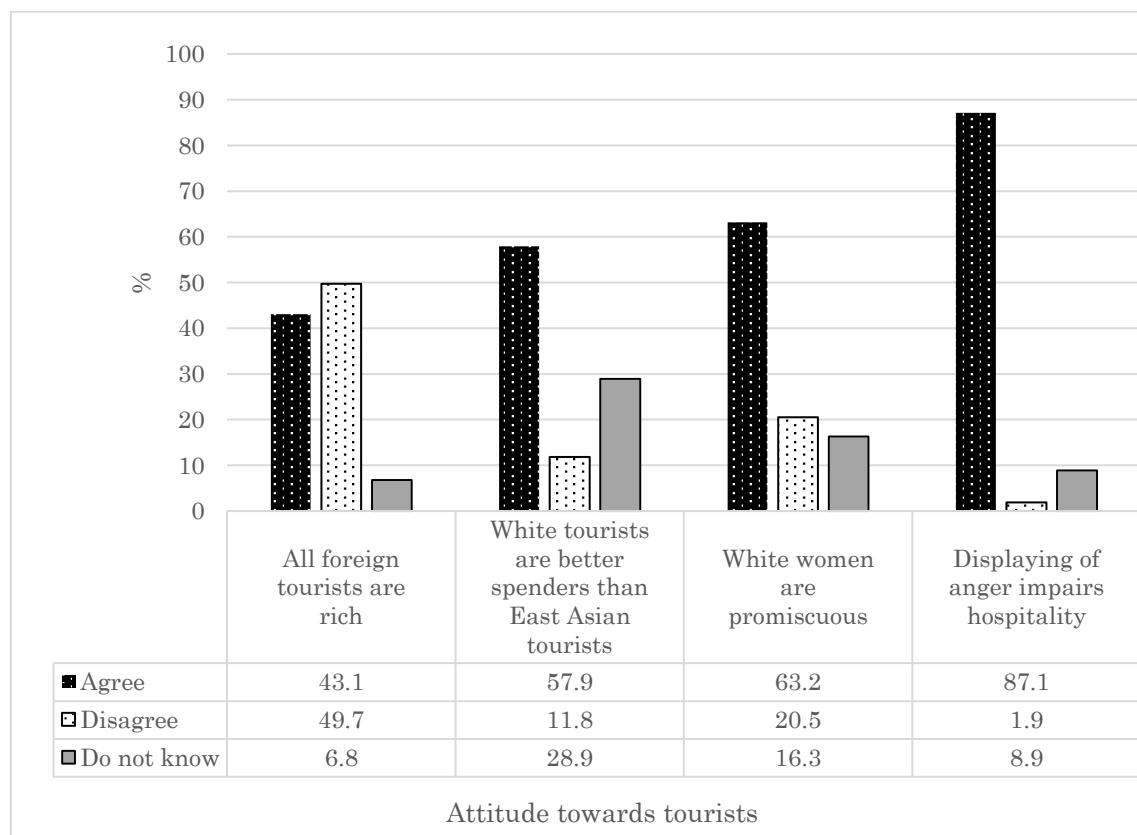
According to Table 5.6, a majority of people in Pinnawala believed that the number of women in the tourism industry has increased. It is important to reiterate that most of the shop keepers in Pinnawala were women. Judging from the condition in their village,

respondents in Kitulagala believed that tourism has not had an impact on this matter while in Arugambay, a majority of 68 percent claimed that the number of female workers in the tourism sector has decreased. The latter is almost entirely due to the fact that Arugambay is predominantly Muslim, and according to their religious values, women do not belong in the public domain. In a setting where female employment in the tourism sector is very low, the attitude of the people of Pinnawala symbolizes greater freedom for women and a more liberal system that allows equitable access to women. However close observations and the hearing survey suggested otherwise. The most popular form of employment for women was to run a shop or work in a shop as an assistant. None of the shop owners interviewed were females. They simply looked after the business for a male relative such as the father, brother or the husband. As mentioned before in a foregoing section, the seven stalls owned by women were illegal establishments built on encroached land, and are therefore under constant risk of being attacked and demolished. The fact that they are 'owned' by women increases the jests, threats and attacks as women are stereotyped as the weaker sex that has dared to enter the public domain that principally belongs to men. A majority of women observed were employed in the bottom-most ranks such as manual work, shop assistants, and mobile/ stall vendors. Hearing surveys disclosed that those who were looking after family businesses wielded very little decision-making power or recognition for their efforts. This is mainly because women themselves considered that it was their duty and responsibility towards the family, and it was immoral to expect personal benefits such as a separate income or decision-making power in the business. Thus the study argues that women entering the tourism sector has only doubled their burden of invisible work rather than emancipating them.

IV. Local people's attitude towards tourists

Chapter 4 discussed how stereotypical attitudes can affect service quality, safety and how this consequently affects the satisfaction of tourists in the host country. This section attempts to analyze these attitudes in greater detail from the point of view of the local hosts. Figure 5.19 shows four possible attitudes that may prevail in host communities and how local people subscribed to these attitudes. The three agreement categories were obtained by aggregating various degrees of agreement/ disagreement into a more general category. In other words, responses such as 'strongly agree', 'agree' and 'somewhat agree' were aggregated into the more general 'Agree' category. 'Strongly disagree' and 'disagree' were aggregated into the more general category of 'Disagree'.

Figure 5.19 Local people's attitudes on tourists



Source: Same as Figure 5.1

According to the Figure, a majority of respondents harbor three major attitudes, i.e. White (Caucasian/ Western looking) tourists are better spenders than East Asian tourists (57.9 percent); Displaying anger with foreign tourists impairs the sense of hospitality (87.1 percent); and that White women (Caucasian/ Western looking) are promiscuous (63.2 percent). A majority of locals (49.7 percent) disagreed with the suggestion that all foreign tourists are rich. Yet the share of locals who agreed with the statement was also disturbingly large (43.1 percent), which left the difference between assenters and dissenters smallest (6.6 percent only) in comparison to other attitudes.

A cross analysis based on area suggested that areas that are more dependent on the income from tourism are likely to harbor attitudes about tourists' spending patterns that could in fact be harmful to the sustenance of the industry. For example, as Table 5.7 shows that a majority of Arugambay (62 percent) think that all foreign tourists are rich.

Table 5.7 Local people's attitude on tourists against area (as a share of the total number of respondents from the area)

	All foreign tourists are rich (%)			White tourists are better spenders than East Asian tourists (%)			It is important to control my temper during an argument with a foreign visitor (%)			White women are promiscuous (%)		
	<i>Agree</i>	<i>Disagree</i>	<i>Do not know</i>	<i>Agree</i>	<i>Disagree</i>	<i>Do not know</i>	<i>Agree</i>	<i>Disagree</i>	<i>Do not know</i>	<i>Agree</i>	<i>Disagree</i>	<i>Do not know</i>
Pinnawala	52	46	3	73	5	23	90	2	8	65	21	14
Kandy	23	65	13	44	24	33	93	3	3	61	26	14
Kitulgala	39	50	11	7	4	47	81	19	19	66	12	22
Arugambay	62	38	0	67	25	9	93	2	5	58	25	17

Source: Same as Table 5.1

The foregoing analysis gave detailed descriptions of how this attitude that all foreign tourists are rich can inspire certain behaviors such as overpricing tourist commodities and services; cheating tourists; pickpocketing and stealing. Even the persistence of beggars, street vendors and solicitation of tips by servicemen is fed by this attitude. According to Table 5.8 that displays cross tabulation results against main occupation, it is apparent that this attitude is more prevalent among self-employed persons who are engaged in tourism activities than people engaged in unrelated occupations or private sector tourism related occupations that require employees to undergo training and/ or work under formal rules and regulations set by the formal institutions they are working for.

Table 5.8 Locals’ attitude that all foreigners are rich against main occupation (as a share of the total number of respondents in an occupational category)

Occupational Category	Agree (%)	Disagree (%)	Do not know (%)
Government occupation	22	64	14
Private sector Tourism related	34	63	4
Private sector	36	60	5
Self employed (tourism related)	51	48	2
Self employed	44	49	8
Not employed	53	30	18
Student	50	50	0
Retired	50	45	6
Casual Laborer	46	55	0

Source: Same as Table 5.1.

A further filtered cross analysis indicates that a majority of mobile vendors and tuk-tuk drivers than other tourism-related occupations entertained the attitude that all tourists are rich. Only the relevant results of the cross analysis is given in Table 5.9.

Table 5.9 The response of mobile vendors and tuk-tuk drivers to the premise that all tourists are rich (as a share of the total number of respondents in an occupational category)

Occupational status	Agree	Disagree	Do not know
Mobile vendors	59.9	40	0
Tuk-tuk drivers	53.8	46.1	0

Source: Same as Table 5.1

According to the table, it is clearly visible how a majority of these two occupational categories believe that all tourists are rich. Thus foreign tourists are likely to be pestered by mobile vendors and tuk-tuk drivers and/ or cheated by them.

Table 5.10 shows how the attitude that white tourists are better spenders than East Asian tourists is more prevalent among locals engaged in tourism-related occupations. According to the Table, a surprisingly larger share of the two tourism-related occupational categories, i.e. private sector tourism related (70 percent) and self employed tourism related (75 percent) believe that white tourists spend generously than East Asian tourists do. It is also interesting to note that the largest share of all occupational categories except for unemployed and casual laborer categories believe the same.

Table 5.10 Prevalence of the attitude that White tourists are better spenders than East Asian Tourists (as a share of the total number of respondents in an occupational category)

Occupational Category	Agree (%)	Disagree (%)	Do not know (%)
Government occupation	41	19	40
Private sector Tourism related	70	21	9
Private sector	45	17	38
Self employed tourism related	75	13	13
Self employed	56	8	36
Not employed	42	0	58
Student	67	0	33
Retired	72	17	11
Casual Laborer	36	9	55

Source: Same as Table 5.1

At this point, it is also important to recall the analysis in Chapter 4 which brought into light that contrary to this popular belief, the highest spenders were Chinese according to the study (Table 4.1). Hearing surveys and observations indicate that this type of stereotypical attitudes instigates discriminative treatment which is damaging to the growing East Asian market. According to a Japanese group of tourists visiting Sri Lanka, their group was welcomed formally with a welcome drink by the Receptionists of the hotel they had checked-into. A while later, while they were still sipping their drinks in the waiting area, an elderly European couple walked into the Check-in desk and the Receptionists were overwhelmed with warmth and hospitality. They new guests were welcomed with garlands and warm smiles which left the Japanese guests baffled as to what caused the difference in treatment when everyone paid the same amount.

Hearing surveys also revealed that locals are also of the attitude that Chinese tourists bargain to bring down the prices while White tourists do not bargain. Observations suggested that these attitudes are ill founded, as this was not always true. White tourists were noticed doing a fair share of bargaining (as this is informally communicated to them as a norm to follow in Sri Lanka), while Chinese tourists did not bargain at all when it came to purchasing certain things such as fruits where bargaining could actually work to bring down prices. This observation was verified by a National Tourist Guide Lecturer who testified that a group of Chinese tourists were arriving in Kandy and they were looking forward to buy Durian. The Guide claimed as follows:

“I told the local supplier that he could quote any price he wants. Even as much as LKR 2000 per fruit (About USD 14). If the Chinese are bent on buying something, they will buy it without a fuss, no matter how expensive it is” (Gamini, National Tourist Guide Lecturer).

It could be argued that residual White Complex, which is the result of having being a colony of the Great Britain and two other European countries is the reason behind such attitudes in which locals are desperate to please Caucasian tourists as they are still seen as powerful and pristine.

Table 5.11 shows that this attitude is present in almost all tourism subsector except for Tour Agents who are more knowledgeable about the spending patterns of foreign tourists. Thus only 14 percent of the employees working in Tour Agencies agreed that White tourists are willing to spend more than East Asian tourists.

Table 5.11 Prevalence of the attitude that White tourists are better spenders than East Asian Tourists according to tourism subsector

	Mobile vendors	Tuk-tuk	Hotels	Tourist shops	Restaurants	Tour Agents	Guesthouses	tourism	Adventure
Agree	73	69	60	80	67	14	80	80	
Disagree	7	8	24	13	8	66	20	8	
Do not know	20	12	12	8	25	20	0	8	

Source: Same as Table 5.1.

For most East Asian tourists such as tourists from China who make up the majority of East Asian tourists to Sri Lanka, bargaining is a norm back in their home countries, especially with people like street vendors and, un-metered taxis and small lodging facilities. Thus they are likely to have mastered the art of bargaining and given the fact that they are new entrants to tourism, they may use the technique indiscriminately in places where they travel. Japanese tourists who are not acquainted with the technique at home on the other hand, are likely to turn away instead of bargaining when they hear raised prices of commodities. The hearing survey with tourist shop keepers thus revealed that they do not like Japanese tourists as “they are stingy. They just look at the stuff and go away” (Hameed, Tourist shop owner in Kandy).

A foregoing section in the current Chapter and Chapter 4 pointed at cultural differences in tipping behavior, which has resulted in generalized stereotypes against East Asian tourists; especially Japanese tourists. It was shown how failure to tip services in hotels

and restaurants have resulted in a stereotype that has led to a generalized dislike to serve Japanese tourists, which is also an important reason to assume that East Asian tourists are lesser spenders than White tourists.

According to Figure 5.19 a very large majority of 87.1 percent of the sample agreed that one must be hospitable towards foreign tourists by controlling anger and harsh words. Only a negligible minority of 1.9 percent disagreed. Cross analyses also suggest that a majority of all four areas and all occupational categories consider this an important indicator of hospitality. Also, the share of respondents who strongly agreed or agreed to the premise is much larger than that of respondents who somewhat agreed in the case of all occupational categories and areas. Contrary to this widespread attitude of the local people, observations and hearing survey with foreign tourists suggest that foreign tourists have to deal with the temper local people on a daily basis. Arguments between foreigners and locals spark off when the guests attempt to bargain prices at local shops and stalls, bring down a tuk-tuk fare, or refuse the services of a tout. Tourists gave accounts of how tuk-tuk drivers got aggressive when they refused to pay the unreasonably high fair the drivers quoted.

“I negotiated the fare before I boarded a tuk-tuk and agreed to pay LKR 500 (about USD 3.50) for a one way trip from Peradeniya to Kandy (about 4km). I admit that the traffic was awful, but apparently the driver knew that traffic jams were common in that route at that time. When we reached our destination, he demanded for an extra LKR 200 (about USD 1.50) because it took longer than he expected. When I refused to pay the extra amount he suddenly imposed on me, he got angry and started yelling at me. It was scary

because other tuk-tuk drivers in the park also started advancing towards us. The one who got there first was a giant of a man who wore a mustache and a tattoo that covered his upper arm. Threateningly, he demanded that I pay the extra amount to his colleague. I had no choice but to pay” (Female tourist from Australia).

Tourists also described situations when shop keepers were annoyed and were not hesitant to show it when customers went through their commodities yet did not buy them.

“We walked into a shop in Hikkaduwa, where I told the shop keeper that I wanted to buy some T shirts. He started pulling dozens of T shirts from several different shelves when I could have just gone through the few that were on display. In fact I was not interested in what he was forcing on me. I wanted to take my time, and only look at the ones that were appealing to me. When I saw that pile he had thrown down, I knew he was going to get angry if I did not buy from him. He sure was, when I walked away without buying anything. He followed us to the entrance and yelled at us down the narrow street until he disappeared from our site. We could feel the stab of other shopkeepers smirking at us as we waked past them. It was so embarrassing.”

(Two female tourists from Poland).

It could be argued that controlling anger and harsh words is a norm that not only form the basis of everyday hospitality but also constitute professionalism in the hospitality industry. In other words, such acts of professionalism could be inculcated through formal training. While professionals found in most top-end hotels, National Tourist Guide Lecturers and other servicemen of the like are trained to be hospitable, smile politely, control their anger

and be selective in their choice of words with customers, the foregoing descriptions on tourism education/ training showed that most of the persons engaged in tourism-related occupations have not received any training.

Chapter 4 gave detailed descriptions about how stereotypes can threaten the safety of foreign women visiting Sri Lanka. As a majority of tourists in Sri Lanka are White (Caucasian), the study attempted to analyze one very prevalent stereotype i.e. ‘White women are promiscuous’. Analyzing this matter from the point of view of locals, this section not only substantiates that such a stereotype exists among local people (a majority of 63.2 percent agreed that White women were promiscuous) but also attempts to explain its extent and origin.

Table 5.12 reveals the shocking reality that a clear majority above 50 percent of all sectors agree that White women are promiscuous. The table shows that this stereotype is even more prevalent among occupations that are not linked to tourism. Persons engaged in private sector tourism related occupations had the highest disagreement rate (48 percent) and one of the lowest agreement rates (52 percent) compared to other categories.

Table 5.12 Local people’s attitude that White women are promiscuous according to occupation

Occupational Sector	Agree (%)	Disagree (%)	Do not know (%)
Government occupation	73	5	22
Private sector Tourism related	52	48	0
Private sector	62	17	21
Self employed tourism related	60	37	3
Self employed	77	5	18
Not employed	71	3	26
Student	67	0	33
Retired	50	6	44
Casual Laborer	73	0	27

Source: Same as Table 5.1

A similar cross analysis against area also shows that a majority of all areas entertain the attitude that White women are promiscuous (Table 5.13). The study further analyzed this factor against occupations within various tourism subsectors as shown in Appendix 19. This analysis also suggested that a majority of all occupations within various tourism subsectors are likely to consider White women as promiscuous. The tendency for persons engaged in lower level occupations (such as drivers, room boys, manual workers, kitchen helpers) to agree with this statement is higher than that of persons engaged in higher level occupations such as owners of enterprises, administrators/managers.

Table 5.13 Local people’s attitude that White women are promiscuous according to area

Area	Agree (%)	Disagree (%)	Do not know (%)
Pinnawala	65	21	14
Kandy	61	26	14
Kitulgala	6	12	22
Arugambay	58	25	17

Source: Same as Table 5.1

A cross analysis against sex shows that a majority of both males and females agree (in varying degrees) that White women are promiscuous. A Chi-square test also provided strong evidence to argue that the respondents’ attitude and sex are correlated (Chi-square= 56.278, df=15, P=0.000), with more women than men subscribing to the attitude.

Table 5.14 Local people’s attitude that White women are promiscuous according to the sex of the respondent

Sex	Strongly agree (%)	Agree (%)	Somewhat agree (%)	Disagree (%)	Strongly disagree (%)	Do not know (%)
Male	4	16	37	23	3	17
Female	12	31	29	13	0	15

Source: Same as Table 5.1.

The study then looked into the origins and causes of such an attitude that could jeopardize

the safety of women of Caucasian appearance. The hearing survey shed ample light on this factor. Thus it was suggested that two major factors contribute to fueling this attitude. First, Sri Lankans place great value on dress codes that hide most parts of the body: specifically the upper bodice, hips and legs. Interestingly, in ordinary life situations, these norms apply mostly to women than men. The study observed that the dress code receives special attention on notice boards near the entrances to religious places, instruction pamphlets, instructions given by tour guides to their foreign clients and even blogs and posts on Sri Lanka published on the internet by previous visitors. These instructions usually guide foreign tourists to be suitably dressed in an attire that covers one's body appropriately. Despite these well-meant instructions, tourists from 'Western' countries are still dressed in revealing clothes when they walk the roads in Sri Lanka. According to local people's testimonies, it is this revealing dress code that is usually misunderstood as promiscuity. The following selected extract from the hearing survey describes the situation eloquently.

"I think Western women (Caucasian) women are promiscuous. Why else would they wander about in the village in bikinis when they can simply wrap a towel around their bodies? It is fine to stay in bikinis on the beach. But they are asking for trouble when they walk on the road in those skimpy clothing. This is a Muslim majority area where women's attire matters a lot. Locals are eying these scantily dressed foreign women with mixed feelings of anger, hatred, sarcasm even lust" (Somaweera, Arugambay).

When the researcher retorted why interviewees do not mention male tourists walking in swimming trunks and shorts, the usual response was, "Oh what is there to see in males?"

The study argues that with regard to clothing, Sri Lankans still entertain very much patriarchal values in which they believe that women should cover up and men could be relatively free in their attire. This is a dangerous attitude as it is the creator of the ‘blame the victim’ approach. In this approach, women who are victims of sexual assault, rape and attempted rape are to take full responsibility of the crime that they suffered because they enticed men to assault them by being inappropriately dressed. This attitude was present even among law enforcers such as policemen. At the hearing survey at the Tourist Police, the local policeman transferred part of the responsibility to the victims: “Those foreign women should have known better to be dressed in decent clothes”.

Apart from clashing values on dress codes, another value related reason for the existence of such an attitude is the relative independence of Western women. Unlike women in Sri Lanka, Western women are likely to travel alone, or in groups of female friends, and even venture into the dark streets at night in their destination. This form of independent behavior too could be misunderstood by locals for promiscuity. A driver for a reputed Tour operator in Sri Lanka opined:

“No matter how much we tell them not to leave the hotel alone in the night, some women from Western countries disregard our advice and go out on their own. When this happens repeatedly, sometimes I too am led to think that perhaps they are promiscuous” (Jayampathy).

Secondly, another possible explanation to the existence of such an attitude is the rise of male prostitution especially in the coastal area of the country. Even though this was not an issue in any of the areas where the study was conducted, it is worth mentioning as this is a widespread issue in the Southwestern coastal area where Beach Boys and child sex

workers offer services to both male and female clients (Ratnapala, 1999: 217). As it is a clandestine operation, exact figures do not exist. The hearing survey with five Beach Boys in Arugambay⁷² showed that clients are mostly from Western countries, and come from all ages groups such as young (late twenties) to middle aged and old (fifties). Clients are both male and female, and there has been an increased demand by female clients, which feeds the attitude that white women are promiscuous. They also admitted that relationships are usually short-term, but some relationships can last longer and even end up in foreign trips or marriage.

Finally, it is also argued that this attitude could be rampant because of the proliferation of pornographic images vastly starring White women. This idea was also corroborated by the female constable at the Tourist Police station in Kandy. According to her, most of her investigations into sexual violence had led her to discover smart phones with pornographic images of foreign women, mostly of the Caucasian origin. Very few had included images of local women. Despite the fact that viewing pornographic content is socially frowned upon in Sri Lanka, free availability of cheap smart phones and the internet has made it easy for men (and children) to access such content. This cultural stigma attached to sex and related material creates a kind of curiosity that acts as a spur to view or try sexual material/ activities secretly. Thus Sri Lanka topped the list of countries that googled the word 'sex' in 2014. A close look at the other countries that followed (Bangladesh, Ethiopia, Nepal, India) shows that they too are conservative about sex-related matters (<http://www.dailymirror.lk>. Accessed on 24th November 2016).

⁷² Beach Boys are relative new comers to Arugambay. Not only are the locals in the area not very intimate with the idea, a majority of the Beach Boys operating in Arugambay are short-term/ seasonal migrants from Hikkaduwa.

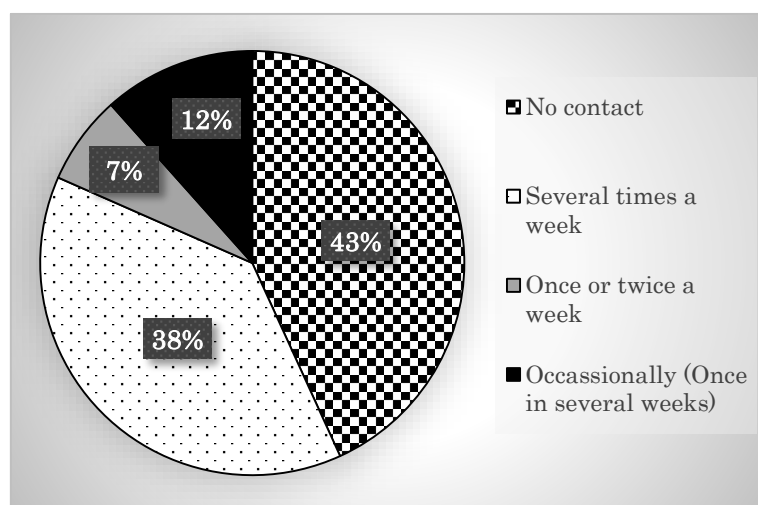
Viewing material of this kind can lead to the misconception that most, if not all White women are promiscuous. Scientific and psychological research suggest that such attitude formation is possible as a result of viewing pornographic materials (Covenant Eyes, 2015: 11).

V. Community Participation in Tourism Activities

The foregoing sections suggested that local people in Sri Lanka entertain various negative attitudes, practice certain norms led by local values that may have a negative impact on the trustworthiness and professionalism in the industry. The study argued that such negative behavior and attitudes are the result of reduced access to tourism activities and economic benefits that could be generated through such access. This section looks into this matter further in greater detail by analyzing the extent of local people's contact with tourists, community participation in tourism activities and decision making in tourism activities. This section also attempts to link the level of participation and decision-making with attitudes towards tourism, which underscores the importance of community participation in tourism activities.

In order to analyze this matter, the study first probed into how much direct contact local residents had with foreign tourists visiting their area. Figure 5.20 summarizes the results.

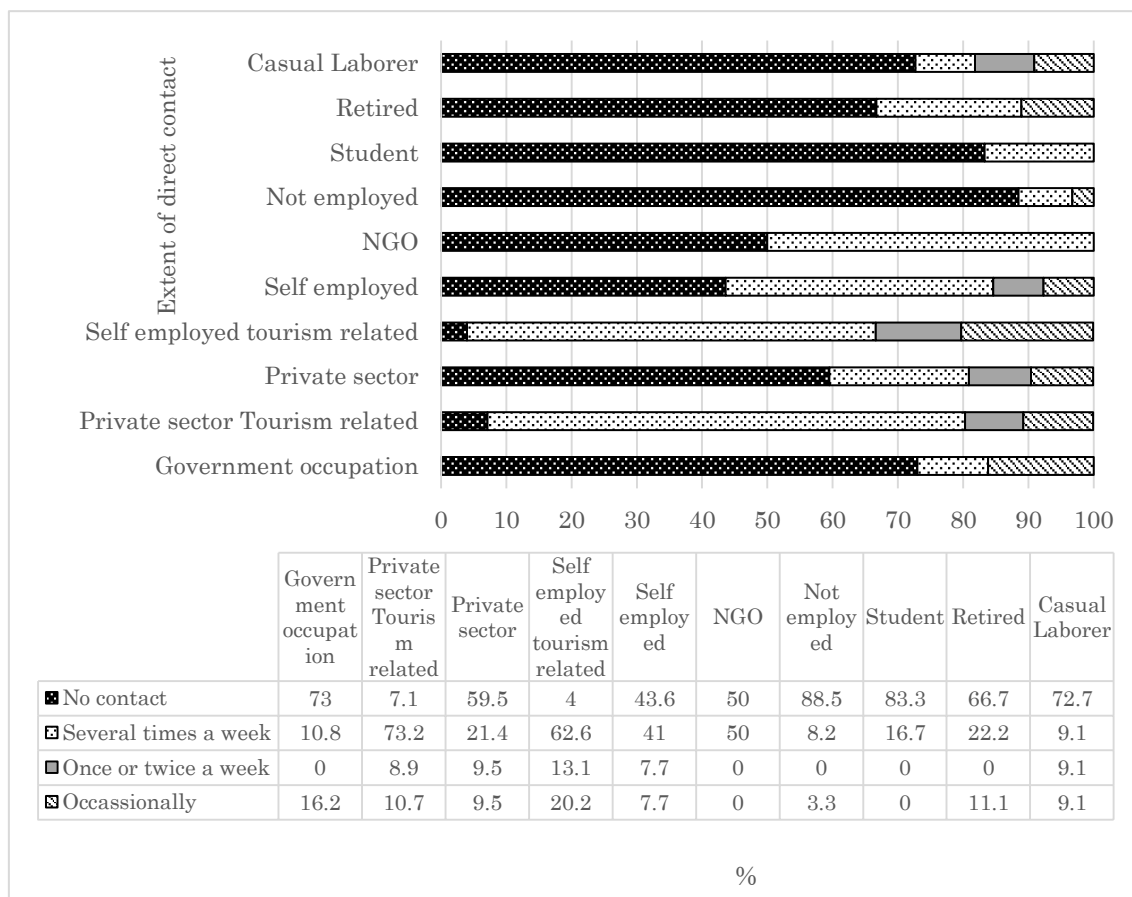
Figure 5.20 Extent of direct contact that local people had with foreign tourists



Source: Same as Figure 5.1

According to the figure, a very large majority of 43 percent usually have no direct contact with foreign tourists. Another 12 percent only have occasional contact (once in several weeks), which is not adequate to promote any mutual understanding between cultures. This means that more than half of the sample have no contact or occasional contact with foreign tourists. According to Figure 5.21, the highest majority that had most frequent contact with foreign tourists were working for private sector tourism related enterprises (73.2 percent) such as owners of tourism enterprises, tour guides, hotel/ guesthouse and restaurant workers, people working in tour agencies etc. People engaged in self-employment related to tourism such as mobile vendors, tuk-tuk drivers, suppliers etc. had the second highest share of most frequent contact with foreign tourists (62.2 percent).

Figure 5.21 Extent of direct contact that local people had with foreign tourists against main occupation



Source: Same as Figure 5.1

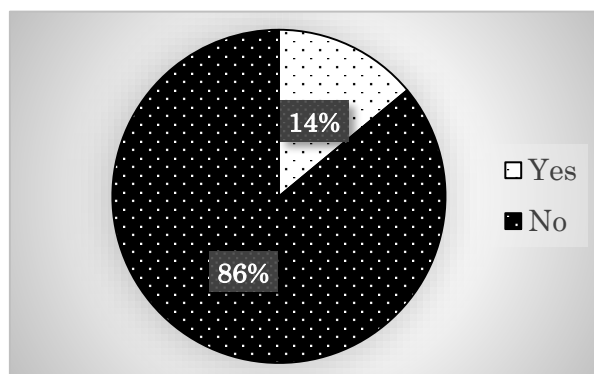
Others had very little direct contact with foreign visitors who visited their area. The hearing survey revealed that the type of contact that local people who are not involved in tourism-related businesses were limited to occasional greetings, giving directions to places, giving instructions on matters such as where to catch a bus or get a taxi. These were very short term interactions that did not help in any way to promote cultural or mutual understanding. It is interesting to note that even those who were engaged in tourism-related business and claimed to be having frequent contact with foreign tourists only had limited and short term contacts pertaining to business interactions. These short

term interactions are not always promoting a positive image of the host country as tourists are very often engaged in a battle of bargaining prices and situations with local people such as vendors, touts, beggars, businessmen, etc. as described in the foregoing sections. Every single local who interacts with foreign tourists becomes an ambassador that adds to the image of the destination and therefore every such person has a responsibility towards promoting the country. In other words, the few short minutes that a foreigner interacts with a local person can have a much longer/ lasting effect on the destination by affecting the image of the country. Observations and the foregoing analysis however suggested that most locals are only concerned about momentary, short term and individual economic benefits in their interactions with foreign tourists.

① Membership and Participation in community based Tourism Development Organizations

Figure 5.22 shows that an overwhelming majority of all four areas of the study are not members of any tourism development community organization or committee. Only 14 percent claimed to be members of such committee or CBO.

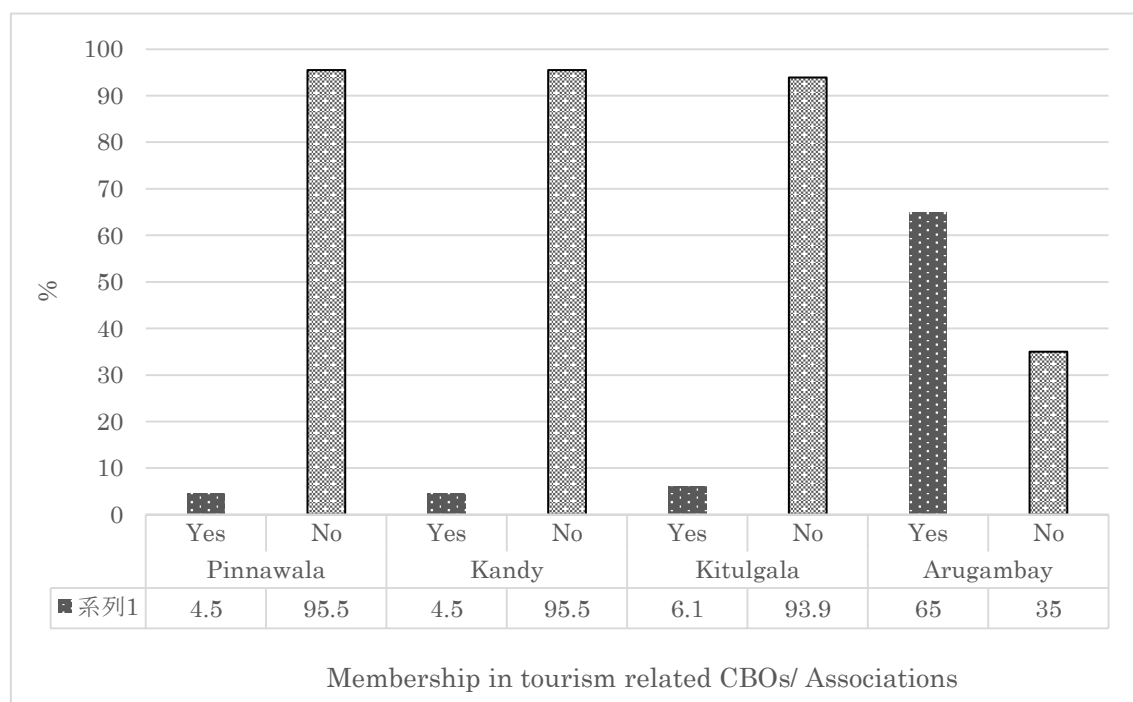
5.22 Membership in community based tourism development organizations



Source: Same as Figure 5.1

A further analysis filtered by area shows that membership was highest in Arugambay, with 65 percent of the area claiming to be members of at least one tourism development CBO. In any of the other areas, the percentage of locals' who were members of tourism committees did not exceed six percent (Figure 5.23). On the other hand, given the nature of the existing bodies, they are better termed as Associations or Committees rather than CBOs. For example, rafting instructors/ guides in Kitulgala had formed the Rafters' Association as a response to the ongoing construction of the Broadlands dam and power project. Residents of Pinnawala claimed to have had an Association of Businessmen in the area but it is now redundant. Neither of these Associations integrated other local people or launched programmes that were more encompassing in nature such as developing the tourism industry in the community.

5.23 Membership in local community based organizations related to tourism development according to area



Source: Same as Figure 5.1

The number of tourism-related local committees in Arugmabay was also much higher than other areas. As per the hearing survey, The Arugambay Tourism Association, Three-Wheeler (Tuk-Tuk) Drivers' Association, and the Taxi Association of Arugambay are the three most active and popular CBOs operating in the area⁷³. As the labels speak for themselves, the Taxi Association includes locals who rent or hire out vans and cars and the Three-Wheeler Association includes tuk-tuk owners in the area. As the area is highly dependent on tourism and most of their services revolve around tourism, both of these Associations consider themselves as tourism-related CBOs. However, the study observed that the participation of these two CBOs in any all of the five vital areas of tourism development (identifying tourism-related problems, identifying resources to solve them, developing a solution, implementing the proposed solution and monitoring the progress) was very poor. The Three-wheeler Association for example, had initiated a system to solve the problem of over-charging foreign tourists by drawing up a 'Fare Menu' with a list of tours to popular tourist destinations in the area and fixed tuk-tuk fares to each of the destinations that the committee members had agreed upon. The committee had made it compulsory for all tuk-tuk drivers to display this fare list in their vehicle. They had also come up with an ethical code for tuk-tuk drivers which included quoting fair prices and avoiding over-charging for destinations not included in the fare card, controlling one's temper when bargaining and safe driving. However the foregoing section elaborated on how these ethics frequently go neglected as a result of poor

⁷³ There are also a number of surf clubs of which the Arugambay Surf Club is the only registered club. Even though it is registered as a sports club rather than a CBO, its activities extend to tourism development initiatives in the area such as organizing surfing events, rallying the community for 'cleaning the beach' campaigns, taking steps towards the safety of surfers such as displaying safe surfing techniques and training local surf guides on the subject.

monitoring of the system by the CBO. The Organization did not have a proper monitoring mechanism nor a system for punishing non-compliant behavior. Neither was the Organization backed up by formal institutions, which is essential because Arugambay is still a young destination that is still struggling to emerge after the civil war. Without the support of formal institutions, locals have next to zero experience in organizing the tourism sector by themselves. As a result, members are simply led by individualistic economic targets rather than collective consciousness.

The Arugambay Tourism Association on the other hand was a better organized CBO with the membership of accommodation facility owners in the area. According to the hearing survey, the Arugambay Tourism Association saw its inception after the Tsunami that devastated the area in 2004 leaving a number of locals landless. The biggest problem that Arugambay is suffering from is encroachment and illegal settlement. As the area was located in the civil war zone, settlers from near-by villagers and towns encroached lands in Arugambay without stirring a storm in the tea cup as not many people contested for lands in a war-beaten area. The war was still raging when the Tsunami hit the area, but the natural disaster inflicted further distress as it washed away buildings and personal property on encroached lands, and the government intervened to compensate and set rules, regulations and limitations for future constructions. This was when clear deeds and titles had to be furnished by occupants. An astounding majority did not have deeds, which not only disqualified them for compensation, but also qualified them for eviction. Government rules and regulations also left even the legitimate occupants landless. For example, constructions were to leave a reservation area of 200m no-build zone from the sea. It was at this point that the Arugambay Tourism Association was formed by the

local people to negotiate with the government formal institutions. Since its inception, it has grown to include over 30 members consisting of hotel/ guesthouse and homestay owners in the area and the CBO has been able to pressurize government formal institutions in a number of cases. The hearing survey showed that the CBO played an active role in bringing the Tourist Police to Arugambay, thwarting an attempt by the government to construct a jogging track along the beach and drawing up rules for tourists on suitable attire, which most hoteliers choose not to press on tourists in fear of losing customers. A critical look at these activities show that first, the CBO is more or less pitched in a battle against government formal institutions rather than working in cooperation with them for the betterment of the tourism industry. The community thinks of government formal institutions as an enemy as their interests are in conflict with that of the government. This leads to the second feature that CBOs have been formed not for collective community interests but for common individual interests, which prevents members from acting as a group or working for the benefit of the industry.

Table 5.15 also suggests that membership in tourism-related Associations mainly consist of people who are engaged in the tourism sector. This is to be expected as explained in a foregoing section, they do not operate as CBOs in any sense of the term. Percentages in the table have been calculated as a share of the total number of respondents in the 'member' and 'nonmember' categories. The table shows that the highest share of members consisted of self-employed people in the tourism sector (46 percent) and tourism-related private sector employees (20 percent). Membership by other local residents was very low: sometimes non-existent as in the case of students, casual laborers, and NGO workers.

Table 5.15 Membership in tourism related CBOs according to main occupation

Main occupation	Member (%)	Nonmember
Government occupation	7%	10%
Private sector Tourism related	20%	14%
Private sector	9%	12%
Self employed tourism related	46%	23%
Self employed	11%	10%
NGO	0%	1%
Not employed	4%	18%
Student	0%	4%
Retired	4%	5%
Casual Laborer	0%	3%

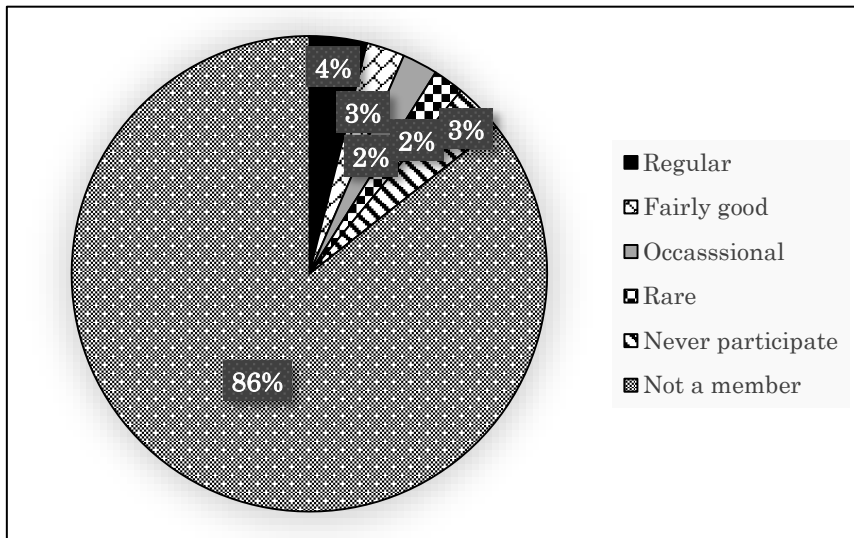
Source: Same as Table 5.1

This is not necessarily because people were not aware of the concept of CBOs. More than 87 percent of the sample claimed that they have heard of tourism development committees/ Associations or clubs in their area at least once at some point in their lives. But especially the people who were not employed in the tourism sector were not even aware of the names or these organizations, let alone how they were functioning or their outcomes. Only the people who were engaged in the industry were thought to benefit from membership in such CBOs and others considered themselves as ‘irrelevant’. They also saw CBOs as professional or occupational associations and not as a channel through which they too could participate in tourism activities. Local people were of the opinion that Associations or CBOs are useless for the community as they only serve the interests of a handful of influential members.

Attendance in committee meetings and events by members was also found to be very poor

as reflected in Figure 5.24. According to the figure, only four percent claimed to be regular participants, while another three percent claimed that their attendance was fairly good. If occasional, rare and non-participants are excluded on the basis that they cannot possibly make any contribution with such poor participation, the study shows that only 7 percent of the sample were actually active participants in CBO activities.

Figure 5.24 Attendance rate of members in committee meetings of tourism-related CBOs



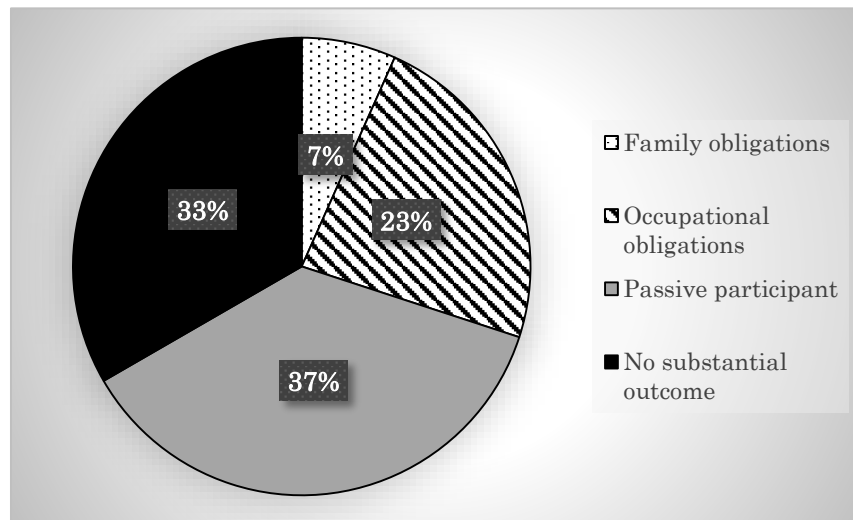
Source: Same as Figure 5.1

More than 73 percent of the regular participants and 60 percent of the fairly good participants were from Arugambay. This was 18 percent and 10 percent of the total number of respondents from Arugambay respectively. It could be argued that community organizations work better in Arugambay than in the other three areas mainly because the former is a Muslim majority area. Collective action is taught by Islamic religion through their philosophy of brotherhood, which could be the basis for the comparatively better functioning and attendance in tourism related community

organizations in Arugambay. Gatherings and meetings for religious purposes regardless of class differences happen on a weekly, if not daily basis. Their ethnic/ religious identity is very strong that collective consciousness based on these two factors is also not uncommon.

The study then did a deeper probe into filtered respondents who claimed to be members of some committee or tourism-related Associations, yet had poor attendance to their meetings and events. Subsequently, their reasons for poor attendance was plotted on Figure 5.25. Accordingly, a majority of members did not participate due to structural and functional weaknesses of the associations and not because of personal reasons. For example, a large majority of 37 percent claimed that they do not attend meetings because as individuals, they become passive participants and their opinions do not matter to the others. This shows the poor bargaining power that participants yield. According to the hearing survey, usually the powerful, influential or the rich (preferably owners of large businesses) have the last word. This means that equality in community participation is lacking in CBOs or committees, which further discourages local people from attending them.

Figure 5.25 Reasons for poor attendance in tourism related committees and CBO meetings



Source: Same as Figure 5.1

Another 33 percent of the ‘poor participants’ claimed that they do not attend meetings regularly because nothing substantial happens in them, and it is usually a waste of time.

A shop owner in Pinnawala claimed that:

“Committee meetings always start with problems and end with problems. I cannot remember a single day when we sat down, discussed and came up with a solution to any of the problems we had. I just stopped attending meetings because I know these committees exist only for the name’s sake. Everybody is only concerned about one’s own individual benefits” (Gamini, Businessman).

As mentioned in a foregoing section, disagreement among committee members happens largely due to the fact that members are not bound with a collective consciousness towards the community. In other words, they are not a group that is kept together with interaction

and interdependence, a shared identity and a set of common norms that non-members do not have. Instead, they are rather a category of people who just happen to have common characteristics and a set of common problems.

The survey also shed light on the fact that Associations and committees can be short-lived when they lack affiliation with government and private formal institutions. The relatively longer existence and strength of the Arugambay Tourism Association for example, could be attributed to its vertical and horizontal affiliations and frequent meetings in which participation is relatively better than in the other three areas. According to the hearing survey, members of the aforementioned Association meet twice a month and they work very closely with the Divisional Secretariat and the Tourist Police. Other Associations mentioned by the respondents were not affiliated suitably for the members to be properly guided or monitored.

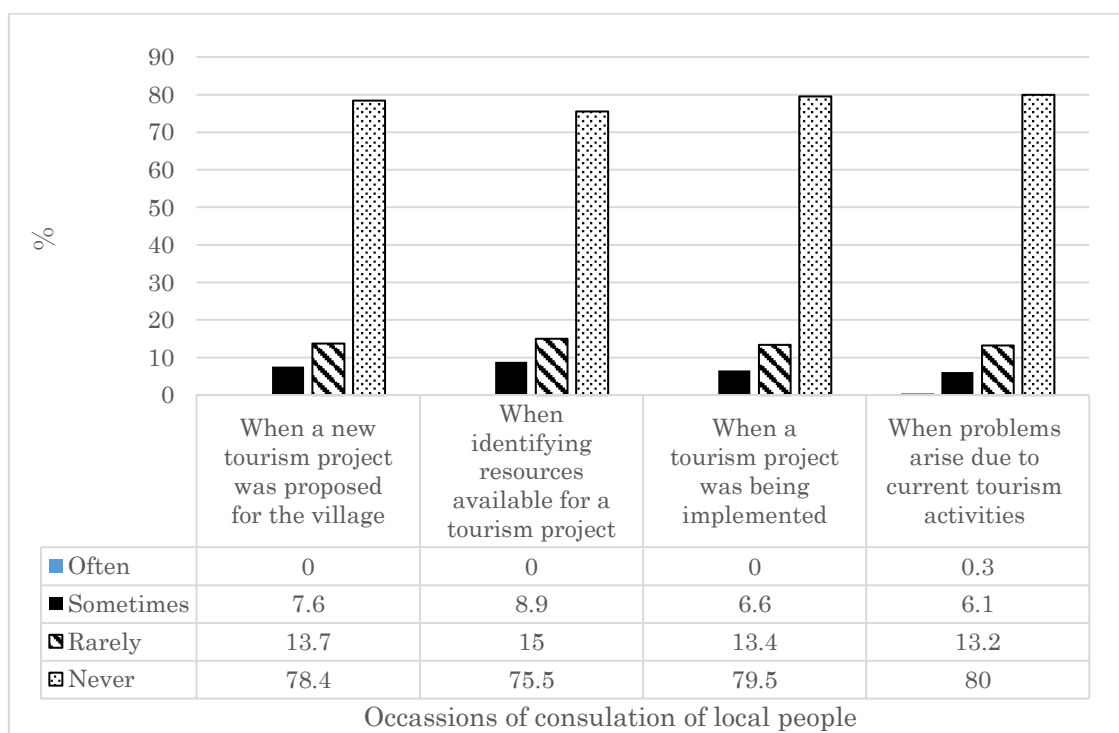
The study next examined level of consultation of local residents' opinions when implementing tourism projects and activities. Whether or not local residents are members of Associations, clubs, committees or CBOs, they still have the right to express their opinion when new tourism projects and activities are launched in their local vicinity as these potential activities are consuming the local resources and the local people have to take the brunt of the economic, environmental and social consequences. Consultation of local people's opinions is also an indication of the local people's bargaining powers, their decision making powers in common activities and their level of participation in tourism activities. Thus local residents were asked if their opinions were consulted in the following situations:

1. When new tourism projects (eg: large hotels/ a zoo) were proposed for the village

2. When identifying resources for a tourism project
3. When a tourism project is being implemented in the village
4. When problems arise due to tourism projects that are already running in the village

Local people's responses with regard to the above situations are mapped on Figure 5.26.

Figure 5.26 Consultation of local residents' opinions with regard to tourism related activities in their local area



Source: Same as Figure 5.1

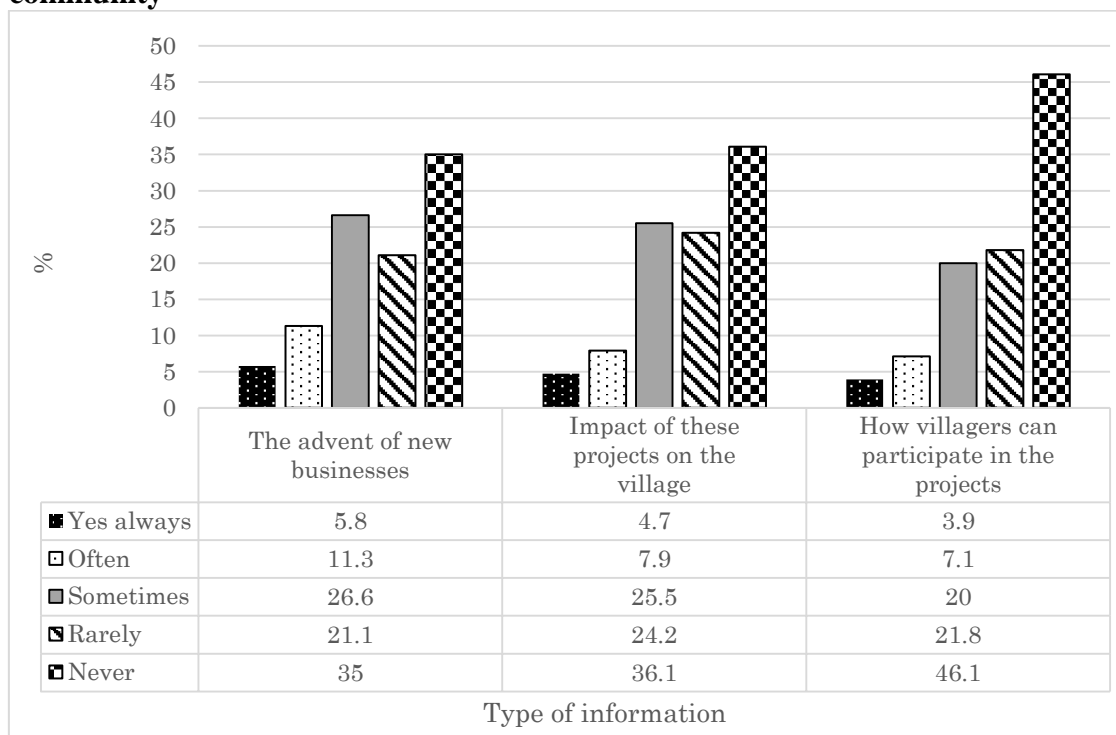
The figure clearly shows that more than three-quarter of the sample had never been consulted in any of the four instances. The share of respondents who have been rarely consulted remains around ten percent in each occasion, while those who have been consulted sometimes is well below ten percent. Except for a negligible 0.3 percent when problems arise due to ongoing tourism projects, there have not been any occasion when residents were always consulted before tourism activities. This is feeds for the already

existing idea that local people's opinions are not important for tourism development activities. Such exclusion forces local people feel like they are leading a passive existence in a system where their opinions do not matter, and they do not yield any decision making power. The most important finding in this section was that local people believed that their opinion does not have to be consulted in the first place if they are not engaged in the tourism industry in any way. As the survey followed the paper pencil method to administer the questionnaire, a surprisingly high number of respondents retorted to the question on opinions with a puzzled inquiry, "Why should anyone get our opinion in the first place? We have nothing to do with tourism" or "This question is irrelevant to me because I am not doing a job related to tourism". This shows that there is a large share of locals who are unaware of the fact that one does not have to do an occupation related to tourism to be affected by ongoing tourism activities in the vicinity, and that alone vest them with the right to have and express their opinion with regard to them.

Even though their opinions were not consulted, the study discovered that local residents were not totally ignorant about new tourism projects due to be implemented in their area; their potential impacts on the community; and how villagers can participate in them. According to Figure 5.27, the share of local residents who never got information in the three areas mentioned above were still high (35 percent, 36.1 percent and 46.1 percent respectively), the share of residents who were always, often or sometimes informed was 43.7 percent, 38.1 percent and 31 percent respectively. This shows that the flow of information is poor and does not reach all parts of the community equitably, but it nevertheless reached the areas. It was thus considered important to discover the type of

people who had better access to information with regard to tourism related activities in the area.

Figure 5.27 The probability of information regarding tourism reaching the community



Source: Same as Figure 5.1

A cross analysis against main occupation shows that there is a greater chance for information to reach persons who are engaged in the tourism sector, further estranging others from the hub of activity within the industry. Table 5.16 stands testimony to the fact that a majority of 32 percent of tourism-related private sector employees always got information regarding the advent of new businesses. A majority of 28 percent each of tourism related private sector employees and self employed (tourism-related) persons also got information on how these tourism projects may affect the local area. A majority of 27 percent each of the private sector employees and self employed (tourism-related) persons had access to information about how the local people may participate in the

Table 5.16 Probability of information reaching the community according to main occupation

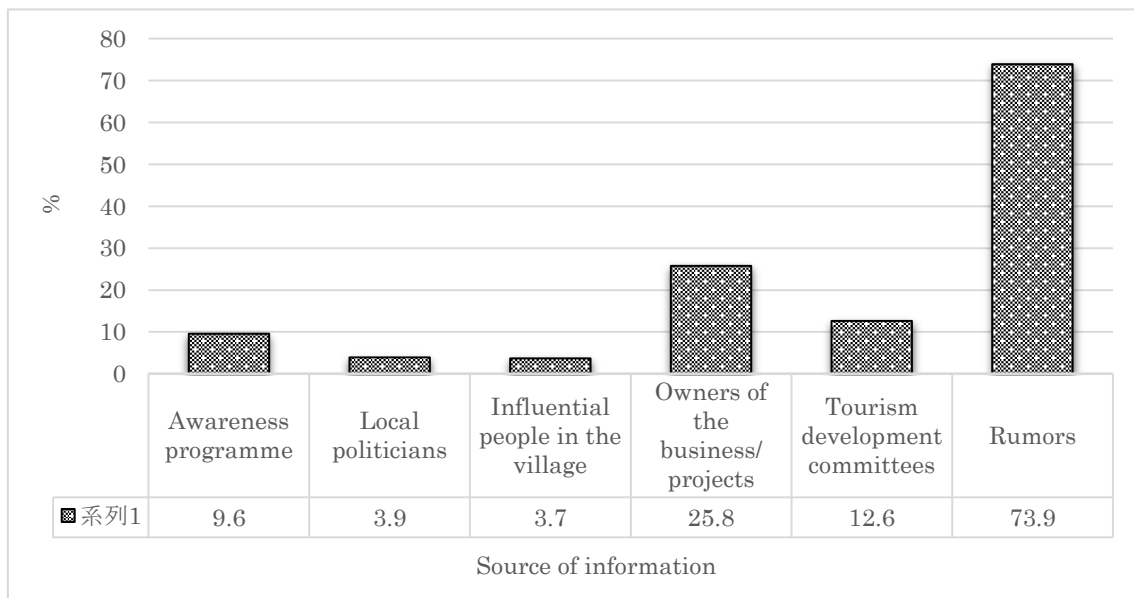
Main Occupation	Information about the advent of new businesses					Information about their multifaceted impact on the village					Information about how villagers can participate in the project				
	Yes always (%)	Often (%)	Sometimes (%)	Rarely (%)	Never (%)	Yes always (%)	Often (%)	Sometimes (%)	Rarely (%)	Never (%)	Yes always (%)	Often (%)	Sometimes (%)	Rarely (%)	Never (%)
Government occupation	5	7	12	10	10	0	14	7	8	13	0	4	12	7	11
Private sector Tourism related	32	26	13	15	10	28	17	13	14	13	20	27	15	12	14
Private sector	18	10	13	9	11	17	10	11	13	10	27	4	12	7	13
Self employed tourism related	14	29	33	28	22	28	22	28	32	22	27	42	29	33	20
self employed	0	7	13	9	12	6	10	10	5	15	0	4	13	6	13
NGO	0	0	1	0	1	0	0	2	0	0	0	0	3	0	0
Not employed	12	17	27	15	18	17	22	17	14	16	12	15	20	27	13
Student	0	0	1	4	6	0	0	5	1	4	0	0	1	1	6
Retired	0	2	2	10	5	0	3	3	9	4	7	4	4	4	6
Casual Laborer	5	2	1	1	5	6	0	3	4	2	0	0	0	4	5

Source: Same as Table 5.1

projects. A majority of respondents in the same employment categories received information most often, which clearly shows that there are two main categories with regard to receiving information about tourism: *insiders* and *outsiders*. Insiders are those who are already in the industry while outsiders are the others who are not. As information is not freely available, outsiders are more likely to be not informed, ill-informed or misinformed about tourism projects, their impact and how locals can be part of these projects. As the theoretical survey in Chapter 1 argued, distorted or withheld information can increase the transaction cost for tourism projects/ activities by limiting the support of the community and in some cases, even instigating the community to rally against the tourism projects. In other words, distorted or withheld information operates in the same way that barring access to the industry does. It creates a category of people who are excluded (outsiders) and fuels jealousy and bitterness against the few who enjoy benefits from tourism, tourism and tourists. The foregoing section elucidated how residents in Kitulgala favors the hydropower project instead of white water rafting in the area despite the lasting negative environmental effects that the project has already started manifesting in the area such as landslides and sink holes. The study suggested that misinformation was largely responsible for this behavior. Locals were only informed about (and therefore sensitive to) the positive economic effects of the power plant and the rest, such as its negative effects and the benefits of the ongoing tourism activities have been withheld. Misinformation has also made local people vulnerable to manipulation as exemplified through the example of Kitulgala. People believe that the hydropower project offers equitable access, and equitable benefits than the tourism industry which, in their eyes, brings benefits only to a few. Based on this belief, people can be manipulated to support political parties and governments.

Given the importance of information and their reliability as explained before, the study next examined the sources of information through which local people obtain information about tourism related activities in their area. Respondents were allowed to check multiple sources if they applied to them. As reflected in Figure 5.28, the most popular source of information about tourism related activities is rumors as it was a source of information for nearly three quarter of the sample.

Figure 5.28 Sources of information for local people on tourism related activities in their area



Source: Same as Figure 5.1

Local people ‘learn’ about tourism activities such as new business startups, their impacts on the village, how local people can participate in them, or any other related news through this unreliable source of information. The hearing survey revealed that local people were aware of the fact that rumors were unreliable, and that either authentic information could be excluded, or fabricated information could be included in the process, but where reliable sources are not properly functioning, locals have no choice but to rely on rumors.

A filtered analysis according to area shows that Kitulgala relied most on rumors while Arugambay was better off than all the other three areas in terms of reliable sources of information. Accordingly, 86 percent of Kitulgala residents obtained information through rumors while 58 percent and 42 percent of Arugambay obtained the same through tourism development committees and owners of businesses and projects respectively. Results are displayed on Table 5.17.

Table 5.17 Sources of information on tourism according to area

Area	Awareness programmes (%)	Local politicians (%)	Influential people in the village (%)	Owners of businesses/projects (%)	Tourism development committees (%)	Rumors (%)
Pinnawala	3	5	3	23	2	85
Kandy	8	3	3	27	5	61
Kitulgala	10	3	1	19	6	86
Arugambay	27	3	10	42	58	50

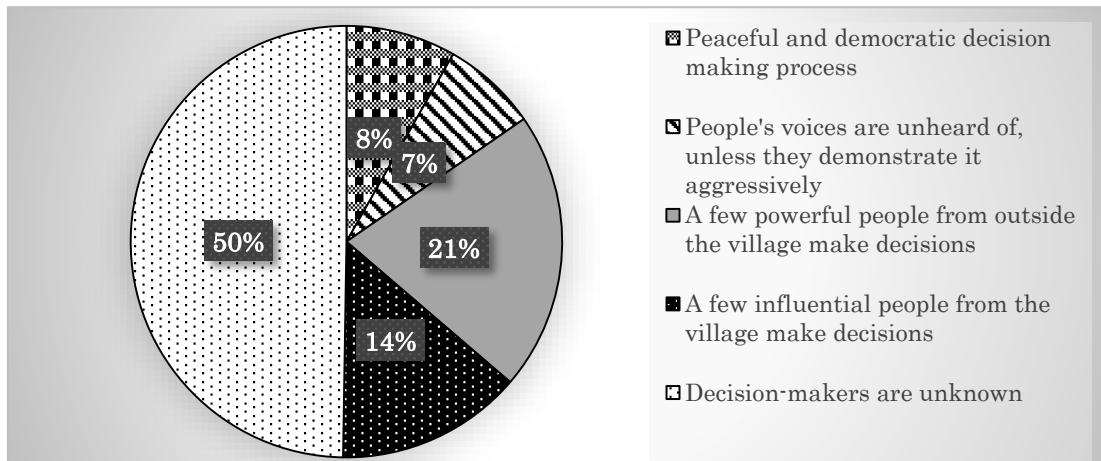
Source: Same as Table 5.1

Thus residents of Kitulgala are the most vulnerable as they are likely to be ill-informed through unreliable sources of information. Thus it could be argued that distorted information is playing an important role in shaping adverse attitudes towards tourism in Kitulgala, and placing local people at greater risk of manipulation.

The study also indicated that a majority of 50 percent of local residents are unaware of

who is making tourism-related decisions in their village. This matter is reflected in Figure 5.29.

Figure 5.29 Local people’s opinion about decision-makers on tourism related matters



Source: Same as Figure 5.1

As reflected by the data on Table 5.18, a majority of Arugambay (35 percent) claimed that they have a democratic decision-making process in which opinions of the majority is represented. Even though this share is not commendable, it is much higher compared to the other areas where the ideas of the masses are not adequately represented in tourism decision-making.

Table 5.18 Local people’s opinion about decision-makers on tourism related matters according to area

Area	Democratic decision making process (%)	People have to behave aggressively to be heard (%)	A few people from outside the village (%)	A few influential people from the village (%)	Decision-makers are unknown (%)
Pinnawala	2	8	66	8	16
Kandy	1	9	18	13	59
Kitulgala	1	5	33	25	35
Arugambay	35	13	15	13	23

Source: Same as Figure 5.1

The reason for such an attitude has everything to do with ownership of tourism activities/businesses in the areas. Figure 5.29 also showed that a considerable share (21 percent) thought that a few powerful outsiders⁷⁴ are making tourism-related decisions in their village as more businesses are run by outsiders than locals of the village. Local residents in most tourist areas lack the capital and skills to start businesses in tourism and therefore they end up selling or renting/ leasing their property to outsiders who can afford such operations. As more businesses are taken over/ run by outsiders, it gradually disarms local residents from their decision making powers. Table 5.18 provides evidence to this fact as 66 percent of the respondents from Pinnawala thought that decisions in their

⁷⁴ The ‘outsiders’ in this response also included government and other agencies/ representatives who make decisions on behalf of the tourist destinations of the entire country. It is important to recall the macro-level study in Chapter 2 which elucidated how the first Tourism Master Plan in Sri Lanka in 1976 was drawn up by a foreign team who had little knowledge about the country.

village are taken by outsiders. The hearing survey in Pinnawala also showed that most of the businesses in Pinnawala are run by settlers from other areas of the country such as Kandy, Colombo or Kegalle. The largest businesses in the *Affluent area* were owned by outsiders while the original residents ran the run down stalls or mobile enterprises such as selling cut mangoes, ice cream or cheap souvenirs. This was the case in Kitulgala as well. The worst scenario was observed in Arugambay. Even though it has not reached critical levels yet, there is a growing tendency for foreigners to purchase property (mostly land) in the area to start tourism related businesses mostly in the accommodation subsector. Apart from building their second homes in Sri Lanka, these foreigners run accommodation units such as guest houses and inns on these purchased properties, causing considerable leakage of tourist dollars. The hearing survey gave evidence to the fact that in the face of the dearth of accommodation facilities in Arugambay during high season, these rooms are sold at a much higher price than locally owned places. Despite this situation, they are still in demand simply because they are run by foreigners in a developing country, and the facilities are believed to be much better. For example, Germans are likely to patronize a place owned by a German even if the price was higher due to the trust factor that was discussed earlier.

Even though most tourism business owners are not from the village itself, they still provide employment and income for hundreds of individuals in and around the areas. A key informant interview with the Manager of a medium scale hotel in Pinnawala claimed that all 45 employees in the hotel were from the Rambukkana area (the division where Pinnawala is situated). The hotel purchases all its fresh vegetables and fruits from the same area with the exception of a few items such as bamboo shoot. Workers in shops, restaurants and suppliers of various levels are mostly local people from the within the

village and those nearby. According to a study published in 2008, more than 500 jobs were created within a 10km radius of the Pinnawala Elephant Orphanage, and a large proportion of these jobs were filled by people living in the immediate vicinity (Bandara, 2008: 75). In Kitulgala, despite the fact that owners are not from Kitulgala itself (including one foreign owner) the businesses were staffed with local people from the immediate vicinity. In some rafting businesses, 100 percent of the staff was from Kitulgala. Tourism related businesses in Kandy on the other hand attracted employees from many areas of the country given its location, scale of tourism in the area as well as due to the fact that it is an economically diversified city with better facilities. Especially large hotels are bound with a responsibility towards the society, by which they are driven to purchase locally produced foods and beverages⁷⁵. The point is that there were no foreigners working in any of the institutions in any of the four areas except for the single foreigner working in Kitulgala at the foreign-owned business. However, this situation brings the issue back to decision-making powers of the local people. Local people in the immediate vicinity benefit from tourism as more employment opportunities and avenues for income generation are made available to them. These opportunities may spread beyond the immediate area and attract local people from suburbs and even faraway places in the country as well. Unfortunately, all of these locals are ‘wage earners’. Thus neither these people nor possibly those who are not engaged in the tourism industry are vested with adequate decision-making power to influence the system. Owners of

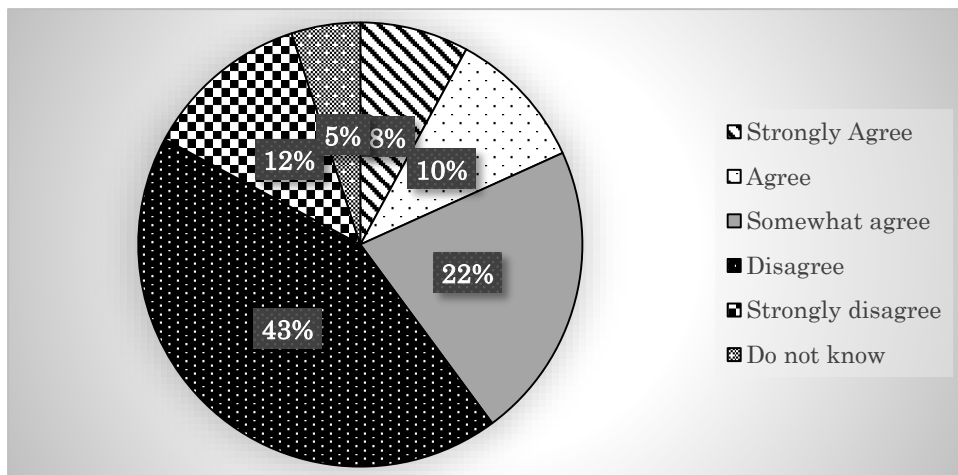
⁷⁵ The Manager of an International Hotel chain branch in Kandy confessed that they even purchase from micro level local producers such as vendors who walk in with genuine, good quality *jaggary*. However, such deals are not sustainable as such vendors cannot produce large amounts to meet the requirement of large scale hotels, and they are not regular in their supplies. With little or no training in business or tourism, they only come when and if they can produce or if they are in need of money.

medium/ large businesses on the other hand yield the decision making power. Hence the local people's belief that a few powerful 'outsiders' make decisions in their village.

The questionnaire survey revealed that local people had not taken part in any collective decision-making expeditions except for a few persons in Arugambay and Kitulgala who participated in deciding tourist attractions in the area (10 percent in Arugambay and 3 percent in Kitulgala); writing up codes of ethics for visitors (6.7 percent in Arugambay); writing up rules and regulations for the host community or business community (6.7 percent in Arugambay) and deciding on safety measures for tourists (6.1 percent in Kitulgala). All of those who had thus participated were employed in the tourism sector (as owners of hotels, guesthouses and shops, three-wheelers or rafting instructors/ guides) and members of a tourism related association. It is important to reiterate that most of the decisions were not unanimously approved or implemented. A foregoing section elucidated in detail how the three-wheeler association in Arugambay designed rules and regulations for tuk-tuk drivers but they were never properly implemented because individual values weighed more than collective values. Rafting guides cum instructors in Kitulgala confessed that it is impossible to enforce a common fee structure or safety measures to organize rafting in Kitulgala because of the same problem. When one rafting shop sells a ride for LKR 1000 (About USD 7), the shop next door might offer a ride for just half the price but with less safety precautions, and less quality. In the same manner that was described in the foregoing sections, tourism in Kitulgala is also an individually driven enterprise which lacks collective consciousness. This is also a fine example to show that competition has its down side when it is not regulated by formal institutions.

The study provided further evidence to the fact that all four communities lack sense of ownership to the tourism sector. According to Figure 5.30, a large majority of 43 percent disagreed that improving tourism in their area was the responsibility of the local community. Another 12 percent strongly disagreed.

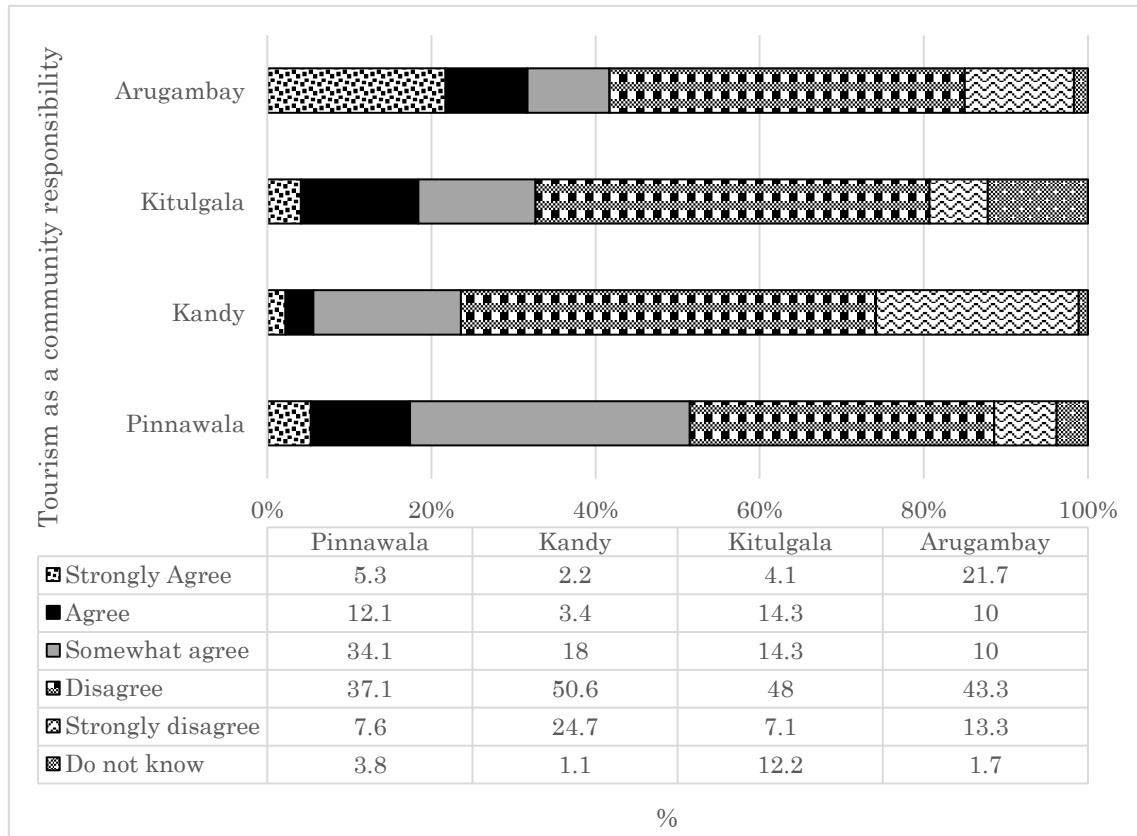
Figure 5.30 Local people’s opinion on improving tourism as a community responsibility



Source: Same as Figure 5.1

According to Figure 5.31, this lack of ownership/ responsibility towards collective action was strongest in Kandy. A quarter of the respondents in Kandy strongly disagreed that it was the people’s responsibility to improve tourism. Another 50 percent disagreed to the statement. Similarly, 48 percent from Kitulgala disagreed and 7 percent strongly disagreed to the statement while more than 12 percent did not even know whose responsibility it was to improve tourism in their area.

Figure 5.31 Local people’s opinion on improving tourism as a community responsibility according to area



Source: Same as Figure 5.1

It could be argued that disassociation with tourism activities is the main reason for this attitude. Previous sections showed that Kandy is a city with a diversified economy which is not as dependent on tourism as the other three areas. People in Kitulgala on the other hand are disassociated with tourism due to lack of access to the industry and hence they do not consider it their responsibility to improve a sector in which they are not actively participating.

This idea is supported by Chi-square tests that provide reasonable evidence to the fact that sense of ownership or responsibility to the tourism sector is co-related with the

occupation (Chi-square= 67.743, df=45, P=0.016), in which people who are engaged in the sector tend to think that it is their (community) responsibility to work towards its improvement while those who are not may not be on the same page with them. This is reflected by the data in Table 5.19. As per this reasoning, the highest agreement rates were recorded by persons engaged in tourism related private sector occupations (39 percent) or self-employed in the tourism sector (49 percent)⁷⁶. It should be noted that even though these rates are higher than those of other sectors, they are still not adequate (rates have not even reached 50 percent) to show that people in the sector could be united as a group to take responsibility towards the improvement of the tourism sector.

Table 5.19 Local people’s opinion on improving tourism as a community responsibility according to occupation

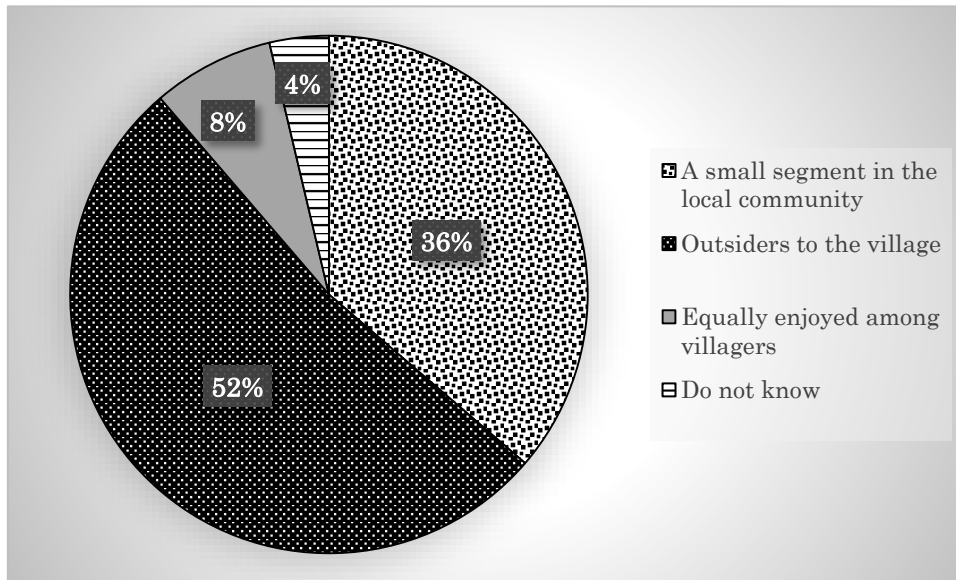
Main occupation	Agree (%)	Disagree (%)	Do not know (%)
Government occupation	30	68	3
Private sector Tourism related	39	59	2
Private sector	31	62	7
Self employed tourism related	49	50	2
Self employed	28	69	3
NGO	50	50	0
Not employed	36	49	15
Student	8	58	33
Retired	40	50	10
Casual Laborer	0	90	10

Source: Same as Table 5.1

⁷⁶ The results for the NGO sector is obscured by the fact that there were only two respondents employed in the sector.

It could be argued that the main reason for this lack of ownership is the welfare mentality that has been fed into the psychology of the local people of Sri Lanka for many decades after (and before) independence from the British rule. Even though there have been attempts to dismantle the welfare (Eg. Open economic policies in 1977) in principle, consecutive governments practically subscribed to the welfare policy in health, education and most other public services to secure re-election to office as a total revamping of the policy approach would have turned the tables against those who held power. The result was that entire generations of the country became dependent on welfare, which is better known as the dependency syndrome. This is well depicted in people's attitude towards tourism development as well. While the foregoing section explained that a majority of people believe that they have no responsibility towards the improvement of the tourism sector, the hearing survey showed that a majority of people think that total responsibility lies in the hands of the government. People who were not engaged in tourism also thought that it is the responsibility of "those who are actually enjoying the benefits." They meant the persons who were engaged in tourism sector occupations and earning an income. This was an eye opening statement that suggested that all people do not have access to the benefits (particularly economic benefits) of tourism and therefore they tend to evade responsibility towards collective action for the improvement of the sector. The following section provides further evidence to the fact.

Figure 5.32 Local people’s opinion about the parties that enjoy profits made through tourism in their local area



Source: Same as Figure 5.1

Figure 5.32 shows how local people believe that economic benefits made through tourism in their local area are not enjoyed equitably by the local people. While only a small minority of eight percent thought that economic benefits are equitably distributed, another four percent do not even know who gets the profits. Of the remaining body of local people, an overwhelming majority of 52 percent thought that profits leak out of their local economy. It is important to note that in the four study areas, this was mainly because the owners of businesses were Sri Lankans from other areas. Another 36 percent claimed that a small, yet rich and powerful segment in the local community makes the most out of the lucrative tourism industries in the area. A cross analysis against area (Table 5.20) shows that leakage of economic profits was considered a problem by residents in all four areas with the largest share from Kandy (57 percent). This could be

because Kandy, as a much larger city, has attracted migrants from various areas in the country and foreign property owners are also not unknown. The researcher visited a hotel atop Asgiriya hill in Kandy which was owned by an absentee German landlord who has given clear orders to the staff to admit only foreigners into his hotel. There is also a mushrooming of hotel chains including foreign owned chains as well as hotels owned by rich and powerful people from the capital city and other parts of the country. A majority of Kitulgala opined that a small segment in the village benefit from their local resources for tourism. This share represented 50 percent of the sample from Kitulagala.

Table 5.20 Local people’s opinion on the parties that enjoy profits made through tourism as a share of area of residence

Parties that enjoy profit	Pinnawala (%)	Kandy (%)	Kitulgala (%)	Arugambay (%)
A small segment of the village	33	40	50	17
Total outsiders	56	57	49	43
Equitably divided among villagers	17	3	12	38
Do not know	3	9	2	0

Source: Same as Figure 5.1

Thus data suggests that local people feel disowned and excluded from tourism activities, especially with regard to economic profits. It could be safely argued that such an impact is responsible for the lack of ownership or collective consciousness that local people are displayed with regard to tourism related matters.

VI. Concluding Remarks

This chapter analyzed community attitudes towards tourism and tourists and the level of community involvement/ participation in tourism activities in the respective areas. The analysis followed a comparative method where applicable, in an attempt to discern strengths and weaknesses of different approaches to tourism development.

A majority of respondents in all four areas Pinnawala, Kandy, Kitulgala and Arugambay were long term residents who were born and bred in the areas. A majority of Pinnawala, Kandy and Kitulagala belonged to the Sinhala ethnic group while a majority of Arugambay were Muslims. Employment in tourism-related occupations was highest in Arugambay and Pinnawala, while it was lowest in Kitulgala. Lowest annual income was also observed in the sample from Kitulgala.

It was observed that tourism has created a number of backward linkages in the four areas. Creation of backward linkages was lagging behind in Kitulagala compared to the other three areas. Tourism had greater potentials for income generation compared to other economic sectors. Yet the income gap between different occupations within tourism subsectors as well as the same occupation (statuses) between different subsectors was very large. Thus even though tourism was considered as a profitable source of income with even greater potentials in the future, the idea was more prevalent among higher ranking occupations and owners tourism businesses rather than among waged workers within tourism sector.

Tourism was considered important for the development of the community, and positive impacts of tourism were believed to be outdoing the negative in areas such as Pinnawala and Arugambay where there was better access to tourism by the grassroots level. These

two areas were not only dependent on tourism than the other two, they also had better participation by local people in tourism related occupations/ businesses and enterprises.

Thus local people's attitude towards tourism was observed to be very much influenced by three factors: the type of tourism popular in the area and whether this segment of tourism is culturally compatible to the host area; how well tourism is established in the area and the level/ scale of tourism development and degree of access to economic benefits generated through tourism for the local people. The last factor was realized to be most influential.

Local people recognized that employment generation was the biggest positive economic impact of tourism among others such as increasing personal income, increasing revenue to the village, improving living standards and infrastructure in the local area. Yet demand for local products or their quality have not improved. Instead of improving these avenues, a majority of local people continue to uphold the opinion that tips, overpricing and attaching a price to every possible thing are the ways to earn tourist dollars. Thus the attitude that tourism is a form of quick money especially for unqualified and untrained local people prevailed in all four areas. Environmental degradation was largely blamed on tourism, and the study observed that domestic tourists and local hosts were responsible for pollution. Thus pollution at the hands of locals was largely the result of existing norms and values: namely laxity towards the environment and lack of responsibility towards the community. Cultural values and norms were also seen as responsible for the social impacts of tourism such as increasing crimes against tourists. In areas such as Arugambay and Pinnawala, where tourism experienced better participation by the grassroots level, local people saw tourism contributing to increase

pride and collective consciousness. Yet in other areas, public apathy, stereotyping of tourists and resultant prejudices were acting against the interests of tourists.

Local people were observed to be entertaining stereotypes such as ‘all foreign tourists are rich’, ‘White tourists are better spenders than East Asian tourists’ and ‘White women are promiscuous’. These attitudes were even prevalent among those who were engaged in tourism-related occupations; mostly that of lower level ranks. Such people also openly expressed anger and intolerance with foreign tourists which damaged the image of the destination. The study concluded that there is a crisis in human resource training in the country, despite the fact that training by formal institutions could address such issues and impart professionalism to local hosts. Where training is lacking or absent, general norms and values in the society take control of the system. Thus it was concluded that values and norms in the general host society clash against the values of the guests (foreign tourists); law enforcement institutions are also affected by these values and norms to the extent that law enforcement is also not in the best interests of the guests.

Even though community participation with training could improve the situation, the study concluded that the involvement of the local community in tourism activities was very low in all planning, designing, implementation and monitoring stages of tourism activities. Local people’s contact with foreign tourists was low and short; membership in tourism-related CBOs, associations or civic societies was low and largely limited to people already employed in the tourism sector. Membership was better in Muslim dominated Arugambay but participation in meetings and gatherings was still not satisfactory. The structure and function of the institutions were the main stumbling block against participation as a majority of people perceived that their opinions are not equally

recognized and that these institutions do not represent community interests but they rather promote individual interests of the rich and powerful. Local people's ideas were hardly consulted in any of the planning, designing, implementation or monitoring stages of tourism projects. People not employed in the tourism sector were especially excluded from the process. Exclusion mainly resulted from the people's attitude that they were 'irrelevant' to the industry and did not feel 'empowered' enough to participate in the sector.

Information with regard to tourism projects or their effect on the community mostly reached only the *insiders* or those who were engaged in the sector. The most popular source of information was rumors where authentic sources were absent. Distorted or withheld information was seen increasing transaction costs in areas where information was poorest in terms of dissipation. In this regard, residents of Kitulgala was most ill-informed about tourism and the role it was playing in the development of their area, making them the most vulnerable to manipulation, and fueled hatred and jealousy towards people who were reaping benefits from tourism.

Local people in all four areas believed that outsiders (government and private sector players) made tourism-related decisions in their areas and that residents are excluded from the process. They also believed that profits made through tourism were also enjoyed by either a small segment of the local community (Kitulgala) or total outsiders (Kandy and Arugamabay) and therefore these parties are also vested with decision-making powers. As local people lack the capital and skills to invest in tourism-related businesses, properties are rented or sold to people from other areas of the country and therefore most businesses are controlled by outsiders to the village.

Exclusion of the local people has spurred the emergence of the welfare mentality, in which

people believe that they have no responsibility to contribute to the improvement of the tourism sector in their local areas. They believed that it was either the responsibility of those who were actually enjoying the benefits or of the government. Since even those who are engaged in the tourism sector uphold this attitude, the hospitality industry continues to suffer from lack of sense of ownership and collective consciousness.

Chapter 6

The Impact of formal and informal Institutions on Tourism Development: Lessons Learnt from Japan

I. Introduction

This chapter attempts to understand the impact of informal institutions such as norms and values of the local culture, the attitudes and beliefs of the local people and community participation on tourism activities in the Saga prefecture in Japan. Saga prefecture is a perfect example to elaborate on this matter due to the following reasons. Just half a decade ago, Saga was hardly considered a ‘must see’ destination for foreign or local tourists visiting Japan and therefore the number of tourists visiting Saga was negligible compared to the numbers attracted by some other prefectures. Yet in the recent past there has been a considerable rise in both foreign and domestic tourists visiting and staying overnight in Saga in the past five years. It is hypothesized that this is mainly because the local government formal institutions recognized tourism as an effective development strategy and thus strived to attract more tourists to the prefecture. Subsequently, other stakeholders such as the private sector and the community also joined the mission and that this union has helped the prefecture rise from a little known niche to a bucket-list destination due to the combined efforts of the government, the private sector and the community. The aim of this chapter is to examine these efforts and recognize the forces behind successful tourism development as lessons for Sri Lanka.

This chapter is entirely based on secondary sources and qualitative information garnered through interviews with key informants as this chapter deals with information that can only be proved with a qualitative approach.

II. Tourism in numbers: tourism indices in Japan

Figure 6.1 exemplifies how foreign tourist arrivals to Japan has increased over the years from 1964 to 2015 despite two conspicuous dips in 2009 and 2011. The decrease in 2009 could be attributed to the Global Financial crisis that affected the source countries, while the decrease in 2011 was due to the Tohoku Earthquake and Tsunami that occurred 11th of March. The catastrophe is responsible for the death of more than 15,000 people, and posed a nuclear radiation risk from the damaged Fukushima nuclear power plant. The resilience of the country is exemplary as the numbers not only recovered immediately in the following year but also grew at a rapid pace as shown in Table 6.1.

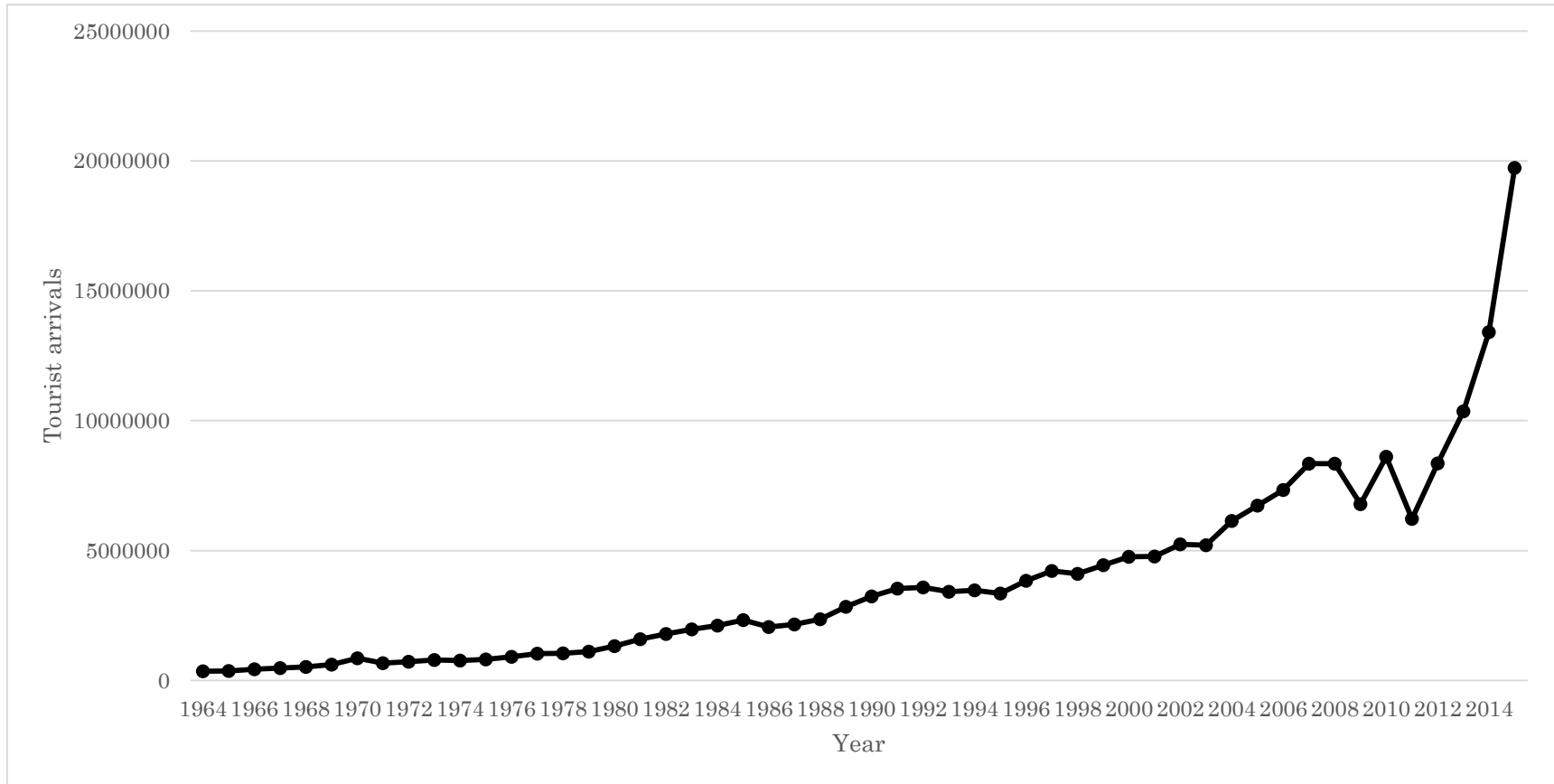
Table 6.1 Year on Year (YoY) growth rate of tourist arrivals to Japan (2005-2015)

Year	YoY (%)
2005	9.6
2006	9
2007	13.8
2008	0
2009	-18.7
2010	26.8
2011	-27.8
2012	34.4
2013	24
2014	29.4
2015	47.1

Source: Adapted from JTB Tourism and Consultation Co.

This growth is graphically obvious on Figure 6.1 as the slope of the line is sharp and very steep after 2011.

Figure 6.1 Foreign tourist arrivals to Japan (1964-2015)



Source: JTB Tourism Research and Consulting Co. & Japan National Tourism Organization (JNTO).

Table 6.2 International Tourist receipts in Japan (1995-2014)

Year	International tourism receipts (\$ millions)
1995	4894
1996	5775
1997	6175
1998	5664
1999	5715
2000	5970
2001	5750
2002	6069
2003	11475
2004	14343
2005	15555
2006	11490
2007	12422
2008	13781
2009	12537
2010	15356
2011	12533
2012	16197
2013	16865
2014	20790

Source: The World Bank, World Development Indicators (1998-2014)

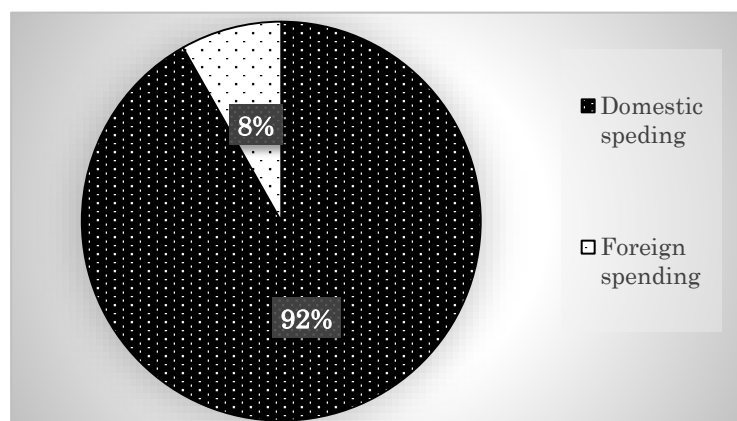
It is important to examine the importance of tourism to the economy of Japan. It is clear that the country has recognized the importance of tourism for further economic development and regional vitalization. The number of globe-trotters have seen a sharp increase in the recent past and Asia and the Pacific has seen the largest growth rate (6 percent) of tourist arrivals in the year 2015 (UNWTO, 2016: 3). Triggered by this favorable climate, and as the official host of the Olympic Games in 2020, the government of Japan set a target of 40 million foreign tourists by the year 2020. Tourism was recognized as “one of the major pillars of the growth strategy of Japan ... [and] trump card for regional vitalization” (<http://japan.kantei.go.jp>) by the Council for the Development of a Tourism Vision to Support the Future of Japan at a meeting held in

March 2016, and the government pledged to develop tourism in the country to make “Japan the world will want to visit” (<http://japan.kantei.go.jp>).

Given the enormous GDP of Japan, and the highly industrialized nature of the country, indices suggest that currently, tourism is not a major contributing factor for economic development of Japan. This is evident from the data given on Table 3.1 of Chapter 3. Japan’s top foreign exchange earners consist of heavy manufacturing industries such as chemical, iron, steel and transportation machinery, and they steer the economy by contributing a large share of the GDP and providing employment opportunities. Hence even the comparatively large tourism indicators (tourist arrivals, foreign exchange earnings, number of people employed in the industry) are dwarfed by them.

The most important characteristic of the tourism sector in Japan is its emphasis on domestic tourism. As Figure 6.2 shows, 91.8 percent of the earnings from tourism in 2014 consisted of expenditure by domestic tourists, while only a meager 8.2 percent came from foreign tourist expenditure.

Figure 6.2 The contribution of domestic and foreign tourist spending to GDP (2014)



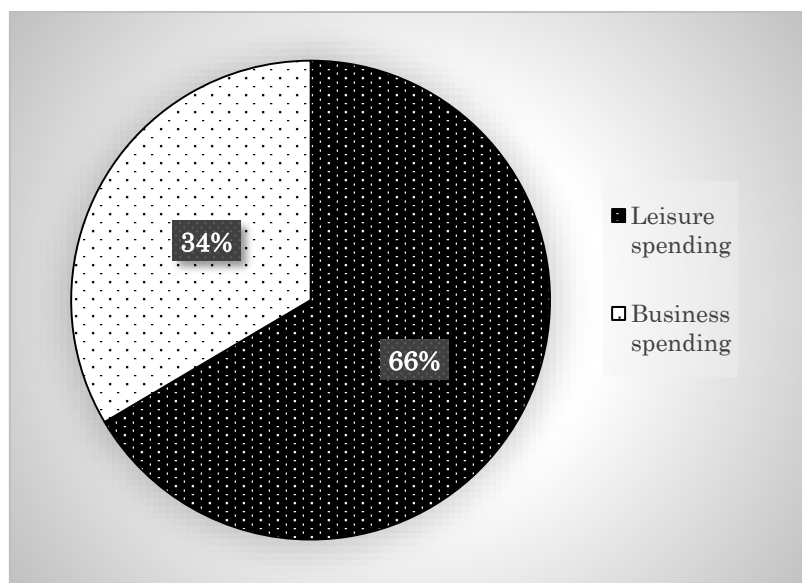
Source: World Travel and Tourism Council (2014: 6).

This exemplifies the long-sighted nature of the Japanese tourism industry. In Sri Lanka domestic tourists are given low priority, and even the attitude of the local people including those employed in the tourism sector favor foreign tourists over local tourists. The main argument is that foreigners spend more lavishly than locals. Contrary to this belief, local spending has greater potential for more equitable distribution of the income from tourism as local tourists patronize SMEs; dine at wayside stalls; and purchase souvenirs from small shops. On the other hand, observations also suggest that Sri Lankans living and working abroad visit Sri Lanka for vacations, and their holiday spending patterns in Sri Lanka are extravagant due to the greater purchasing power of foreign-earned currency. On the other hand, there are informal institutional machinations behind this spending pattern. Living abroad is a status symbol that many people choose to show off through their extravagance in Sri Lanka. Just as locals believe that most foreign tourists are rich, such extravagance by this category of people lead them to believe that all Sri Lankans living abroad are also rich. Despite this belief, local hosts have not initiated appropriate strategies to cater to this growing market except for quoting unreasonably higher prices, judging by their appearance such as clothing, the vehicle they drive and the language they speak. For example, hawkers quote higher prices for locals speaking English as they take it as an indicator of higher class or foreign residence. Thus foreign tourists (especially Caucasian tourists) are given preferential treatment than locals in formal institutions such as hotels, restaurants etc.

The importance of domestic tourism in Sri Lanka was most felt during the civil war when foreign tourist arrivals started falling dramatically. Domestic tourism was what cushioned this fall and kept the industry afloat to a great extent. Even today, domestic

tourists keep tourism businesses running in areas that are affected by seasonality. For example, Arugmbay is flooded with foreign tourists during the surfing season from April to August, and the number of tourists would dwindle down to a full stop if not for the domestic tourists who visit the area for attractions other than surfing as explained in Chapter 3 and 5. Contrary to the discriminative behavior of the local hosts in Sri Lanka, Japanese institutions treat both local and foreign tourists with similar respect and hospitality as both types are graciously taken as ‘guests’. Observations suggest that ‘White Preference’ is not absent in Japan in everyday interactions, but most importantly, this does not result in the negative discrimination of other races or local tourists. Further, Caucasian tourists are not seen as cash cows by the local Japanese as they seem to know more than that.

Figure 6.3 Purpose of visit of domestic and foreign tourists (2014)



Source: Same as Figure 6.2

Figure 6.3 shows that the number of leisure travelers far exceed that of business travelers in Japan both in terms of foreign and domestic tourists. The exotic image that is

proliferating about Japan in long haul countries; the familiarity and the desire to experience the authentic by short haul countries; the world famous Japanese *anime* that help build this image; the technology imbued attractions that are capable of enhancing visitor experience; and motivational marketing strategies and advertising by formal institutions are the driving forces behind the large number of foreign visitors keen to visit Japan. Policy-related formal institutional strategies are also very much responsible for the large number of foreign tourists (especially Chinese tourists) visiting the country. While Asia is the region that sends the most number of tourists to Japan, Figure 6.4 shows that China is the largest source market from among all other Asian countries. The number of Chinese tourists visiting Japan between January and November 2014 saw an 82.2 percent YoY increase and thus in November 2014, the government of Japan further relaxed Visa requirements for Chinese tourists to encourage their visits⁷⁷. Chinese

⁷⁷ The Visa relaxation policy is as follows:

(1) Multiple-entry visa for applicants with a short-term business purpose, and for cultural or intellectual figures

The previous requirements, such as having records of travel to Japan or providing a letter of reference from a guarantor in Japan, will be abolished.

(2) Multiple-entry visas for individual tourists visiting Okinawa or one of the three prefectures in Tohoku

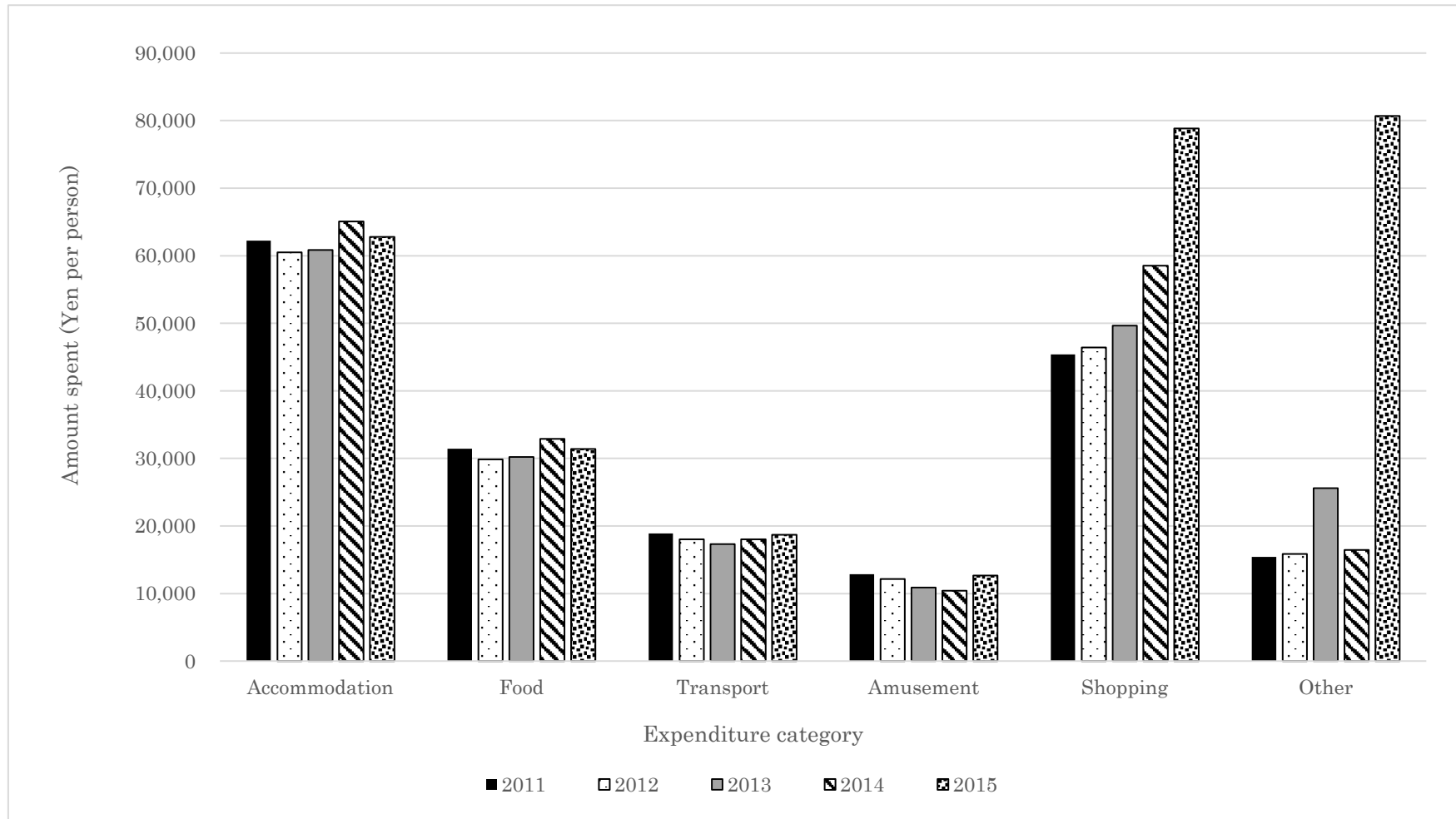
Previously, visas were given only to “applicants with sufficient financial capability and their families.” This financial requirement will be relaxed and multiple-entry visas will now be issued to “applicants with a certain level of financial capability and their families if applicants have a travel record as temporary visitor to Japan in the last three years.” Furthermore, the applicant’s family members, who have been hitherto not permitted to travel to Japan on their own, will be allowed to do so.

(3) Multiple-entry visas for individuals with substantially high incomes

Multiple-entry visas (valid for five years; the period of stay allowed for each visit is 90 days) will be issued to “applicants with substantially high incomes and their families.” (<http://www.mofa.go.jp>).

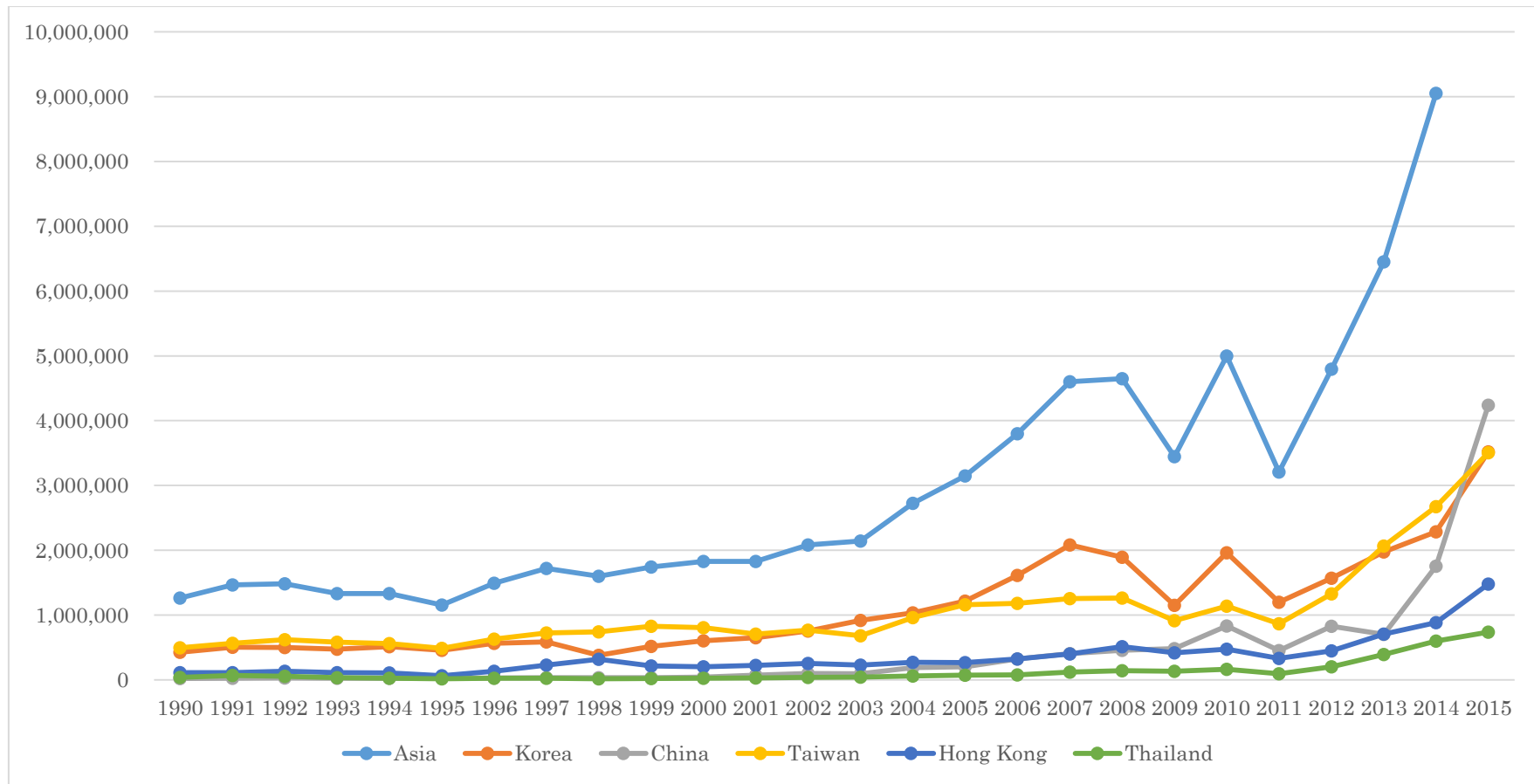
tourists are known for their shopping sprees in Japan known as *bakugai* in Japanese meaning explosive shopping. Sources indicate that about 40 percent of the Chinese visiting Japan spend between ¥ 100,000 and ¥ 400,000 irrespective of their level of income. It is also elaborated that “while Chinese represented 26.5 percent of all visitors from January to September 2015, their spending represented 45.4 percent, totaling over ¥ 1 trillion” (quoted in Kodera, 2016). Figure 6.4 also shows the patter of expenditure of foreign tourists in Japan between 2011 and 2015. This Figure shows that foreign tourists spend more on shopping, and that the YoY increase in foreign tourists’ expenditure on shopping and other needs and increased tremendously in 2015. The same year saw a reversing of the general pattern of decreasing expenditure in all expenditure categories mainly thanks to the depreciation of the Yen, making Japan a bargain destination.

Figure 6.4 The expenditure pattern of foreign tourists in Japan (2011-2015)



Source: Ministry of Land, Infrastructure, Transport and Tourism (MLITT), 2011-2015.

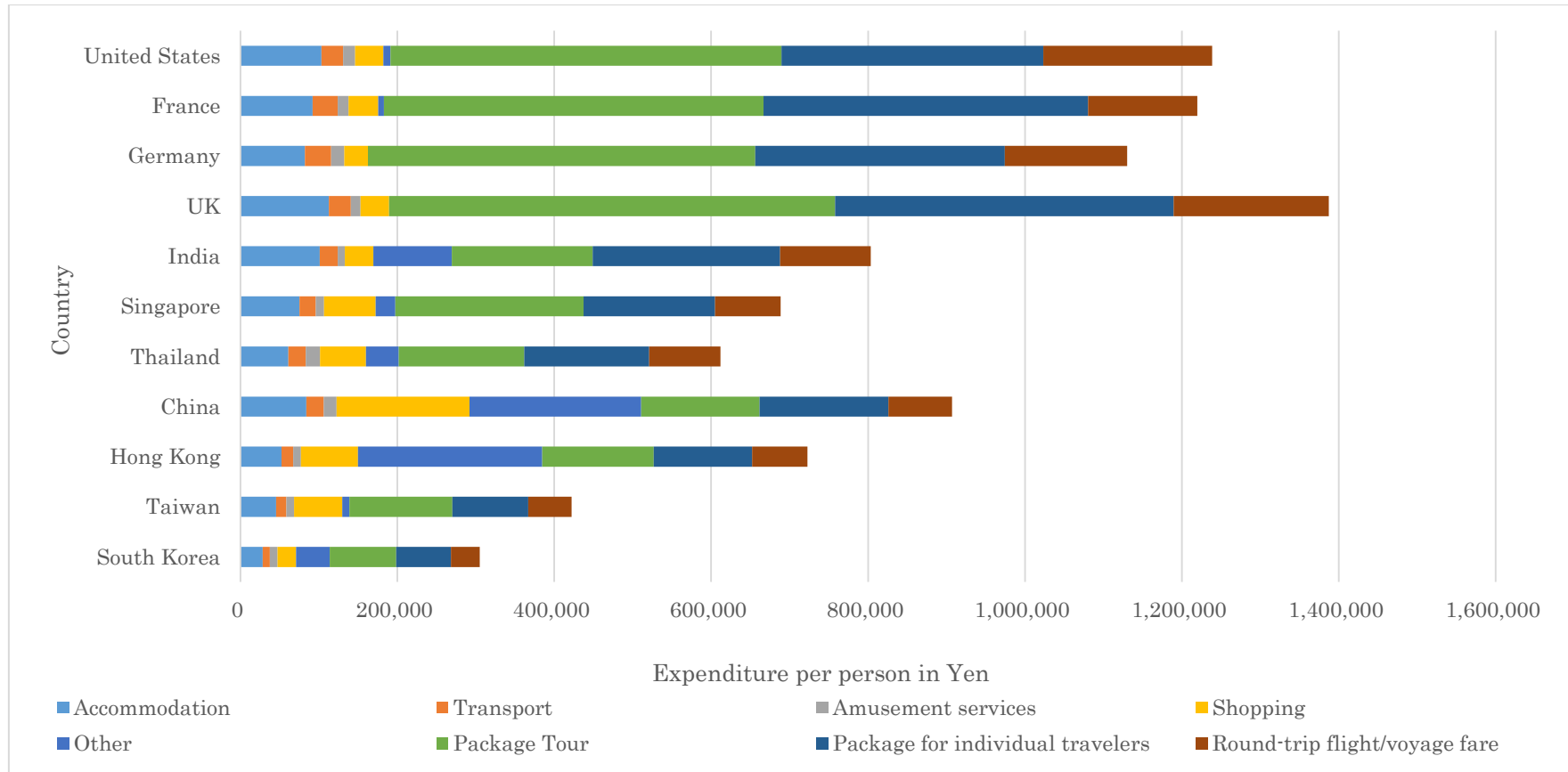
Figure 6.5 Top five tourist source markets to Japan (1990-2015)



Source: Japan National Tourism Organization (2016).

To further support the foregoing argument, data on Figure 6.6 shows that Chinese tourists are the biggest spenders in the shopping category. Even though the longer bars for long haul countries such as the UK, USA, France and Germany create an illusion of high expenditure per person, it could be argued that this is because they spend many times than short haul tourists on tour packages that includes a fairly expensive flight ticket. To recall the theoretical analysis of Chapter 1, the bulk tourist dollars spent on package tours do not even reach the destination. Even though it is important to reiterate that the money that leaks out of the host country is much smaller in developed countries like Japan due to the large tourism related MNCs that the country owns, it is still inevitable that some portion of this money leaks out anyway. Thus unlike tourists from these countries, Chinese tourists seem to be bringing direct and undisputed foreign currency into Japan through their shopping sprees.

Figure 6.6 Expenditure per tourist from selected countries to Japan in 2015



Source: Ministry of Land, Infrastructure, Transport and Tourism (MLITT), 2013 & 2014.

Table 6.3 Chinese tourists' shopping pattern in Japan (2015)

Shopping subcategory	Average amount per person (Yen)
Confectioneries	13,302
Other food, drink, alcohol & tobacco	16,464
Cameras, video cameras, watches	88,717
Consumer electronics (PC, audio, rice cookers, etc.)	57,266
Cosmetics, perfume	47,191
Medicine, health goods, toiletries	39,479
Japanese clothing (kimono), folk crafts	24,130
Western clothing, bags, shoes	66,160
Manga comics, anime, character merchandise	13,577
Books, picture postcards, CDs, DVDs	7,969
Other purchases	111,411

Source: Ministry of Land, Infrastructure, Transport and Tourism (MLITT), 2015.

As Table 6.3 shows, Chinese tourists spend mostly on 'other' items that include items such as baby diapers. Apart from this unspecified subcategory, Chinese tourists spend a large amount of money on purchasing cameras, video camera and wrist watches. Interestingly, many other countries such as Hong Kong and Singapore also spend most on the same category. This is mainly because of the very high quality of Japanese cameras, video cameras and also electronic items that cannot be purchased back in their home countries, even if these brands are available in their own market. Chinese tourists confess that first, the quality of items made in China for the Japanese market boast of much better quality than what is manufactured for the local Chinese people. This is because Japanese companies are very strict about the quality of the products. Not only do formal institutions enforce quality control rules very seriously, these rules are the result of Japanese informal institutions. Japanese culture places great value on precision and high quality finishing and professionalism, be it a an aircraft, automobile, television set, furniture, piece of clothing or even something as mundane as an *obento* (lunch box).

Second, what is manufactured for Japan will be sold in Japan, and will never be sold in the Chinese market.

In order to facilitate this excellent mode of foreign exchange earning, supermarkets, shops, department stores and other government and private sector institutions in Japan have introduced Chinese sign boards, Chinese helplines and volunteer translator services. Volunteer translators eagerly offering their services to Chinese tourists is quite a common sight in the shopping district of Fukuoka. Tax free shops, which aim to promote shopping among tourists are a common sight in even rural prefectures such as Saga. Unfortunately, duty free shops are confined to the Colombo International Airport in Sri Lanka. Observations suggest that some goods such as chocolates and clothes are even more expensive than in supermarkets and malls in the country. Moreover, duty free shops cater more to returning House Maids working in the Middle East who had saved a fraction of their hard earned money to buy household items such as washing machines, refrigerators and television sets. These items are symbols of luxury and economic prosperity to this category of local people. Thus most of such duty free shops are clustered in the Arrivals lounge instead of the Departure lounge due to this reason. During the field survey, the researcher met foreign tourists who were baffled by the reversal of this order, and also taken aback by the washing machines and refrigerators that greeted them when they set foot in Sri Lanka for the first time. They had taken photographs of this strange phenomenon that they had never seen in any other country.

There are also numerous other strategies that are in place to encourage foreign tourists. Given the fact that according to foreign tourists, the biggest drawback of travelling in Japan is the lack of Wi-Fi facilities, and also the fact that many FITs rely on the internet,

social media and mobile applications for information, the Japan Tourism Agency launched a programme that promoted the use of SIM cards and mobile Wi-Fi routers that become most useful in rural areas that do not have free Wi-Fi hotspots. By providing such facilities, the destination is not only facilitating travelers to obtain information but also send information to other potential travelers as these travelers post their experiences on internet travel blogs, feedback pages on service sites and social media (quoted in Kodera, 2016). Thus customers (tourists) themselves become marketing and advertising agents for the destination.

Railway companies, bus companies, Airlines, accommodation facilities, souvenir shops and tourist attractions are all horizontally and vertically integrated to offer coordinated and efficient services. Such integration has enabled these companies to come up with campaigns, discounts and pass-tickets⁷⁸ and freebies⁷⁹ for customers. Thus it could be observed that tourism related policies by the government, private sector enterprises and the general community are all in chorus with the national goal of developing the tourism sector.

⁷⁸ In the case of Sri Lanka, the famous Cultural Triangle ticket that allowed access to World Heritage designated sites that fell into a triangular shaped area such as Kandy, Anuradhapura, Polonnaruwa, Sigiriya and Dambulla, was abolished and tourists are now required to buy separate tickets to Anuradhapura, Polonnaruwa and Sigiriya. This unwelcome gesture increases tourists' cost by about \$ 30.

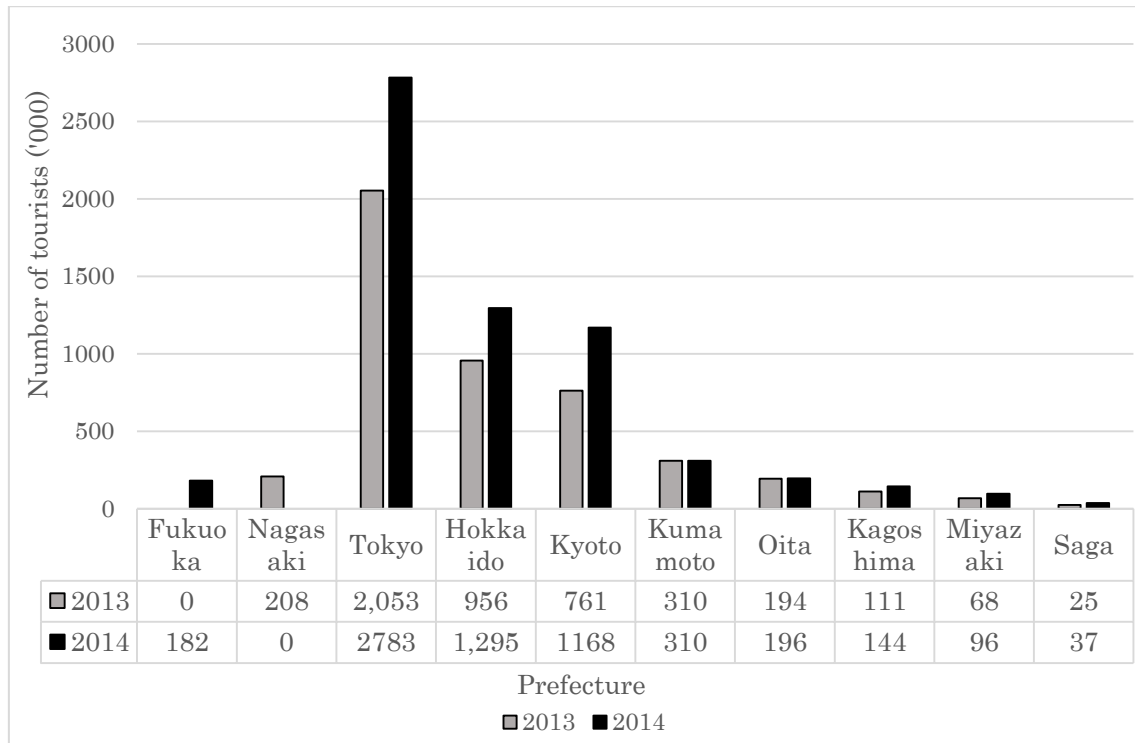
⁷⁹ Freebies for tourists in Japan undoubtedly reach the target group, whether they travel in groups or as FITs. According to personal experience, samples, freebies and complimentary souvenirs reach the tourists through their tour guide who makes sure that everyone on his/ her tour bus receives these goodies. In Sri Lanka on the contrary, the tour guide receives handsome commissions from the businesses where he takes the tourists. Most tour guides would also keep whatever free goodies if there are any, especially if he is not attached to a formal tour agent.

III. The impact of informal institutions on tourism development: the experience of the Saga Prefecture

Despite Japan's growing popularity as a tourist destination, some prefectures in the country are hardly even known among domestic tourists, let alone foreign tourists. Saga prefecture thus appeared at the top of the list of "Prefectures that you will probably never visit for the rest of your life" (quoted in Kodera, 2016 & Shiga, 2015). Kodera explains that this information was gathered from an internet poll conducted in March 2015 on 500 Japanese respondents on behalf of the *Freshers Web Magazine*. The poll had also revealed that the most quoted reasons for its unpopularity are the lack of famous tourist attractions and its inconvenient location for travelers. As Figure 6.7 shows, Saga has been the least popular destination among the seven prefectures in the Kyushu⁸⁰ Island and Japan as a whole. In real numbers, there were only 25,000 foreign tourists to Saga in 2013 and 37,000 in 2014. For the year 2014, this represented only a little over one percent of the tourist numbers attracted by the most popular prefecture of Tokyo. Further, it was only 11 percent of the total number of foreign tourists that visited Kumamoto in the same year. Data for 2014 for all 47 prefectures in Japan sorted according to the descending order shows that Saga ranked at the 12th level from the bottom. Only foreign tourists who arrived in these prefectures for the purpose of touring and sightseeing and stayed overnight were considered for the foregoing analysis.

⁸⁰ The Kyushu Island is the Southernmost island of the Japanese archipelago consisting of Nagasaki, Saga, Fukuoka, Oita, Kumamoto, Miyazaki and Kagoshima prefectures.

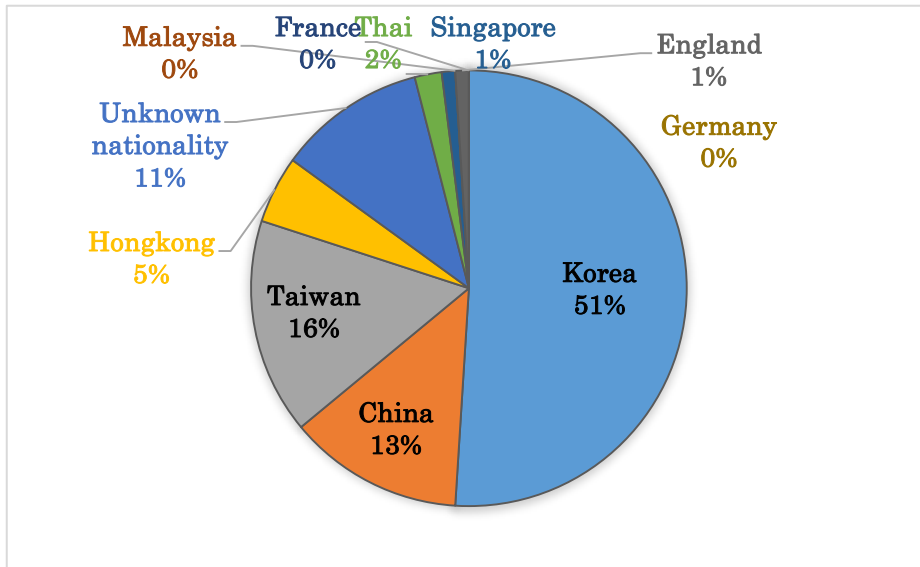
Figure 6.7 Foreign tourist arrivals ('000) to selected prefectures in Japan (2013-2014)



Source: Ministry of Land, Infrastructure, Transport and Tourism (MLITT), 2013 & 2014.

In 2014, most of the foreign tourists to Saga were South Koreans who consisted more than half of the foreign tourists (Figure 6.8). Taiwanese tourists consisted 16 percent while China consisted 13 percent, indicating that Saga is more popular among short haul tourists from among the immediate neighborhood. Long haul visitors from countries such as England, France and Germany are a negligible minority. The formal institutional interventions that encouraged such a pattern will be discussed later in this section.

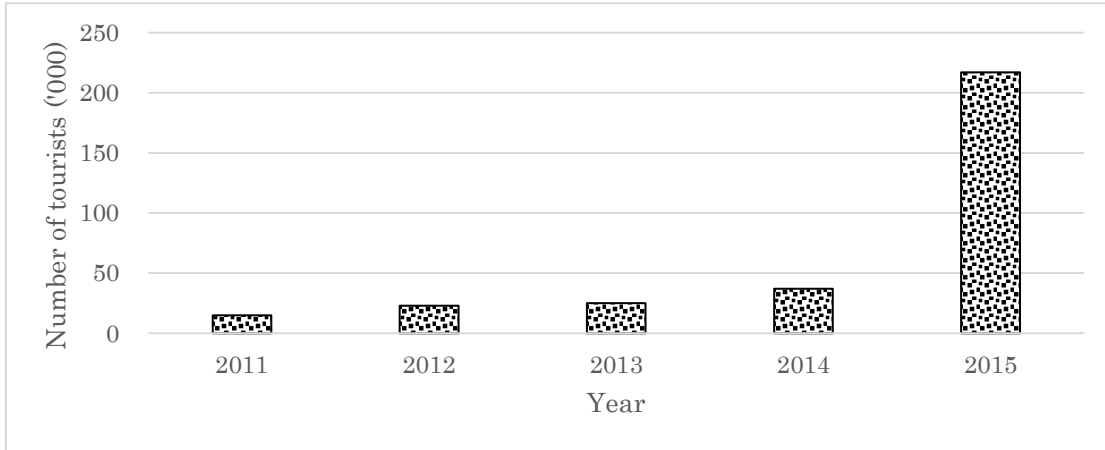
Figure 6.8 Foreign tourist arrivals to Saga Prefecture (2014)



Source: 佐賀県国際・観光部観光戦略グループ, 2016: 6.

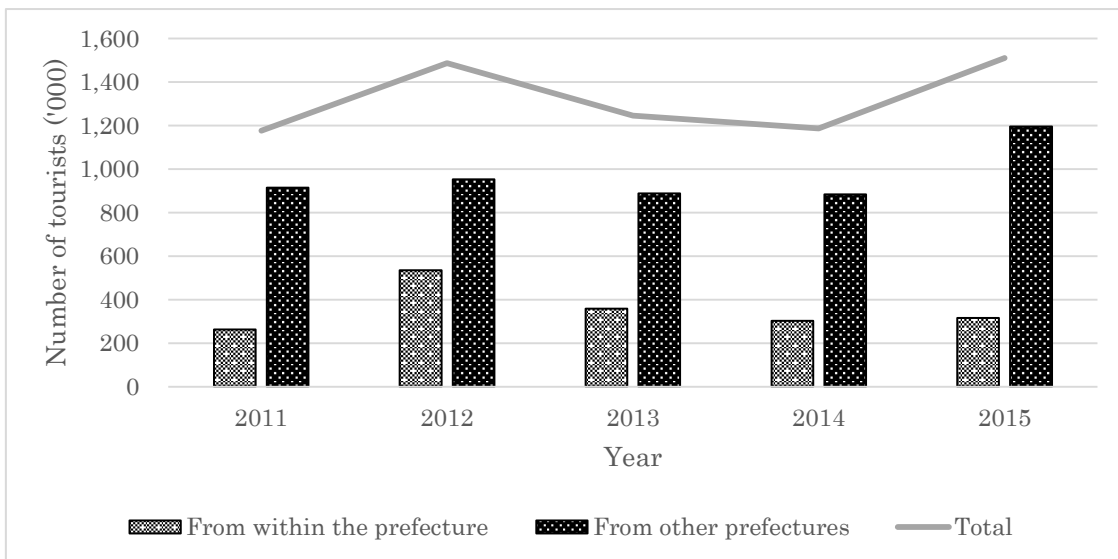
Despite the fact that less than five years ago, Saga was unlikely to make it to a Bucket List, recent statistics show that the Saga Prefecture is actually growing in popularity among tourists, both domestic and foreign as depicted in Figures 6.9 and 6.10. Accordingly, it is apparent that domestic tourists play a very important role in Saga prefecture as the number of overnight domestic visitors is about seven times that of foreign overnight tourists for 2015. As the number of day visitors is very high for domestic tourists and very low for foreign tourists, such an addition to the calculation will make the number of domestic tourists nearly 81 times that of foreign tourists for the year 2015.

Figure 6.9 Overnight foreign tourist arrivals ('000) to the Saga Prefecture (2011-2015)



Source: Ministry of Land, Infrastructure, Transport and Tourism (MLITT), 2011-2015.

Figure 6.10 Overnight domestic tourists ('000) to Saga Prefecture (2011-2015)

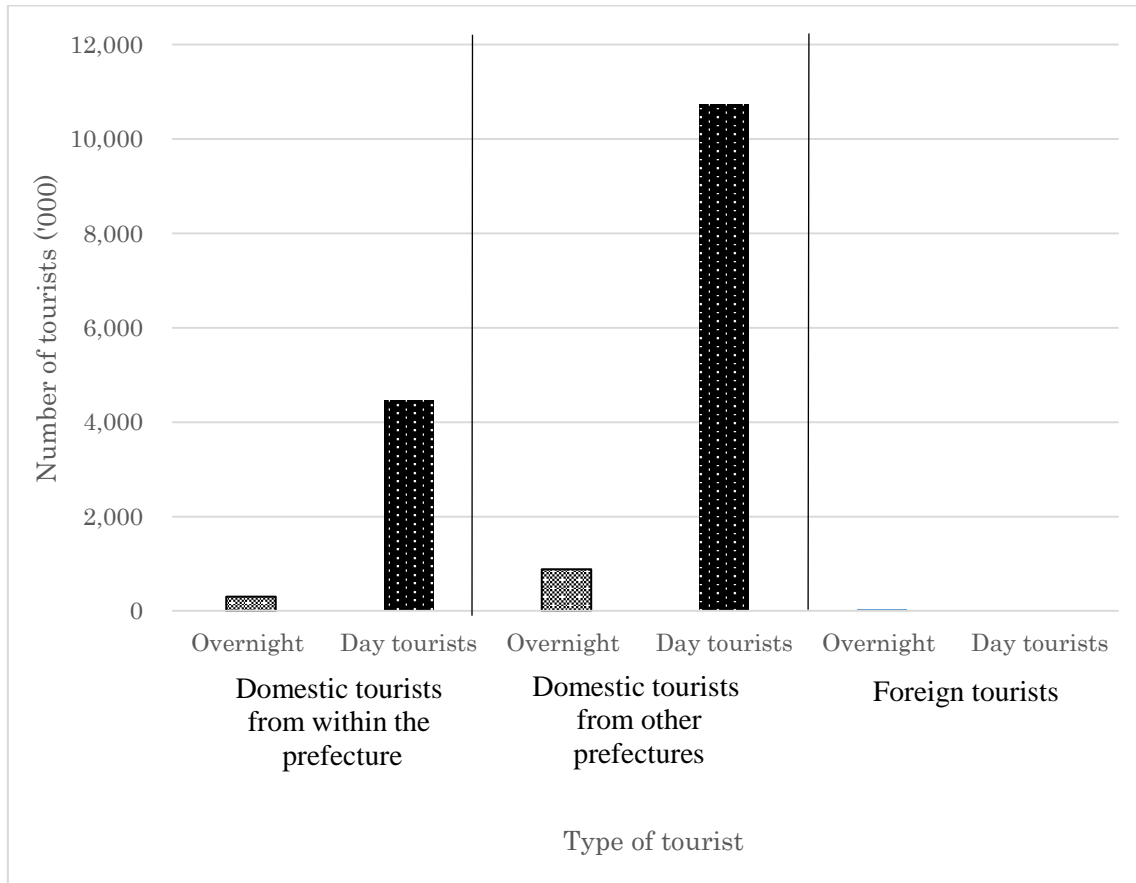


Source: Same as Figure 6.8.

Overnight visitors are likely to bring more revenue if they display typical tourist behavior and lodge in commercial lodging facilities. The problem with Saga is that there are more day visitors than overnight tourists especially in the case of domestic tourists as shown in Figure 6.11. Most tourists visit pass Saga on their way to other more popular destinations such as Nagasaki or Kumamoto, and they also prefer to lodge in Fukuoka

than Saga. Foreign overnight visitors were too small even to make an appearance on the Figure (37,000 foreign tourists).

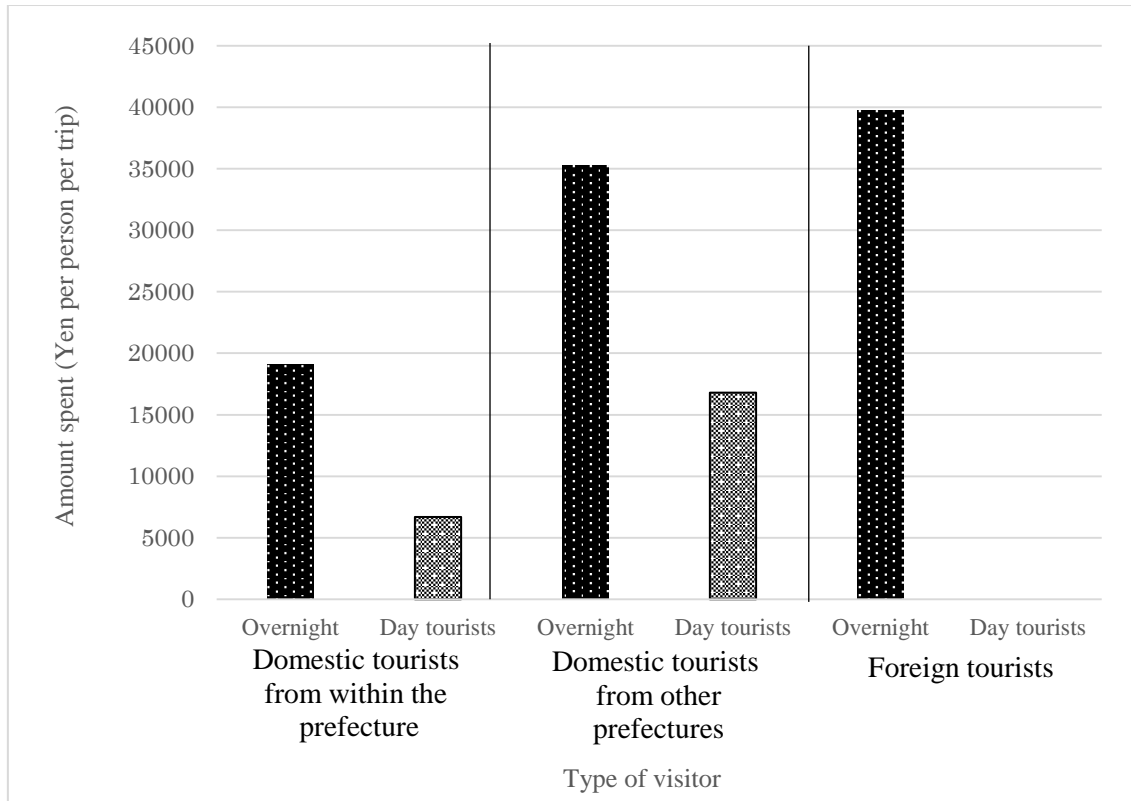
Figure 6.11 The number of overnight tourists and day tourists to Saga Prefecture in 2014



Source: Ministry of Land, Infrastructure, Transport and Tourism (MLITT), 2014..

Given this trend of low overnight tourists, as Figure 6.12 exemplifies, foreign tourists visiting Saga had spent more than domestic tourists, but their number is too small to make an impact. Thus even though a foreign overnight tourist may have spent about ¥ 39768 in average in Saga, a domestic overnight tourist from an outside prefecture not only had spent nearly as much (¥ 35237), but their number was also very large for the given year (1195,000 tourists) to overshadow the foreign spending.

Figure 6.12 Expenditure by domestic and foreign tourists in Saga Prefecture (2014)



Source: Same as Figure 6.10

It could be argued that even though the growth in tourist arrivals has not been strong enough to challenge any of the other prefectures, much of the improvement is due to successful formal institutional intervention and its far sighted approach to empower the host community and ensure their participation in tourism related activities.

First, the Prefectural authorities work at the prefectural level to attract more domestic and foreign tourists to Saga prefecture. One of the oft-quoted examples includes government officials' strategy to offer locations in Saga to film producers in potential source countries. This strategy worked well with Thais as three movies were shot in Karatsu, Yutoku Inari Shrine and several other areas in the locality. Following this masterful strategy, the number of Thai tourists increased from a mere handful to 5000

tourists in 2014 and 12,000 in 2015 (Table 6.4). Not only does a movie play the role of advertising for the location by creating awareness, it also motivates people to actually stand on the soil where their favorite movie stars have been, and a movie promotes a kind of fantasy to actually see the place for themselves. The key informant interview with an Officer in the Saga City Tourism Promotion Bureau, Natsuaki Toshio revealed that the participation of the private sector is also significant in tourism promotion for Saga prefecture. To quote one example, representatives of the Washington Hotel in the Saga City actually visit Taiwan to promote their hotel. Representatives from this hotel visit the Fukuoka airport to meet their foreign guests and escort them to their hotel in Saga.

Table 6.4 The increase of Thai tourists to the Saga Prefecture (2012-2015)

Year	Thai tourists to Saga ('000)
2012	1
2013	0
2014	5
2015	12

Source: Same as Figure 6.8.

The Saga Prefectural Tourism Federation also introduced a travel support system known as Doganshitato (meaning “may I help you?” in Saga dialect) especially targeting foreign tourists arriving in the Saga Prefecture. The travel support system consists of a website, a smartphone/ tablet application, a 24/7 direct hotline and an internet calling system (via Skype). All services are free of charge, and are available in 12 foreign languages

including English, French, Korean, German, Chinese, Italian, Thai, Spanish, Vietnamese, Portuguese, Indonesian and Russian. The travel support system assists foreign tourists in a number of ways such as providing information on tourist attractions, goods and services such as accommodation, gourmet, shopping, etc; helping tourists communicate with the local people of Saga; and even three-way calling (<http://saga-travelsupport.com/spa.html>).

The Prefectural government has also introduced free Wi-Fi facilities in most places as they have recognized its importance as explained in the foregoing section. The private sector has also joined in the feat by providing free Wi-Fi facilities at hotels and private establishments for their guests.

As the great Kumamoto Earthquake in April 2016 marked a sharp dip in tourist arrivals to the Kyushu Island, Saga was also took the brunt of the disaster. Saga has been only an add-on location on many itineraries instead of being a destination itself, and when the most popular tourist attractions such as Kumamoto and Oita were hit by disaster, the formal institutions were very much aware of the fact that Saga would naturally be dropped off people's travel plans. Thus the prefecture launched on a special promotional campaign to lure tourists to Saga. Tourists arriving at the Saga International Airport by Spring Air or T'Way Airlines and spending at least one night in Saga receive a discount of ¥ 3000 if they make the booking through a travel agent. The discounted fee of ¥ 3000 will be paid to the Travel Agent by the Prefectural government in order to prevent a loss to the private sector. All prefectural governments in the Kyushu Island also launched the collective Visit Kyushu campaign in which tourists are eligible to receive discounts up to 50 percent from their accommodation travel packages to the most affected

Kumamoto and Oita prefectures and up to 40 percent discounts from accommodation travel packages to Fukuoka, Saga, Miyazaki and Kagoshima. The packages will have to be purchased through online agents and between July and December, 2016 (<http://www.kyushu-campaign.com/>). In the immediate aftermath of the disaster, there were tourist attractions where tourists could enter for half the usual entrance fee. This example throws light on the second driving force of the tourism industry: coordination, integration and cooperation between the government and private sectors. Not only do various government institutions cooperate with each other but also the private sector also joins the mission and works as a group towards achieving the common goal of increasing tourists. The working culture of these Japanese institutions is such that employees follow a given plan without questioning its various aspects. On the contrary, Chapter 5 exemplified how various government institutions do not have an integrated system to grant permits to new tourism projects in Sri Lanka. Also in Sri Lanka, workers abuse the freedom of expression to analyze and criticize various aspects of a given plan. The ultimate consequence of this working culture is that much of the work in formal institutions do not progress. In countless incidences, the system becomes completely crippled due to worker strikes. Chapter 4 and 5 also showed how excessive democracy and concern about human rights in Sri Lanka could ironically be damaging to the democratic rights of a majority. This represents an autosarcophagous system.

The example of Saga Prefecture also shows how different stakeholders cluster under the umbrella of Destination Management Organizations (DMOs) to facilitate tourists in a mutually benefiting trade off. In other words, cooperation and integration actually has created a win-win situation to all stake-holders. In the Saga prefecture, not only

prefectural and city tourism associations, but also private stakeholders such as the accommodation sector, shopping facilities, restaurants, travel agents and the transport subsector, and also the host community has been successfully blended in to one single symbiotic system. At the center of this system stands the tourist, catering to whom is the common goal of all the aforementioned stakeholders. Organizing goods and service providers under a DMO makes it easier for the tourist to make reservations, make payments, purchase goods and services and may also let him/ her enjoy bonus goods and services that such an integration allows. *Doganshitato*, as explained before is an example for the positive outcome of effective DMOs.

Tourism development in Saga is also indebted to the role of the informal institutions. According to the information gathered through key-informant interviews with an Officer in the Saga City Tourism Promotion Bureau and a Volunteer Tourist Guide, this could be explained in terms of five factors:

1. Japanese people inherit hospitality from their culture
2. Community participation in tourism is in a healthy state
3. This participation is driven by a sense of ownership
4. The local people are empowered
5. Decision-making takes the bottom-up approach.

First, Japanese people learn hospitality from their culture. There probably exists no other culture in this world that sustains such politeness to other human beings. However the irony is that they treat guests with their best hospitality because they care more about themselves (i.e. the collective image of Japan and Japanese people) than about the guest. In other words, the Japanese culture has inculcated a sense of obligation and responsibility

in its people's minds to make sure that a guest is kept happy and satisfied while under their care. Saga, being a rather remote area with a large elderly population who still value their traditions is an ideal place to experience true Japanese hospitality. Personal experience stands testimony to the fact that total strangers in Saga usually ask foreigners if they are enjoying their stay; whether people in Saga are kind; and even vehemently apologize for other people's faults or mistakes. This has actually worked in favor of the tourism industry in Saga, as the general understanding about the Prefecture among foreigners is that it is a safe destination where even a lone woman can walk the night streets without being harassed. Foreign tourists also perceive the local people in Saga as friendly, kind and helpful to the extent that they might abandon their evening walk to help a lost tourist find his/ her way. This shows that these informal institutions have helped build a strong trust about the destination and its host community.

Local people do not harbor any animosity or resentment towards tourists. Instead, they are keen to interact with tourists and some locals even think that having foreign friends is something to show off. Even though White preference is not absent, this is rarely manifested in discriminative treatment of tourists of other races. In formal institutions, training and education has inculcated professionalism in their workers in order for them to treat all races equally. The general public refrain from displaying any discriminative attitude towards different races of tourists because of their ingrained sense of hospitality.

As the local people's inherent hospitality is an asset to develop tourism, it is imbued in the title cum slogan of the Saga Travel Support application *Doganshitato*. As the direct translation means "What's the matter?" in Saga dialect, it is resonant of local people's tendency to be concerned about people who look like they could use some help. Tourists

can rest assured that one is safe from pickpocketing, cheating at shops/ malls/ taxis, stalking, ogling, or forced purchasing in Saga because of the cultural values that people strictly adhere to. Any violation of these values (especially towards a tourist) will be punished by social ostracism, which is something that local people fear more than fetters.

Second, community participation in tourism activities remains at a very healthy level in Saga compared to Sri Lanka. Local people in Saga have access to tourism related activities both as individuals and small/ medium enterprises such as souvenir shops, cottage industries, lodging facilities (homestays, inns and guesthouses), goods-suppliers and restaurants. While the second form of participation is found in almost all countries, the first form, i.e. the participation of local people in events and projects as individuals is worthy of further analysis. This level of participation is achieved mainly through transparent systems of dissemination of information. While in Sri Lanka, information is expensive, creating an institutional barrier that increases the transaction cost for both the tourist and the host at the grassroots level⁸¹. When the Annual Hot Air Balloon Festival takes place in Saga in October/ November, applications are called from local people to participate as volunteers in charge of responsibilities such as garbage collection, traffic and crowd control, manning public booths, making arrangements at the launch site etc. The application process is free and very much transparent through the internet and

⁸¹ It is imperative to note that in Sri Lanka, tourist information is not disseminated effectively. Unmanned information booths, reluctant desk clerks, incomplete or outdated information or having to pay to obtain information are common in Sri Lanka. Even tourism data is treated like federal secrets by government institutions, which leaves the local people in total darkness. The Airport Survey Statistics in Sri Lanka is an expensive piece of work that could be bought only at the SLTDA for Rs. 3200. Much more detailed accounts on the Japanese tourism industry could be downloaded for free from their official websites in both Japanese and English languages.

other formal institutions such as Universities and schools. The Karatsu Kunchi Festival attracts thousands of domestic and foreign tourists during when local people enjoy offering free food and drink for tourists visiting their area. When the Annual Hina Matsuri (Dolls' Festival) takes place in February/ March, the local people open up their shops and houses and proudly display their dolls. During this time, the local people voluntarily clean up the streets (especially the Nagasaki Sugar Road that curves within the Saga city) in a gesture of cooperation. It is important to mention that cleaning up the neighborhood is done regularly by the local residents of the area themselves, regardless of whether there are any touristic events, as it is promoted as part of the Japanese culture.

The participation of local people in public activities and events is very much the result of the culture imparting a sense of ownership to its people. This sense of ownership makes people act with responsibility towards their area/ country or other people. This is also one of the most effective ways of minimizing free riding. In Japan, people cooperate with public events such as festivals or keeping the area clean because people feel that they belong to the society and the society belongs to them. In other words, the culture nourishes the local Japanese people's sense of 'duty' towards others. Thus where everybody does their duty by the others, everybody's rights including one's own rights are secured. On the contrary in Sri Lanka, the local culture promotes the sense of 'rights' that applies to one's self. This is probably why as discussed in Chapter 5, people do not think of cleaning even one's own neighborhood as a one's duty but a clean neighborhood/ public places are one's birthright to be fulfilled by others; specifically formal institutions. The key informant interview with a volunteer Tour Guide in Saga revealed that a

volunteer tour guide receives only a meager payment of about ¥ 430 for an entire day of work that consists of about 6-8 working hours. Becoming a tour guide (professional or otherwise) is also a painstaking feat as it requires many years of studying and examinations to obtain the license. This shows that Japanese volunteer tour guides are not exactly attracted for the economic benefits that tourism may offer. According to the key informant:

“It is not the money that matters. What matters is the satisfaction that comes from one’s ability to help others and make them happy. Japanese people derive great pleasure from making others happy” (Iyadomi Kazue, Volunteer Tour Guide).

This trend is completely different from the Sri Lankan system where community participation in tourism activities cannot be promoted unless economic benefits accrue to the participants as shown in Chapter 5. Another feature of this cultural trait is that not only the local people, but also government officers and private sector officers also participate in all levels of a task. For example at a street cleaning campaign prior to the *Hina Matsuri*, government officers, private sector stakeholders and local people in the area are seen working together to achieve the common goal. This again is in complete opposition to the Sri Lankan style of achieving tasks. Government sector officers and private sector employees in Sri Lanka are considered to be doing White Collar jobs that vest them with the privilege of just sitting comfortably in a shady spot, chatting with colleagues and giving orders to inferiors so not to soil their ‘white collars’.

Fourthly, local people in Saga (and Japan as a whole) are empowered enough to influence the government and private sector decisions. In other words, informal institutions are

powerful enough to influence the functioning of formal institutions to a favorable direction. Unlike in Sri Lanka where the grassroots level was unaware of the extent of tourism activities taking place in their area, or new tourism projects/ their effects or how they could participate in these projects, the key informant interview with the Officer from the Saga City Tourism Promotion Bureau revealed that such lack of transparency will not be tolerated by the local people in Saga. An English translation of his explanation of this matter is as follows:

“Before the advent of a new tourism project, the matter will have to be discussed in a meeting that will see the participation of government officers (such as those from Prefectural and City tourism promotional organizations), the private sector and representatives of the local community such as the *jichikaicho*⁸². This meeting is known as a *setsumeikai* where all facets of the project in question will be explained and questions answered. This is the first step in any project regardless of its scale. Thus whether it is the Balloon Festival or the building of the Balloon Museum in the middle of Saga City, this *setsumeikai* is the stepping stone. Of course there are many local people who do not agree with proposed tourism plans. Here we have a mechanism to allow anybody to voice their opinion, question our tourism plans (or any

⁸² *Jichikaicho* is the representative of a given community that that consists of several households in a given neighborhood. The term suggests that he is a community leader, and his role is to organize the community for common tasks, keep the community informed on matters and be the representative of the community where necessary. Observations suggest that Japanese *jichikaichos* certainly do not act like bosses, but like role models to their communities. They take their responsibilities very seriously and mete out their duties clearly out of this sense of ownership and not because this position entails any economic benefits.

development plan for that matter) or oppose them. Most of the time, opposition springs from misunderstanding or lack of clear knowledge about the project. So we thank them for their opinions and explain the benefits of the project to the community. We, as government servants are incumbent of ourselves to respond to all such inquiries/ opinions through mail, telephone, post or face to face as it applies. Most of the time we are able to convince them. However if there is mass opposition against a proposed tourism project, the formal institutions will have to abandon the idea altogether. The people's voice is not something to be disregarded in Japan" (Natsuaki Toshio, 主査, Saga City Tourism Promotion Bureau).

Finally, tourism planning and development in Saga (and Japan as a whole) adheres to the bottom-up approach. At first sight the Japanese bureaucracy may look like a top-down system where orders come from the upper echelons in the pyramid and people in the lower rungs simply do as they are told. In reality however, it could be safely argued that the Japanese bureaucratic approach to tourism decision making takes the bottom-up approach. Even though tourism projects will principally have to be approved by the 34 senators led by the **Mayor** of the prefectural government known as the Congress due to budget and financial implications, the actual ideas of these projects spring from the workers in the government and private sector. These people come up with ideas, make plans, and upon receiving the due financial assistance after approval from the Congress, implement the projects and monitor them without being interrupted by politically motivated selfishness

like in Sri Lanka as explained in the foregoing chapters⁸³.

The most important feature of this system is that ‘the plan’ includes clear written rules and regulations about how to carry out the project, which enables successive generations to follow it with ease. In other words, a plan is usually formalized. The Japanese culture is also an epitome of successful adaptation, and this could be observed in tourism projects as well. For example, they do not hesitate to change these rules and regulations as circumstances change, or new situations arise because they have their eyes fixed on the original goal and they know how to steer their way through obstacles through adapting to situations. This quality sees progressive improvements made to tourism goods and services in Saga. New bus services to destinations, new parking facilities, newly introduced free Wi-Fi facilities, addition of more languages to tourist support services etc. are all results of this constant vigilance to spot weaknesses in the system and adaptation of the system to accommodate the needs of both the local people and the tourists.

IV. Concluding remarks

This chapter examines first the trends of Japanese tourism indices and then that of the

⁸³ Unlike in Sri Lanka, Japanese politicians do not wield unrestrained power over the bureaucratic system. Neither are politicians treated like kings. This is very much apparent during the election times in the Saga prefecture when political candidates mount a temporary elevation at perhaps a road-junction and deliver speeches and wave their hands eagerly to totally unconcerned passersby. This is strangely the polar opposite of an election campaign in Sri Lanka where people throng in their thousands to express their support to political candidates; campaign posters are splashed all over public property such as buses, parapet walls, buildings and even tree trunks; and opposition groups kill each other in shooting sprees.

The Japanese system, especially their bureaucratic appointment system is free from nepotism, which ensures that leaders are *yosomono* (people from ‘outside’ or those not in the same circle as the previous leader). Accordingly, successive leaders cannot make the bureaucratic system a family hegemony. In other words, bureaucracy is a separate entity from politics.

Saga prefecture to understand how they have changed/ improved over the years. The main aim of the chapter was to obtain lessons and good practices (where applicable) for Sri Lanka from the Japanese approach to the tourism industry. The analysis suggested that tourism indices in Japan and Saga stand testimony to the resilience that the Japanese culture has vested in its people. Soon after the bleakest of disasters, tourism indices in the country (and the prefecture under study) have risen from the ashes first due to formal institutional interventions; secondly due to informal institutions and last, but certainly not in least, the successful interaction of these two institutions. The chapter showed how government institutions, the private sector and the regional community in Saga participate in harmony in tourism projects in all of the planning, approval, implementation and monitoring stages that has resulted in a synergy that is capable of propelling the industry forward by catering to the needs of tourists better. The relative overemphasis on domestic tourists is also a longsighted move that Sri Lanka could adopt to cushion any dips or falls in foreign tourist arrivals.

The chapter also showed that Japanese cultural values such as hospitality towards guests, politeness towards others, sense of responsibility and obligation, sense of ownership and equality (non-discriminative treatment of domestic and foreign tourists or different races of foreign tourists) are highly favorable to developing the hospitality industry in the prefecture. These cultural values are perpetuated through the formal education system starting from *hoikuen* (nursery/ daycare) and enforced through deep sense of fear for social sanctions such as ostracism for deviance. Such values has helped Saga become a safe destination with a kind, helpful and trustworthy host community.

The chapter also showed that informal institutions in the prefecture are very much

empowered to influence the functioning of the government formal institutions. Local people not only participate in tourism related activities in their areas, but they also participate in the decision making process and monitoring phase. Such an outcome is made possible by the bottom-up approach in the tourism industry. The bottom-up approach is feasible in the Japanese society because their bureaucratic system is free from the reigns of politicization and nepotism unlike in Sri Lanka.

Chapter 7

Summary and Conclusion

Tourism emerged as a major strategy for economic development around the globe in the recent past. It has been proven as a very effective approach in both developing and developed countries to achieve key economic requirements such as earning foreign exchange, creating employment opportunities, stimulating backward linkages and multiplier effects. Tourism is currently the third largest export earner in the world, with an approximate earning of \$1522 billion in value and next only to fuels (\$3068 billion) and chemicals (\$2054 billion) in 2015. Tourism also makes 9.8 percent of the global GDP, and one in 11 jobs in the world is in the tourism sector. This suggests that 284 million people in the world are employed in the tourism sector. The potentials of this fast growing sector to foster economic growth has been recognized by the 70th United Nations General Assembly held in September 2015, and tourism thus appears on the 8th, 12th and 14th Sustainable Development Goals (SDGs) adopted at this Assembly.

Certain distinctive characters of the tourism industry has made it a very effective strategy especially for developing countries. These characteristics include its tendency to redistribute wealth from rich to poor countries; its labor intensive nature; its ability to use free natural resources which enables certain tourism related enterprises to be initiated at a relatively low cost compared to capital intensive industries, and non-existence of tourism trade barriers. Also, for most developing countries attempting to reap benefits of tourism, the fact that tourism is not technologically daunting has been quite a blessing, which has seen an ever increasing number of developing countries hopping on the tourism bandwagon.

Despite the fact that the wealthy and developed region of Europe continued to top the list as the number one host region in 2015, welcoming 51 percent of the world's tourist traffic (609 million tourists), Asia and the Pacific recorded a growth rate of five percent in tourist arrivals and UNWTO projections indicate that this region displays potentials for much stronger growth in the future, overshadowing that of Europe and Americas.

Sri Lanka could use for economic development only after been given independence in 1948 as economic development of the subjects or using tourism for such a purpose was not in the agenda of the British colonial masters. Tourism was a neglected sector during the colonial period, meaning that its limited use was only to facilitate the colonial masters, their families, or trade that accrued profits for the colonial masters themselves and not so much as a vehicle of economic development of the country. Therefore after independence, the entire system was revamped with the aim of attracting greater numbers of tourists.

Data for the year 2015 indicate that Sri Lanka received 1,798,380 tourists and tourist receipts reached \$2,981, an increase of over 22 percent than the previous year. The direct contribution of tourism to the GDP was 4.6 percent, while the total contribution was 10.6 percent. By 2015, 4.2 percent of the total employed labor force was engaged directly in the tourism sector, while the total contribution of tourism to employment was 9.7 percent, indicating immense economic opportunities fostered by tourism for Sri Lanka. However WTTC world ranking shows that Sri Lanka is far behind most other countries in Asia in terms of tourism indices. Some high performing Asian countries have significantly fewer resources than Sri Lanka. The country stands at the 62nd place in terms of travel and tourism's direct contribution to GDP and 43rd place in terms of its

direct contribution to employment to site just a few.

This is a rather perplexing situation as economic and business theory suggest that countries blessed with natural resources and a large body of human resources have a competitive advantage over those who do not. As tourism indicators of Sri Lanka suggest that this is not always the case, this study commenced with the hypothesis that there are other variables that influence the performance of the tourism sector in a destination, and that this in return can have an impact on how tourism can propel economic growth of the country. This hypothesis also challenged the popular tourism economic theory that income of visitors and prices in the destination are the main determinants of tourism-related decision-making by travelers. In concrete terms, the study aimed to test the impact of informal institutions on tourism development in Sri Lanka. It used comparisons with Japan to support the validity of this argument.

Institutions are literally initiated to facilitate the process of adaptation of the destination to various tourist needs and changing circumstances. Thus countries and destinations resorting to the very lucrative industry of tourism have sought to introduce various institutions operating as vehicles to reach the full plethora of benefits that tourism has to offer. Also, given the fact that tourism is vulnerable to internal and external conditions, institutions are initiated to buffer the effect of unfavorable internal or external factors and exploit the favorable. In sum, institutions operate as an adaptive force to highly fluctuating conditions of both the demand and supply sides, addressing internal and external conditions in the process.

While destinations inevitably focus on formal institutions such as government and private sector organizations and their rules regulations and policies (such as visa procedures,

accommodation, transport, restaurant, health and security facilities, and attractions subsectors), there has been a rising tendency to recognize the importance of informal institutions in the hospitality industry as it is argued that informal institutions determine the 'spirit of hospitality' by enhancing the richness of a tourist's experience in a destination. Informal institutions include the norms, values, beliefs, attitudes of the local people, their participation in tourism activities and the level of empowerment of the grassroots level people. In other words, formal institutions concentrate on 'doing the right things' such as providing tourism goods and services to tourists, and striving to minimize the negative effects of tourism on the economy, society and environment. On the other hand, informal institutions concentrate on 'doing things right' which affects the quality of the tourism product of a destination; how they are delivered to tourists and assures a rich experience of hospitality for a tourist at a destination culture.

The study developed an analytical framework that discusses the interaction and interdependence of formal and informal institutions and how they operate to affect tourism goods and services of the country. It argues that how tourist goods and services are offered affect tourist arrivals and in return, how various benefits of the tourism sector are enjoyed by various stakeholders in the destination. Formal and informal institutions (especially informal institutions) also affect how negative impacts of tourism are dealt with by a destination. This is very important to ensure a sustainable tourism industry, which is also one strategy for economic development of the country.

The study showed that the overemphasis of formal institutions and underplaying of informal institutions are the main causes of the relative low performance of the tourism sector in the country. First, study points out that even though certain policies and formal

mechanisms seemed favorable for the development of the tourism sector, they actually favored large elite groups or MNCs in the long run, and barely favor small and medium enterprises of local ownership. One example was the introduction of the One Stop Unit by the SLTDA which claims to assist investors from the proposal stage of a tourism project until its implementation. However the study showed that in reality, this system favors only large local investors and foreign investors with a large capital. Small and medium tourism enterprises of the local people do not even qualify to obtain help from this mechanism. On the other hand most SMEs are not even registered with the SLTDA because they cannot not meet the high standards recommended by this institution. Such drawbacks as well as the cumbersome paperwork and lack of transparency and information has made obtaining permits for a new tourism business a painstaking and tardy Herculean task.

The study realized that the main reason for this is the lack of coordination and vertical/horizontal integration of government institutions, private sector institutions and the local community. Taking examples from the tourism industry in Japan, the study showed how cooperation between these three sectors can actually create a synergy that can produce a win-win situation for all stakeholders including tourists. Many incentives are made possible due to this synergy unlike in Sri Lanka where tourism subsectors are not integrated to produce even a bus time table that synchronizes with that of the trains.

One of the most important findings of the research was that despite being a conspicuous strategy for economic development, tourism was not integrated with the mainstream economic development of Sri Lanka. Both the surveys pointed out that despite having a wealth of natural resources some areas of the country do not even have basic facilities

for tourists such as restaurants, accommodation facilities and public toilet facilities. Tourists drew attention to the fact that while the capital city of Colombo was far superior in terms of infrastructure, other areas such as the Eastern coast and the Northern areas are still in need of development. Moreover, some of the access roads to Kitulgala are not motorable; Arugambay has a severe dearth of accommodation facilities that during the peak season tourists pay for mat space on the beach. Yet much of the development takes place in Colombo, the suburbs, and a few other cities such as Kandy and Galle. Especially Colombo sees the addition of new expressways, roads, and a large number of new hotels while other areas remain in dire need. Apart from being urban biased, the study concluded that tourism development initiated by formal institutions in most other areas is also haphazard, unplanned, fragmented and short sighted. The case of Hambantota exemplifies how haphazard development activities have left the MRI Airport built in Hambantota to earn the epithet of the 'Emptiest Airport in the World'.

The results of the survey pointed out that lack of transparency that results from a general lack or withholding of information increases transaction costs for both tourists and local people aspiring to join the tourism sector. Due this lack of information, foreign tourists, particularly FITs are compelled to resort to informal means such as asking passersby for obtaining information about simple matters such as directions to a hotel or tourist attraction, bus timetables and other goods. As a majority of tourists to Sri Lanka are FITs, this means that a majority of foreign tourists to the country are having trouble getting information, exposing them to cheating, misunderstandings and even safety and security threats. Tourists in the survey also claimed that country also lacked information in a language that they comprehend. It is an unfortunate thing that the lack of language

support had mostly inconvenienced the second largest market of Chinese tourists. Lack of information or withholding of it thereof, is a permeating characteristic of Sri Lanka tourism as empty information booths, reluctant desk clerks, poorly maintained websites and poor availability of printed materials are not uncommon. Even government marketing strategies to promote the country as a tourist destination seem to have failed miserably as the study suggested that Sri Lankan government marketing campaigns was one of the least popular source of information for tourists to be motivated to visit Sri Lanka. This is despite the fact that 70 percent of the budget allocations for tourism is channeled to the Sri Lanka Tourism Promotion Bureau.

Lack of information or withholding of information was also affecting the local people's level of empowerment with regard to tourism activities/ decision making. Information on new tourism projects or their effect on the community mostly reached only those who were engaged in the sector. The most popular source of information was rumors where authentic sources were absent. Distorted or withheld information was seen making local people vulnerable to political manipulation, fueling hatred and occupational jealousy towards people who were reaping benefits from tourism in areas such as Kitulgala.

Interestingly, both macro and micro level studies pointed to the fact that improving formal institutions is a challenge due to three main formal institutional failures: politicization, nepotism and laxity of leadership. For example, the study indicated that formal institutions such as tour guiding were plagued with politicization and nepotism to the extent that qualified tour guides are actually displaced in the occupational territory, and unqualified people with 'connections' have better chances of securing advantageous positions, opportunities and clients. On the other hand, laxity of leadership is seen

adding fuel to the fire of politicization that has engulfed many formal institutions pertaining to the tourism industry. Politicization, nepotism and laxity of leadership in other words, lay at the root of most formal institutional weaknesses. Politicization of bureaucratic system and its consequences could be explained using the following metaphor: politicization of compounds the 'disease', of the tourism sector. This produces imperfect institutions that results in tourists' dissatisfaction with bad service and poor quality goods. Tourists' dissatisfaction thus represents the 'symptoms' of the ailed system. It is important to note that these ailments can be successfully thwarted with improved informal institutions. This means that the 'cure' for formal institutional failures or the 'disease' rest with informal institutions.

Informal institutions are vital for tourism development due to two reasons. First they represent the attitudes and behavior of the local people towards tourism and tourists, thus directly affecting tourists' satisfaction with the destination. Second, they largely affect the function of formal institutions by influencing the quality of tourism products and services offered by them. This once again affects the satisfaction of tourists in a much indirect manner than the first.

It is important to emphasize that local people in tourist areas of Sri Lanka (which includes even mass tourist areas) do not necessarily harbor any resentment towards tourists. This finding totally contradicted some theoretical arguments by other scholars. The study concluded that even if local people do not direct any resentment towards tourists, their attitude towards foreign tourists is not always favorable towards promoting international tourism. For example, the research pointed out that local people of some areas (such as Kitulgala) sometimes displayed animosity driven behavior such as pelting campsites to

show opposition to the loud music and noise coming from these tourist lodging sites. It was observed that such behavior came from locals who were not engaged in tourism related activities targeting business owners and not tourists. Still, the impact of such behavior on tourists is too deep to be gauged. Formal institutional intervention could successfully intervene to enforce rules against such establishments, but informal practices such as bribery prevent any mediation by formal institutions. Thus informal institutions have affected the tourism industry in a twofold manner. First, occupational jealousy can be recognized as an attitude that is severely damaging to the tourism industry, while it also prevented any community participation as it polarized two groups, 'insiders' and 'outsiders' to the tourism industry. Second, formal institutions are prevented from doing justice due to the informal practices such as bribery and underhand activities that affect the system.

This also showed that local people in Sri Lanka lacked the essential binding force of unity that helps propel tourism forward through collective community action. The study showed that this characteristic was especially pronounced in ethnic Sinhala majority areas rather than in Muslim majority Arugambay. The study concluded that as a result, local people lacked sense of ownership and sense of responsibility towards their neighborhood, which has increased the number of free-riders and made effective community participation in common tasks a challenge. Taking a comparative example from Japan, the study showed how the Japanese culture promotes the sense of responsibility/ duty towards others and sense of ownership towards one's country/ village that motivate people to contribute to achieving common goals without expecting economic returns. On the contrary, foreigners recognized that local people in Sri Lanka were friendly and

hospitable towards tourists, but many had offered hospitality with the covert expectation of some economic return from the guest. This was observed mostly among people who were already engaged in the tourism sector, usually in the lower echelons of the tourism employment structure such as bellboys, manual workers, touts, waiters, street hawkers and the like.

Stereotyping and prejudice were recognized as the most serious informal institutions that were negatively affecting the tourism industry. They can affect the service quality of formal institutions by instigating differential treatment to different nationalities or tourists of different racial types, thereby influencing the perceptions of tourist about the destination. For example, the attitude that foreign tourists are rich, makes them more vulnerable to cheating and scamming. Also, stereotypical images about all white women being promiscuous or all East Asian women being submissive affect the safety of tourists and trustworthiness of the local general public. Caucasian tourists (especially women) are at a greater risk of sexual violence and cheating while Japanese tourists are more vulnerable to pickpocketing and stealing. It was concluded that stereotyping can affect the safety of tourists in a two-pronged manner: by instigating violence or human rights violations, and by preventing justice from being met due to informal practices affecting the judicial/ legal system. The study underscored that the most important informal institution that maintains this unfavorable status quo is the apathy of the general public which disarms them from decision-making power that can influence and change the system.

As the study reiterated that the majority of tourists to Sri Lanka are FITs who spent more tourist dollars on experiencing the country and lesser on accommodation and transport,

potentials are great for local SMEs in these subsectors. However, the study proved elsewhere that foreign tourists associated the level of trust with the size/scale of the institution and therefore placed greater trust on medium to large institutions rather than on small and micro level enterprises. Unfortunately however, detailed probing into this matter gave ample evidence to the fact that large formal institutions also engage in tourist scams, yet the scale of the institution disguises such activities with a veil of trust. This is an advantage that SMEs or micro level industries do not get to enjoy.

How and why do locals manning formal institutions such as the SLTDA, hotels, restaurants, attraction sites, and many other subsectors in tourism entertain the attitudes, norms and values of what was termed as that of the informal institutions or the general public? The study drew the important conclusion that this is because formal institutions do not inculcate professionalism on their employees through formal training and education. In other words, the study suggested the lack of trained human capital is the biggest challenge that tourism related formal institutions are facing currently. Expedited building of hotels, roads and other tourist facilities will come to no avail if they are not manned by professionals who can grasp the spirit of hospitality. Where special training and education for hospitality is absent, being part of the general public, the local workers simply follow the norms and attitudes they 'learned' from the culture since birth. For example, Sri Lanka has very few hospitality training schools, even fewer training programmes for lower level occupations such as craft level occupations in hotels, Site and Area guides, and rafting instructors/ guides. The existing courses are narrow, hardly updated and attract few students, and even fewer female students. This lethargic formal institutional approach to hospitality training itself is an outcome of the general attitude of

Sri Lankans towards tourism. The study pointed out that prevailing attitude of Sri Lankans is that most tourism related jobs such (mostly craft level occupations) do not require any skills, qualifications or training. People engaged in tourism related occupations are also usually associated with loose morals and most occupations in the sector are out of bounds for women because of this reason. The very few number of female tourist guides stand testimony to this attitude. The very low salaries in this sector not only reinstate this attitude, but also see massive brawn drain to the Middle East as and when these workers have gained enough experience in Sri Lanka. In the meantime, tourism related occupations in Sri Lanka continue to attract a large number of unqualified, unskilled and untrained people to fill the vacancies. There is also a category in the general public that believes tourism as a quick form of earning money. Weaknesses in formal institutional regulations have seen the advent of a large number of touts and scammers into the industry fed by this attitude that tourism can help them earn a 'quick and easy buck'.

The comparative approach to the study helped to give evidence from the Japanese experience to show the importance of formal training in tourism activities. What professionalism which comes through formal training actually does is that it helps workers gain control of negative attitudes, prejudices, stereotypes and norms that one might have internalized from the general culture, and instead display equitable and standard behavior that is accepted across cultures. It is not that Japanese people do not have attitudes; it is not that there is no White complex in Japan. Neither is it true that Japanese people do not entertain stereotypes or prejudices about races and nationalities. But training has helped Japanese hospitality workers not to display these attitudes or act

on them because in Japan ‘customer is the king’ regardless of his color. The Japanese culture is also responsible for its people’s ingenious ability to disguise negative feelings behind a smile.

Another major finding of the study is that local people (including a majority of the people who were not engaged in the tourism sector) are aware of the economic benefits that accrue to the local area through tourism. This means that a majority of the people possessed this kind of simple knowledge or ability to rationalize on the matter. Yet their attitude towards tourism was one of irresponsibility, apathy and indifference towards tourism. This was mainly observed among people who were not engaged in the tourism sector because the industry did not accrue any personal benefits to these people. Local people’s attitude towards tourism was observed to be very much influenced by three factors: the type of tourism popular in the area and whether this segment of tourism is culturally compatible to the host area; how well tourism is established in the area and the level/ scale of tourism development and degree of access to economic benefits generated through tourism for the local people. The last factor was realized to be most influential. The study observed that tourism actually had greater potentials for income generation compared to other economic sectors. Yet the income gap between different occupations within tourism subsectors as well as the same occupational statuses between different subsectors was very large. In other words, tourism is a lucrative income generator in certain subsectors such as the accommodation subsector, and for people of upper employment ranks. Given these circumstances, the general public who had little access to the economic benefits of tourism had a tendency to blame tourism for most of the vices they see in their neighborhoods such as environmental pollution and contamination of the

local culture. The study showed that despite this line of thought, local people including domestic tourists (not foreign tourists) are responsible for these vices. In fact pollution at the hands of locals itself was largely the result of existing norms and values: namely laxity towards the environment and lack of responsibility towards the community. This tendency to scapegoat tourism for matters that it is not responsible for is a phenomenon that could be termed as *displacement of frustration*.

The study led to the conclusion that informal institutions could be improved by encouraging community participation in tourism. This has a circular effect in which effective community participation in return helps to improve/ change local people's attitudes towards tourists and tourism, norms, beliefs and values. Taking examples from Japan, the study exemplifies how if given access and empowered, the general public could actually play an important and powerful role in tourism related activities in a destination. Unfortunately in Sri Lanka, access to tourism related activities are barred to a great extent for the grassroots level. Therefore, despite the fact that a majority of locals in the sample saw tourism as a lucrative industry with greater future prospects, they are unable to access the system, resulting in *displacement of frustration* as mentioned before. Barring of access to the grassroots level is mainly the result of the formal institutions that are politicized on the one hand and favor large businesses and/or foreign investors on the other hand.

Perhaps the most important finding of the study concluded is that the involvement of the local community in tourism activities is very low in all planning, designing, implementation and monitoring stages of tourism activities in Sri Lanka. This was evident from the local people's very low and short contact with foreign tourists; poor

membership in tourism-related CBOs, associations or civic societies which was largely limited to people already employed in the tourism sector. Membership was better in Muslim dominated Arugambay but participation in meetings and gatherings was still not satisfactory. The structure and function of these CBOs were the main stumbling block against participation as a majority of people perceived that their opinions are not equally recognized and that these institutions do not represent community interests but they rather promote individual interests of the rich and powerful.

Local people's ideas were hardly consulted in any of the planning, designing, implementation or monitoring stages of tourism projects. Contrary to the situation in Japan, locals who were not employed in the tourism sector were especially excluded from the process due to the attitude that they were 'irrelevant' to the industry. When masses in the regional community is constantly barred from participation, it is not surprising that they lack sense of ownership about the community.

The study led to the conclusion that outsiders (government and private sector players) made tourism-related decisions in tourist areas in Sri Lanka and that the regional community is excluded from the process. The local people in the four study areas believed that profits made through tourism were also enjoyed by either a small segment of the local community or total outsiders and therefore these parties are also vested with decision-making powers. The study pointed at the dire situation in which local people sell off or rent out their properties to people from other areas of the country to start tourism related businesses as local people lack the capital and skills to do so. In some areas of the country, properties are even sold to foreigners due to the same reasons, opening up floodgates for leakage of economic benefits.

Finally, it is important to emphasize that if the current status quo continues, the hospitality industry of Sri Lanka will suffer from lack of sense of ownership and collective consciousness which constitute the synergy that is vital to create a win-win situation to all stakeholders including the focal person: the tourist. This is the lesson that was garnered from the experience of Japan. The first step towards achieving this target is to address the informal institutions as they not only affect the tourists directly, but also affect them indirectly by influencing the functioning of formal institutions.

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Appendices

Appendix 1 Map of Sri Lanka



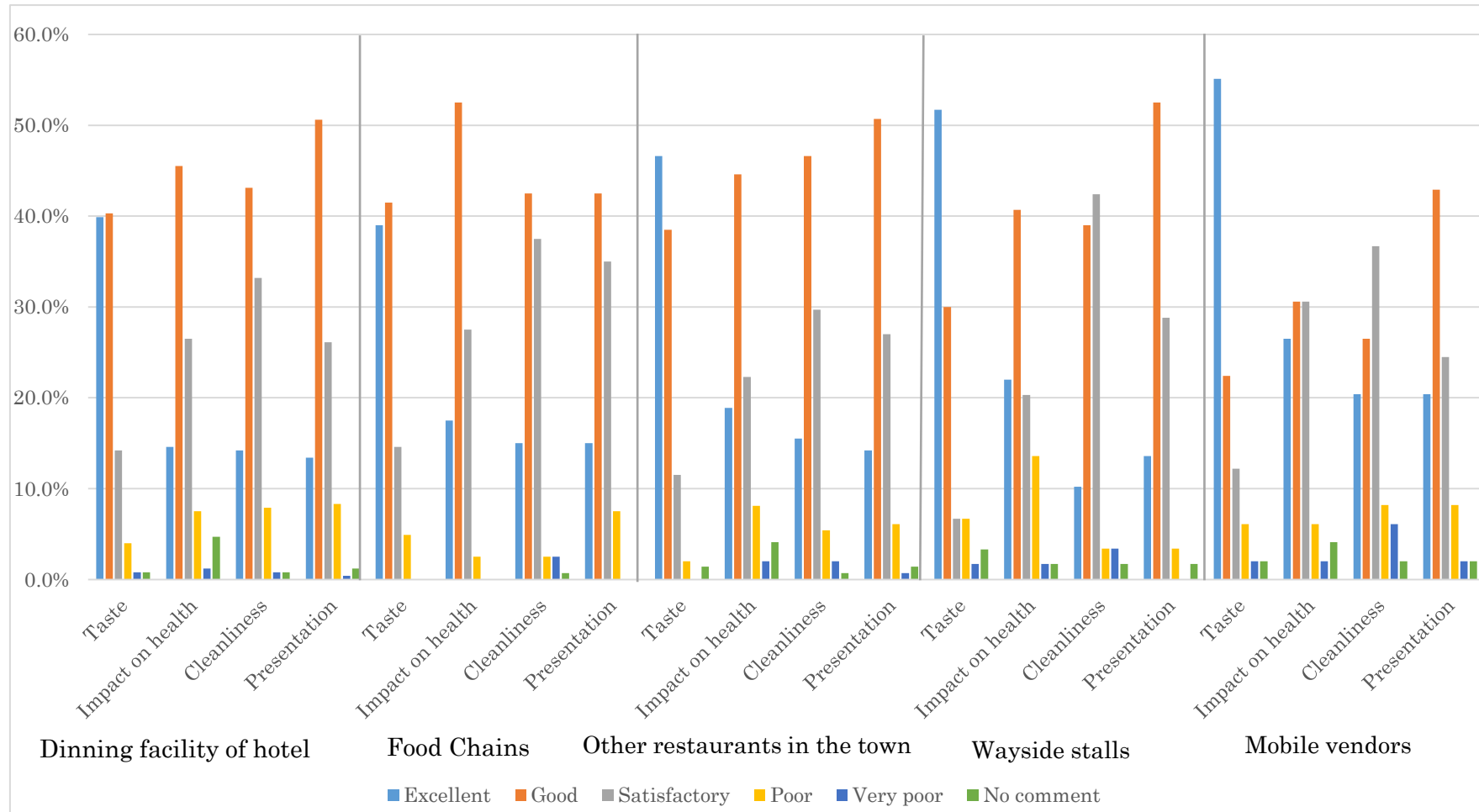
Source: United Nations Map of Sri Lanka, No. 4172 Rev 3, March 2008.

Appendix 2 Map of Japan



Source: <http://www.nationsonline.org/oneworld/map/japan-map.htm>

Appendix 3 Tourists' perception of the quality of food at various providers



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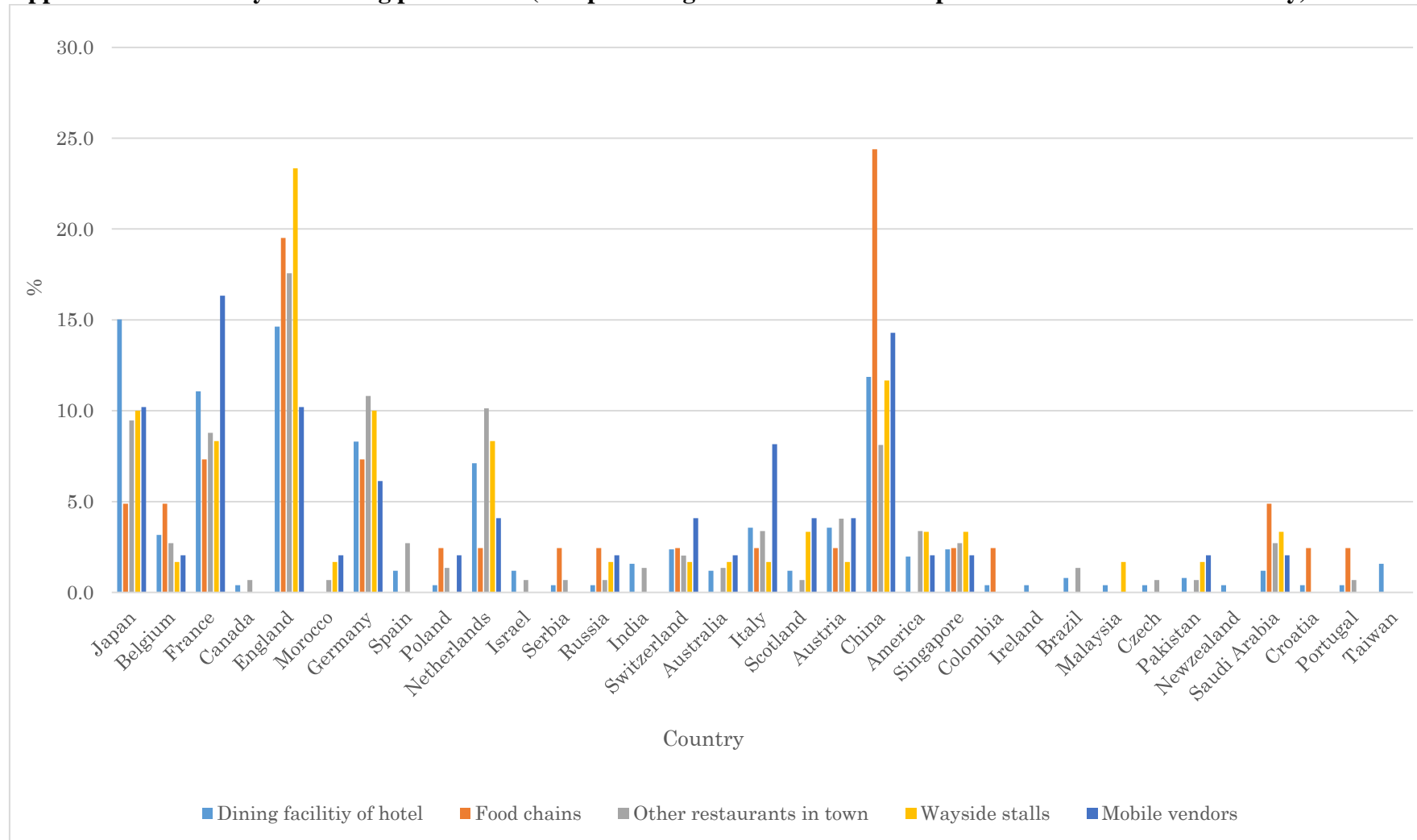
Tourists' perception of the quality of food at various providers (%) continued from previous page

Tourists' perception	Restaurant/ Dinning Hall of Hotel				Food Chains				Other restaurants in the city			
	Taste	Impact on health	Cleanliness	Presentation	Taste	Impact on health	Cleanliness	Presentation	Taste	Impact on health	Cleanliness	Presentation
Excellent	39.9	14.6	14.2	13.4	39	17.5	15	15	46.6	18.9	15.5	14.2
Good	40.3	45.5	43.1	50.6	41.5	52.5	42.5	42.5	38.5	44.6	46.6	50
Satisfactory	14.2	26.5	33.2	26.1	14.6	27.5	37.5	35	11.5	22.3	29.7	27
Poor	4	7.5	7.9	8.3	4.9	2.5	2.5	7.5	2	8.1	5.4	6.1
Very poor	0.8	1.2	0.8	0.4	0	0	2.5	0	0	2	2	0.7
No comment	0.8	4.7	0.8	1.2	0	0	0.7	0	1.4	4.1	0.7	1.4

Tourists' perception	Wayside stalls				Mobile vendors			
	Taste	Impact on health	Cleanliness	Presentation	Taste	Impact on health	Cleanliness	Presentation
Excellent	51.7	22	10.2	13.6	55.1	26.5	20.4	20.4
Good	30	40.7	39	52.5	22.4	30.6	26.5	42.9
Satisfactory	6.7	20.3	42.4	28.8	12.2	30.6	36.7	24.5
Poor	6.7	13.6	3.4	3.4	6.1	6.1	8.2	8.2
Very poor	1.7	1.7	3.4	0	2	2	6.1	2
No comment	3.3	1.7	1.7	1.7	2	4.1	2	2

Source: Sample Survey, 2015.

Appendix 4 Nationality and dining preferences (as a percentage of the number of respondents who utilized the facility)



Data table continued on next page

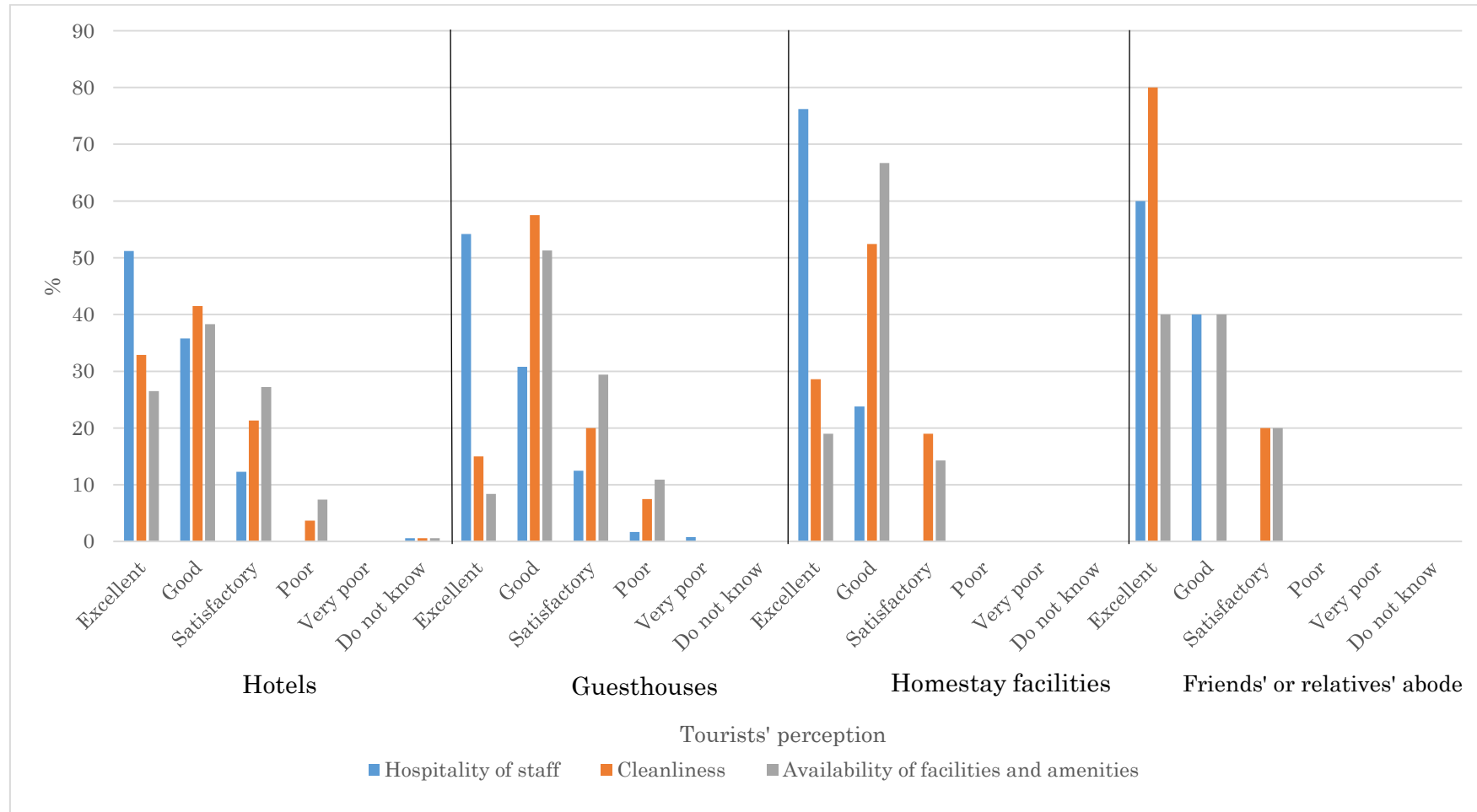
Nationality and dining preferences (as % of the number of respondents who utilized the facility) continued from previous page

Dining option	Japan	Belgium	France	Canada	England	Morocco	Germany	Spain	Poland	Netherlands	Israel	Serbia	Russia	India	Switzerland	Australia
Dining facility of hotel	15.0	3.2	11.1	0.4	14.6	0.0	8.3	1.2	0.4	7.1	1.2	0.4	0.4	1.6	2.4	1.2
Food chains	4.9	4.9	7.3	0.0	19.5	0.0	7.3	0.0	2.4	2.4	0.0	2.4	2.4	0.0	2.4	0.0
Other restaurants in town	9.5	2.7	8.8	0.7	17.6	0.7	10.8	2.7	1.4	10.1	0.7	0.7	0.7	1.4	2.0	1.4
Wayside stalls	10.0	1.7	8.3	0.0	23.3	1.7	10.0	0.0	0.0	8.3	0.0	0.0	1.7	0.0	1.7	1.7
Mobile vendors	10.2	2.0	16.3	0.0	10.2	2.0	6.1	0.0	2.0	4.1	0.0	0.0	2.0	0.0	4.1	2.0

Dining option	Italy	Scotland	Austria	China	America	Singapore	Colombia	Ireland	Brazil	Malaysia	Czech	Pakistan	New Zealand	Saudi Arabia	Croatia	Portugal	Taiwan
Dining facility of hotel	3.6	1.2	3.6	11.9	2.0	2.4	0.4	0.4	0.8	0.4	0.4	0.8	0.4	1.2	0.4	0.4	1.6
Food chains	2.4	0.0	2.4	24.4	0.0	2.4	2.4	0.0	0.0	0.0	0.0	0.0	0.0	4.9	2.4	2.4	0.0
Other restaurants in town	3.4	0.7	4.1	8.1	3.4	2.7	0.0	0.0	1.4	0.0	0.7	0.7	0.0	2.7	0.0	0.7	0.0
Wayside stalls	1.7	3.3	1.7	11.7	3.3	3.3	0.0	0.0	0.0	1.7	0.0	1.7	0.0	3.3	0.0	0.0	0.0
Mobile vendors	8.2	4.1	4.1	14.3	2.0	2.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	2.0	0.0	0.0	0.0

Source: Sample Survey, 2015.

Appendix 5 Tourists' perception of accommodation facilities according to type of facility utilized



Data table continued on next page

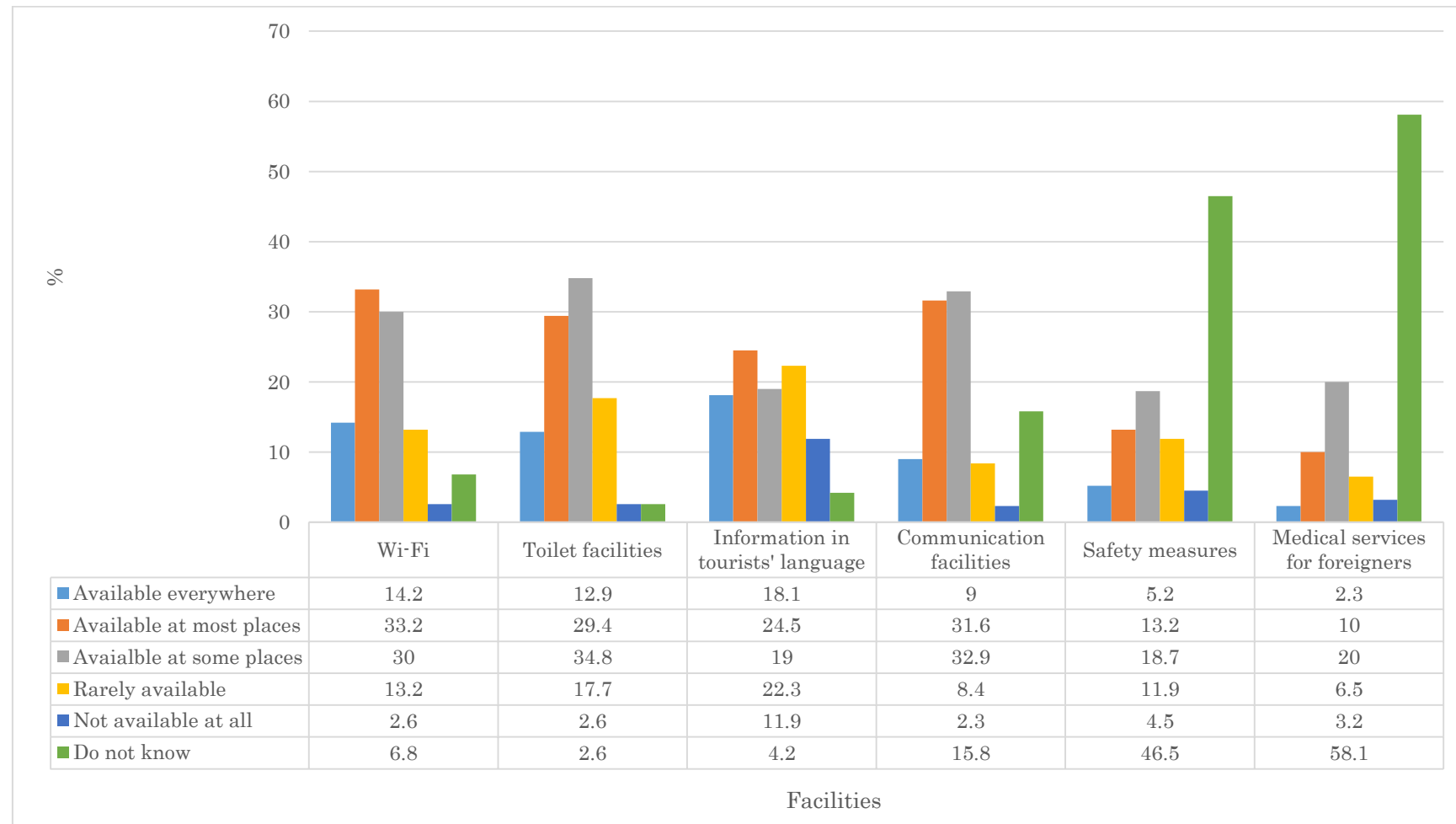
Tourists' perception of accommodation facilities according to type of facility utilized (%) continued from previous page

Characteristics of accommodation facilities	Hotels						Guesthouses					
	Excellent	Good	Satisfactory	Poor	Very poor	Do not know	Excellent	Good	Satisfactory	Poor	Very poor	Do not know
Hospitality of staff	51.2	35.8	12.3	0	0	0.6	54.2	30.8	12.5	1.7	0.8	0
Cleanliness	32.9	41.5	21.3	3.7	0	0.6	15	57.5	20	7.5	0	0
Availability of facilities and amenities	26.5	38.3	27.2	7.4	0	0.6	8.4	51.3	29.4	10.9	0	0

Characteristics of accommodation facilities	Homestay facilities						Friends' or relatives' houses					
	Excellent	Good	Satisfactory	Poor	Very poor	Do not know	Excellent	Good	Satisfactory	Poor	Very poor	Do not know
Hospitality of staff	76.2	23.8	0	0	0	0	60	40	0	0	0	0
Cleanliness	28.6	52.4	19	0	0	0	80	0	20	0	0	0
Availability of facilities and amenities	19	66.7	14.3	0	0	0	40	40	20	0	0	0

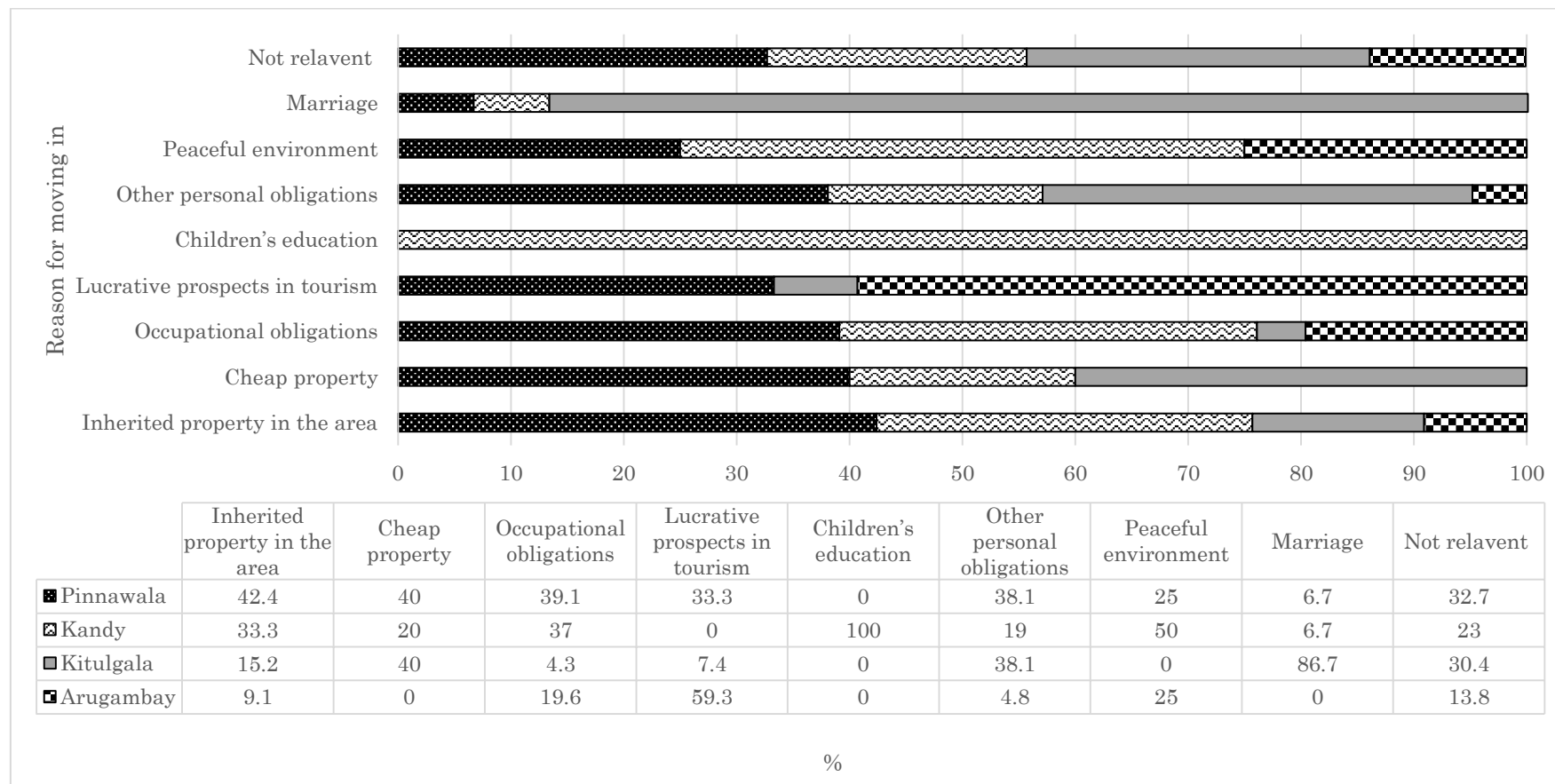
Source: Sample survey 2015

Appendix 6 Tourists' perception of the availability of facilities in Sri Lanka



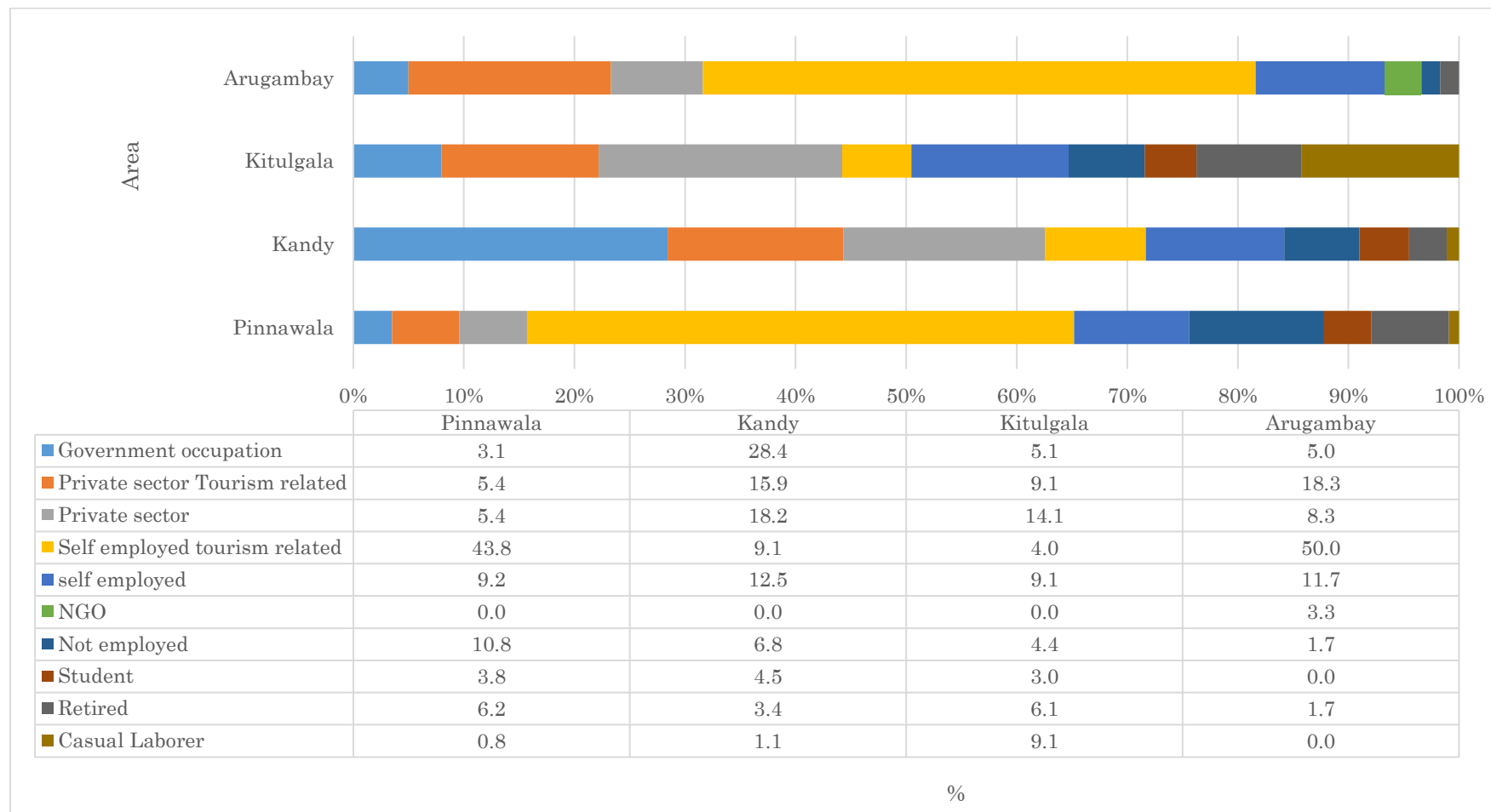
Source: Sample survey 2015

Appendix 7 Reason for moving into the study areas



Source: Sample survey, 2015.

Appendix 8 Pattern of employment in the study areas



Source: Sample survey 2015.

Appendix 9 Case studies on the effect of informal institutions on the functioning of formal institutions

Case study 1

The researcher observed the Receptionists at the SLTDA Head Quarters in Colombo, Sri Lanka for nearly one hour. The two ladies who were fashionably dressed in traditional sarees sat comfortably at the air-conditioned Reception desk chatting and laughing merrily as clients walked past them. Another colleague came over, drew a chair noisily to seat himself and joined the conversation. Together the three started munching on a snack while making small talk.

Most of the customers knew where they were going, so they did not stop at the Reception to get directions. Some did, and the researcher was struck by the difference in treatment or the difference in the quality of service by the Receptionists. Their treatment differed according to the appearance and language spoken by the customers. For instance, a shabbily dressed middle-aged man approached the Reception and talked to the ladies in the native Sinhala language. He looked genuinely intimidated to approach the heavily made-up ladies while the Receptionist he addressed looked genuinely irritated to be disturbed by the meek customer. She did not bother to rise from her swiveling throne and she uttered something indifferently to him. Witnessing this unwelcome atmosphere made the researcher recall that this was the entrance to the topmost institution responsible for hospitality in the country. The Receptionist returned to her conversation. A little while later, the customer returned. He was truly lost among the many floors of the building as the person he was looking for was not on the fourth floor (as the Receptionist had said), but instead he was asked to go to the basement. The cold reply of the

Receptionist was to “go and check yourself”.

Not very long after, a middle aged gentleman in a suit and tie carrying a briefcase strode into the building. He was effusing with confidence. The gentleman spoke to the Receptionist in flawless English and asked to see a top official of the institution. It was the Receptionist’s turn to look intimidated. She shot up from her chair, and gave him directions in a most hospitable manner, garnishing it with an amicable smile.

These observations suggest that the quality of service of informal institutions depends vastly on the overt appearance of the person. In other words, people are stereotyped and treated according to this pre-judgment. Well-dressed (preferably in the European style) English-speaking people are likely to get preferential treatment while others receive rather indifferent treatment. The other point is that people in the grassroots level are practically powerless to react to perceived injustice or differential treatment directed against them as formal institutions exercise enormous power over them.

Case study 2

Mr. Gunapala had come to Colombo all the way from Galle for the fourth time in a row during two months to obtain the necessary permits to get his beach-front guest house started. Lancing a tourism project requires permission from a number of relevant government institutions such as the Irrigation Department, Mahaweli Authority, Marine Environment Protection Authority, Environmental Authority, Road Development Authority and provincial councils to name only a few. The complications, complexities and contradictions involved in this process are capable of driving investors out of their

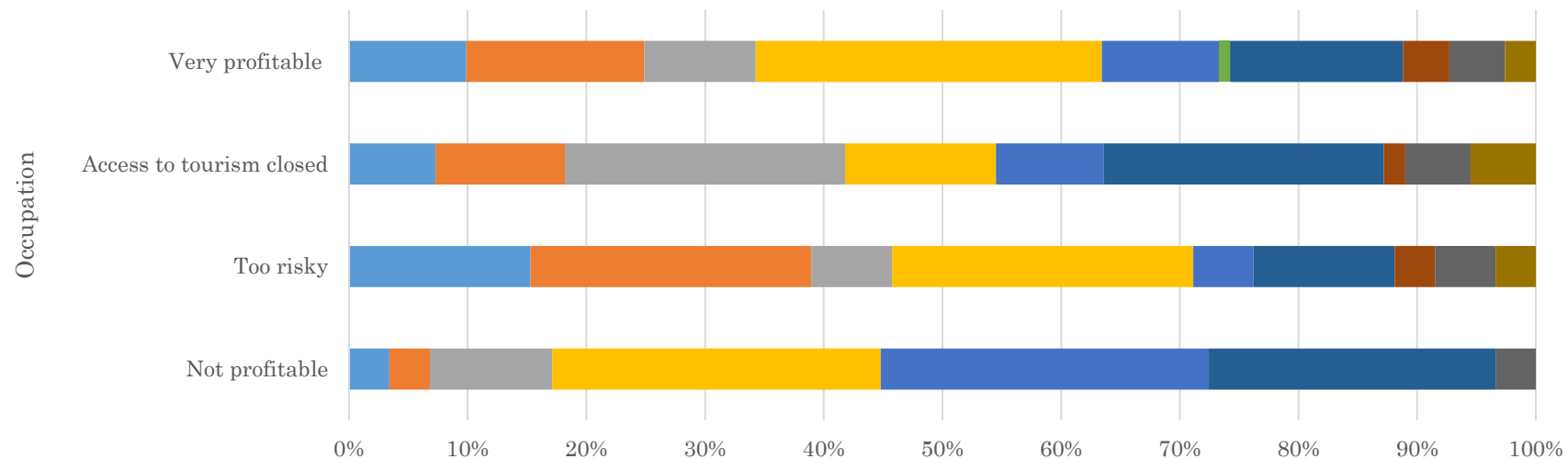
projects. Even though the SLTDA has launched the One Stop Unit (OSU) to assist investors from the planning stage to the implementation stage, which also includes obtaining permission from the list of necessary authorities, this programme mainly targets foreign investors and/ or large scale investments. Entrepreneurs of small and medium scale enterprises therefore have to repeatedly deal with the red tape by themselves as they go one from institution to another. On the other hand, most of such enterprises cannot obtain the registration of the SLTDA itself to qualify for such services as they find it too expensive to meet the criteria stipulated by this organization. Thus ironically, even though these formal institutions have been formulated to reduce transaction costs, in reality it has produced the opposite effect by delaying the process, forcing clients to pay several visits to the institution and even bribe the officials to speed up things. Authorities claim that the main reason why clients face delays is because their paperwork is incomplete and information is erroneous. They do not meet the quality criteria stipulated by the authority which makes it impossible to grant permission.

Mr. Gunapala was one such entrepreneur who had fallen into this institutional labyrinth. His application was still at the processing stage and in this state, he was clueless as to how long it might take to have his business started. His enraged testimony sums up the informal mechanisms that underlie the formal institutional processes in developing countries. It also shows how institutions work to increase transaction costs instead of decreasing them.

“To get things done in this country one either needs to have contacts on the inside or enough money to throw about. I mean, all it takes to have the approval stamped on my papers is either an acquaintance I the office

or a big fat bribe to the clerk. I have neither, so my papers gather dust on the shelves. If the authorities are so concerned about quality criteria and flawless information, how come our country has countless substandard facilities and such businesses are never the bone of contention? This is because the authorities will deliberately turn a blind eye if you tackle the right people with the right amount of money. You may run a brothel, channel your sewage into a drinking water stream, get your bar license without hassle if you wave a wad of money and have an evening drink with the right people”

Appendix 10 Main occupation and respondents' opinion about economic potentials of tourism

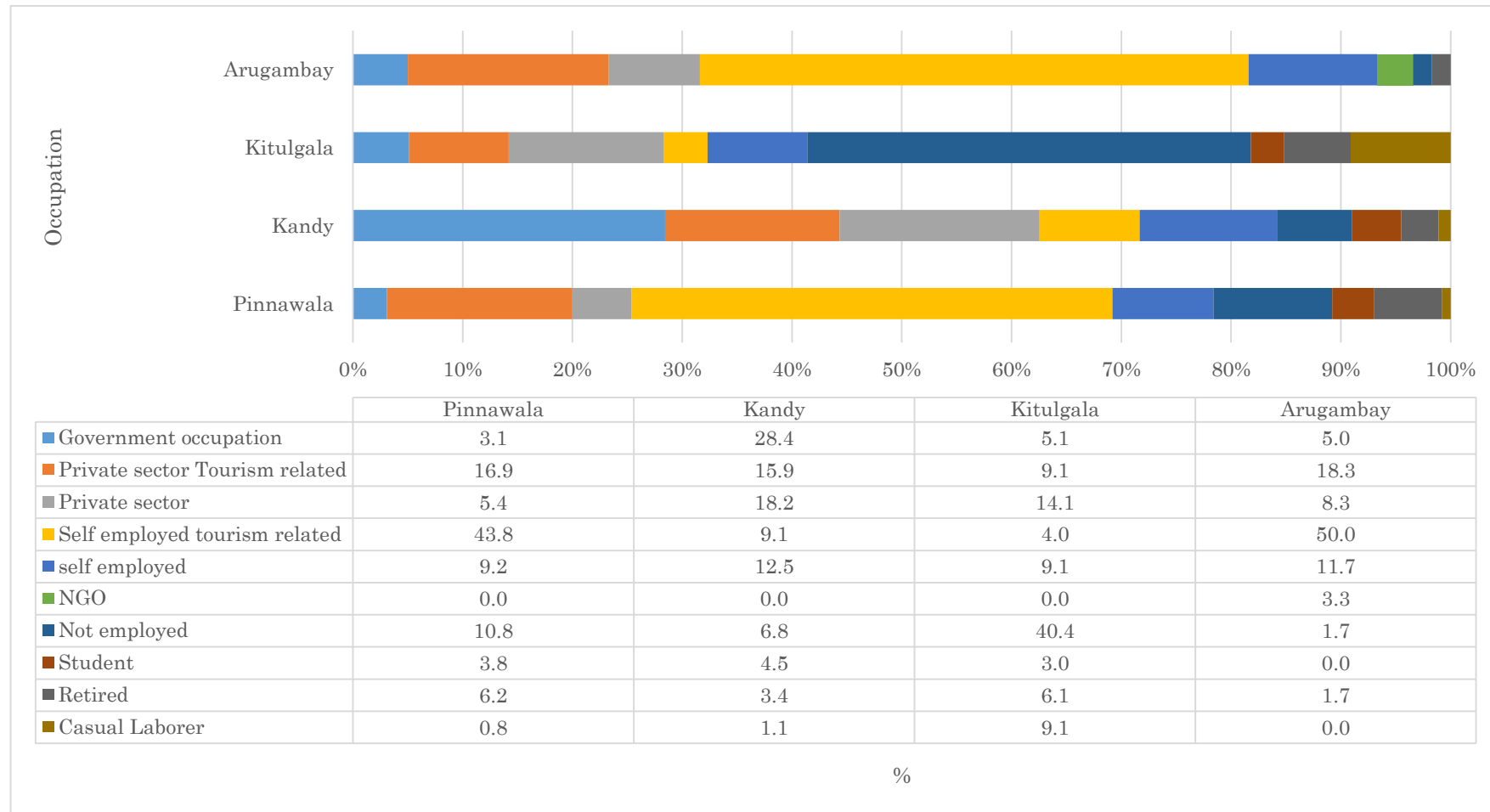


	Not profitable	Too risky	Access to tourism closed	Very profitable
■ Government occupation	3.4	15.3	7.3	9.9
■ Private sector Tourism related	3.4	23.7	10.9	15
■ Private sector	10.3	6.8	23.6	9.4
■ Self employed tourism related	27.6	25.4	12.7	29.2
■ self employed	27.6	5.1	9.1	9.9
■ NGO	0	0	0	0.9
■ Not employed	24.1	11.9	23.6	14.6
■ Student	0	3.4	1.8	3.9
■ Retired	3.4	5.1	5.5	4.7
■ Casual Laborer	0	3.4	5.5	2.6

%

Source: Sample survey, 2015.

Appendix 11 Main occupation of respondents according to area



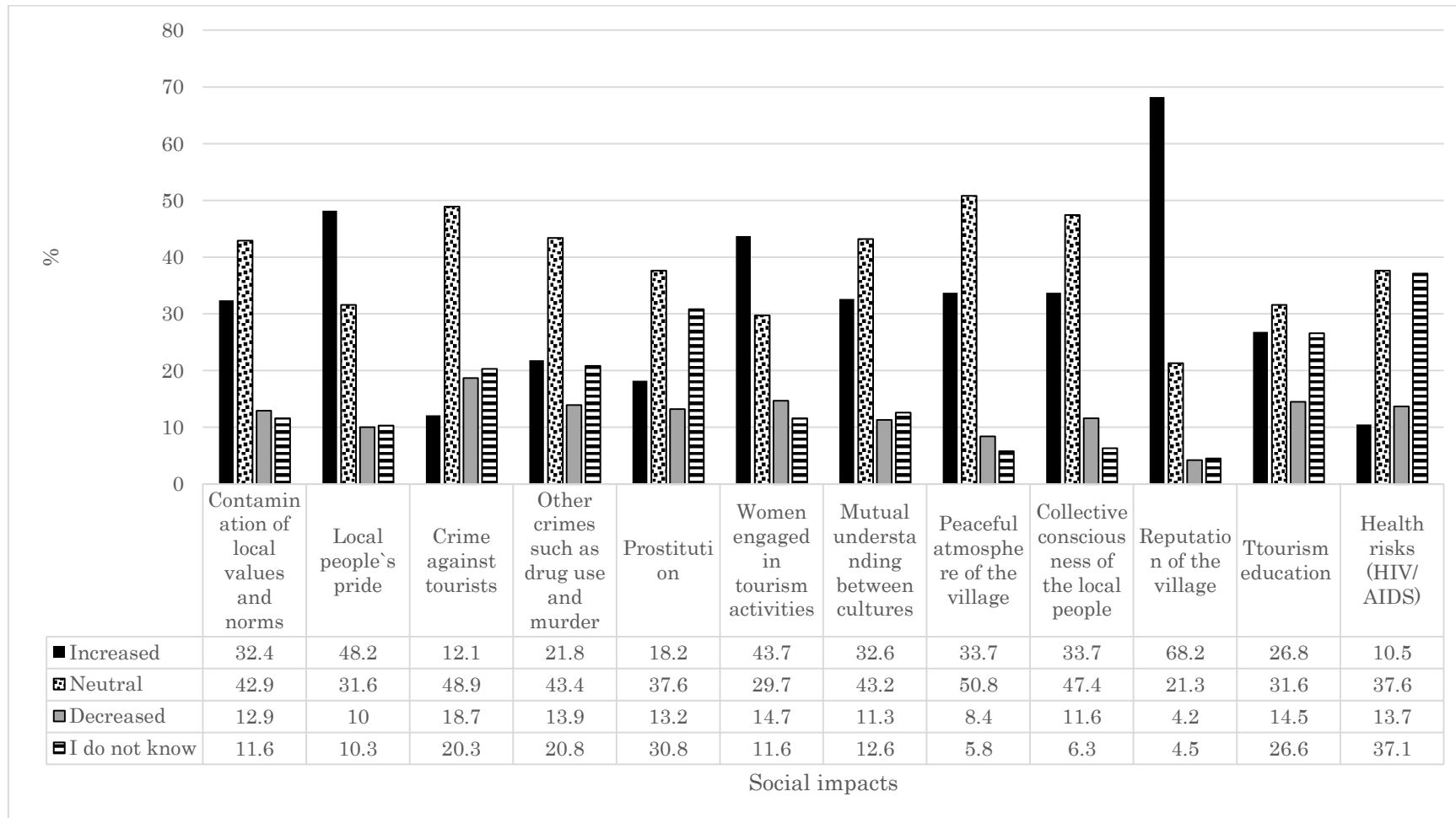
Source: Sample survey 2015

Appendix 12 Local people’s perception of the economic impacts of tourism according to area (Areas indicating majority shares)

	Employment opportunities	Personal Income	Living standards of villagers	Revenue to the village	Local Businesses	Infrastructure Development	New Locally made products	Quality of local products	Value of property	Cost of living
Increased	KY (89%)	AB (57%)	PW (74%)	PW (71%)	PW (79%)	PW (56%)	AB (33%)	AB (33%)	PW (90%)	AB (67%)
Neutral	KG (29%)	KG (80%)	KG (36%)	KG (26%)	KG (27%)	KG (55%)	KG (64%)	KG (61%)	KY (21%)	KG (68%)
Decreased	AB (8%)	AB (7%)	AB (6%)	AB (6%)	AB (7%)	AB (7%)	AB (18%)	AB (17%)	PW & AB (1%)	KY (9%)
Do not know	AB (5%)	AB (7%)	KY (25%)	KY (18%)	KY (16%)	KY (14%)	KY (16%)	KY (24%)	AB (28%)	KY (12%)

Source: Sample survey 2015.

Appendix 13 Attitude of local people towards the impact of tourism on social factors



Source: Sample survey, 2015.

Appendix 14 Area-based results of local people’s attitudes on the impact of tourism on social factors

	Pinnawala				Kandy				Kitulgala				Arugambay			
	Increased	Neutral	Decreased	Do not know	Increased	Neutral	Decreased	Do not know	Increased	Neutral	Decreased	Do not know	Increased	Neutral	Decreased	Do not know
Contamination of local values and norms	23%	52%	12%	13%	36%	35%	8%	21%	34%	52%	6%	8%	45%	20%	33%	2%
Local people`s pride	66%	26%	2%	7%	16%	35%	21%	28%	60%	32%	4%	4%	38%	38%	22%	2%
Crime against tourists	2%	57%	17%	24%	33%	26%	10%	32%	8%	69%	8%	15%	10%	33%	52%	5%
Other crimes such as drug use and murder	2%	55%	15%	28%	54%	19%	7%	20%	14%	65%	6%	15%	32%	18%	35%	15%
Prostitution	2%	41%	12%	45%	61%	11%	1%	26%	2%	68%	6%	24%	17%	20%	45%	18%
Number of women in tourism activities	71%	21%	1%	8%	54%	18%	3%	25%	15%	67%	11%	6%	17%	5%	68%	10%
Mutual understanding between cultures	42%	37%	8%	13%	27%	32%	17%	25%	20%	63%	9%	8%	42%	43%	13%	2%
Peaceful atmosphere of the village	47%	47%	3%	2%	14%	46%	23%	18%	24%	67%	6%	3%	53%	44%	3%	0%
Collective consciousness	50%	41%	5%	5%	12%	39%	30%	18%	25%	69%	4%	2%	46%	42%	12%	0%
Reputation of the village	81%	17%	1%	2%	45%	28%	11%	16%	68%	29%	2%	1%	85%	10%	5%	0%
Improvement of tourism based education	15%	34%	15%	37%	54%	23%	5%	19%	18%	41%	9%	31%	29%	24%	39%	9%
Health risks (HIV/ AIDS)	1%	45%	10%	44%	40%	21%	0%	38%	1%	54%	6%	39%	3%	20%	56%	20%

Source: Sample Survey, 2015.

Appendix 15 Local people’s attitude on the impact of tourism on social factors as a share of age category

Age Category	Contamination of local values and norms				Local people`s pride				Crime against tourists				Other crimes such as drug use and murder				Prostitution				Number of women engaged in tourism activities				
	Increased	Neutral	Decreased	Do not know	Increased	Neutral	Decreased	Do not	Increased	Neutral	Decreased	Do not	Increased	Neutral	Decreased	Do not know	Increased	Neutral	Decreased	I do not	Increased	Neutral	Decreased	Do not	
25	86	14	0	0	71	14	14	0	43	43	14	0	71	14	14	0	43	43	14	0	14	43	14	14	0
26-35	37	21	37	5	11	11	63	16	1	1	53	11	11	11	63	16	1	1	53	2	1	6	1	1	1
36-45	33	17	50	0	33	29	63	4	3	29	63	4	21	29	33	17	3	29	2	1	3	4	75	8	8
46-60	60	30	10	0%	80	30	50	0	8	30	50	0	70	10	0	20	30	30	2	2	30	10	50	10	0

Continued in the next page

Age Category	Mutual understanding between cultures				Peaceful atmosphere of the village				Collective consciousness of the local people				Reputation of the village				Improvement of tourism based education				Health risks			
	Increased	Neutral	Decreased	Do not know	Increased	Neutral	Decreased	Do not	Increased	Neutral	Decreased	Do not	Increased	Neutral	Decreased	Do not know	Increased	Neutral	Decreased	Do not	Increased	Neutral	Decreased	Do not
25>	29	29	43	0	43	43	14	0	57	43	0	0	86	14	0	0	29	14	43	0	0	29	57	14
26-35	32	53	11	5	33	67	0	0	39	50	11	0	89	11	0	0	39	28	33	0	6	17	67	11
36-45	50	46	4	0	58	42	0	0	42	46	13	0	88	13	0	0	17	29	46	0	0	21	54	25
46-60	50	30	20	0	80	10	10	0	60	20	20	0	70	0	30	0	40	10	30	0	10	20	40	30

Source: Sample survey, 2015.

Appendix 16 Level of agreement with overpricing tourist goods and services as a share of statuses within given tourism subsectors
 (Percentages obtained as a share of opinion category)

Tourism subsector	Status	Strongly agree	Agree	Somewhat agree	Disagree	Strongly disagree	Do not know
Tourist shop	Owner	28%	24%	12%	28%	0%	8%
Tuk-Tuk	Owner	13%	31%	6%	38%	0%	13%
	Driver	63%	13%	13%	13%	0%	0%
	Manual tasks	0%	0%	100%	0%	0%	0%
Guest house/ Inn	Owner	20%	0%	30%	10%	30%	10%
	Kitchen	100%	0%	0%	0%	0%	0%
	Driver	100%	0%	0%	0%	0%	0%
	Waiter	100%	0%	0%	0%	0%	0%
	Other manual tasks	0%	0%	0%	100%	0%	0%
Restaurant	Owner	20%	0%	40%	20%	20%	0%
	Administrator	0%	0%	0%	100%	0%	0%
	Waiter	67%	0%	33%	0%	0%	0%
	Other manual tasks	0%	0%	33%	67%	0%	0%

Source: Sample survey, 2015

Appendix 17 Level of agreement with the importance of tipping as a share of statuses within given tourism subsectors (Percentages obtained as a share of opinion category)

Tourism subsector	Status	Strongly agree	Agree	Somewhat agree	Disagree	Strongly disagree	Do not know
Hotel	Owner	18%	18%	27%	18%	18%	0%
	Admin.	0%	25%	25%	25%	25%	0%
	Office	0%	0%	67%	33%	0%	0%
	Room Boy	100%	0%	0%	0%	0%	0%
	Kitchen staff	0%	50%	0%	0%	50%	0%
	Waiter	100%	0%	0%	0%	0%	0%
	Manual tasks	33%	0%	67%	0%	0%	0%
Guest house/ Inn	Owner	20%	0%	10%	50%	20%	0%
	Kitchen staff	0%	0%	100%	0%	0%	0%
	Driver	50%	0%	50%	0%	0%	0%
	Waiter	100%	0%	0%	0%	0%	0%
	Manual tasks	0%	0%	0%	100%	0%	0%
Restaurant	Owner	0%	20%	20%	20%	20%	20%
	Admin.	0%	0%	0%	100%	0%	0%
	Waiter	67%	0%	33%	0%	0%	0%
	Manual tasks	0%	0%	33%	67%	0%	0%
Tuk-tuk	Owner	12%	18%	35%	29%	6%	0%
	Driver	25%	13%	50%	13%	0%	0%
	Manual tasks	0%	0%	100%	0%	0%	0%

Source: Sample survey, 2015

Appendix 18 Formal training received by tourism-related employees

Tourism Subsector	Long term (%)	Short term (%)	No training (%)
Hotels	80	15	5
Guesthouses	0	20	80
Homestay	0	100	0
Restaurants	5	15	80
Tour Agencies	30	20	50
Adventure Tourism	0	30	70
Tuk-tuk drivers	0	0	100
Mobile vendors	0	0	100
Tourist shops	0	0	100
Supplies	0	0	100
Renting/ Hiring	0	0	100

Source: Sample survey, 2015

Appendix 19 Local people's attitude towards the premise that White women are promiscuous according to occupations within tourism subsectors

Occupation	Tour Agent			Hotel			Guesthouse			Homestay			Restaurant			Tuk-tuk		
	Agree	Disagree	Do not know	Agree	Disagree	Do not know	Agree	Disagree	Do not know	Agree	Disagree	Do not know	Agree	Disagree	Do not know	Agree	Disagree	Do not know
Owner	67	33	0	73	27	0	60	40	0	100	0	0	60	20	20	47	29	24
Administrator	0	100	0	50	50	0	0	0	0	0	0	0	100	0	0	0	0	0
Office staff	0	100	0	67	33	0	0	0	0	0	0	0	0	0	0	0	0	0
Room boy	0	0	0	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kitchen staff	0	0	0	50	50	0	100	0	0	0	0	0	0	0	0	0	0	0
Driver	80	20	0	0	0	0	100	0	0	0	0	0	0	0	0	63	38	0
Waiter	0	0	0	100	0	0	100	0	0	0	0	0	0	0	0	0	0	0
Tour guide	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other manual	0	0		67	0	33	100	0	0	0	0	0	0	0	0	0	0	0

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Occupation	Hiring/ Renting			Adventure tourism			Suppliers			Tourist Shop			Mobile vendor		
	Agree	Disagree	Do not know	Agree	Disagree	Do not know	Agree	Disagree	Do not know	Agree	Disagree	Do not know	Agree	Disagree	Do not know
Owner	65	10	25	75	25	0	41	29	12	73	17	10	63	47	10
Administrator	0	100	0	0	100	0	0	75	0	100	0	0	0	0	0
Office staff	0	0	0	0	100	0	33	67	0	100	0	0	0	0	0
Room boy	0	0	0	100	0	0	0	0	0	0	0	0	0	0	0
Kitchen staff	40	20	40	0	0	100	0	0	0	0	0	0	0	0	0
Driver	100	0	0	0	100	0	0	0	0	0	0	0	0	0	0
Waiter	0	0	0	50	43	7	0	0	0	0	0	0	0	0	0
Tour guide	0	0	0	60	40	0	0	0	0	0	0	0	0	0	0
Other manual	0	0	0	64	19	16	46	46	9	25	50	25	0	0	0

Source: Sample Survey, 2015.

Annexes

Annex 1 Foreign tourist arrivals and gross tourist receipts to Sri Lanka (1961-2015)

Year	Arrivals	Gross Tourist Receipts US\$ Mn
1961	27777	2
1962	26397	1
1963	18440	1
1964	18872	1
1965	19781	1
1966	18969	1
1967	23666	1
1968	28272	2
1969	40204	3
1970	46247	4
1971	39654	3
1972	56047	7
1973	77888	13
1974	85011	16
1975	103204	22
1976	118971	28
1977	153665	40
1978	192592	56
1979	250164	78
1980	321780	111
1981	370742	132
1982	407230	147
1983	337342	126
1984	317734	105
1985	257456	82
1986	230106	82
1987	182620	82
1988	182662	77
1989	184732	76
1990	297888	132
1991	317703	157
1992	393669	201
1993	392250	208
1994	407511	231
1995	403101	225

Year	Arrivals	Gross Tourist Receipts US\$ Mn
1996	302265	173
1997	366165	217
1998	381063	231
1999	436440	275
2000	400401	253
2001	336800	211
2002	393170	253
2003	500604	340
2004	566202	417
2005	549308	362
2006	559603	410
2007	494008	384
2008	438475	320
2009	447890	349
2010	654476	576
2011	855975	839
2012	1005605	1038
2013	1,274,593	1716
2014	1527153	2431
2015	1,798,380	2981

Source: Central Bank of Sri Lanka, Annual Reports (Various issues)

Annex 2 Per day spending by foreign tourists in Sri Lanka (1970-2015)

Year	Per day spending of foreign tourists (US \$)
1970	7.4
1971	8.6
1972	11.9
1973	15.9
1974	18.7
1975	22
1976	23.8
1977	24.3
1978	27.1
1979	28
1980	31.2
1981	33.9
1982	36.2
1983	39.6
1984	37.2
1985	34.8
1986	32.7
1987	34
1988	33.3
1989	38.6
1990	41.1
1991	42.8
1992	49.7
1993	50.1
1994	54.2
1995	56.1
1996	57.9
1997	58.6
1998	59.5
1999	61.4
2000	62.3

Year	Per day spending of foreign tourists (US \$)
2001	63.1
2002	63.4
2003	66.8
2004	72.2
2005	74.6
2006	83.4
2007	79.1
2008	76.7
2009	81.8
2010	88
2011	98
2012	103
2013	156.5
2014	160.8
2015	165.8

Source: Central Bank of Sri Lanka, Annual Reports (Various issues)

**Annex 3 Direct, Indirect and total employment in the tourism sector in Sri Lanka
(1970-2014)**

Year	Total Employment	Direct Employment	Indirect Employment
1970	12078	5138	6940
1971	15037	6397	8640
1972	16540	7040	9500
1973	17914	7134	10780
1974	20101	8551	11550
1975	23848	10148	13700
1976	27652	11752	15900
1977	32236	13716	18520
1978	36199	15404	20795
1979	43409	18472	24937
1980	47900	19878	28022
1981	55255	23023	32232
1982	64262	26776	37486
1983	53608	22374	31234
1984	58898	24541	34357
1985	54533	22723	31810
1986	53484	22285	31199
1987	48811	20338	28473
1988	47904	19960	27944
1989	52699	21958	30741
1990	59914	24964	34950
1991	64507	26878	37629
1992	69096	28790	40306
1993	75000	30000	45000
1994	84154	35064	49090
1995	87360	36260	51100
1996	76711	31963	44748
1997	82080	34200	47880
1998	83472	34780	48692
1999	87744	36560	51184
2000	91063	37943	53120
2001	85063	35443	49620
2002	93170	38821	54349
2003	112226	46761	65465
2004	129038	53766	75272
2005	125004	52085	72919
2006	133558	55649	77909
2007	145239	60516	84723
2008	123134	51306	71828

2009	124970	52071	72899
2010	132055	55023	77032
2011	138685	57786	80899
2012	162869	67862	95007
2013	270150	112550	157600
2014	299890	129790	170100

Source: Sri Lanka Tourism Development Authority, Annual Reports (2000-2009)

Annex 4 Level of agreement with the importance of tourism to the development of local communities according to the main occupation of respondents

Level of agreement	Government occupation (%)	Private sector Tourism related (%)	Private sector (%)	Self employed (%)	Ngo (%)	Not employed (%)	Student (%)	Retired (%)	Casual laborer (%)
Strongly agree	21	54	24	48	50	28	25	28	0
Agree	47	34	31	40	50	31	25	28	30
Somewhat agree	18	7	26	8	0	20	17	22	40
Disagree	5	5	7	2	0	16	25	17	30
Strongly disagree	8	0	5	1	0	3	0	6	0
Do not know	0	0	7	1	0	2	8	0	0

Source: Sample survey, 2015

Annex 5 International tourist arrivals to Japan (1964-2014)

Year	International Tourist Arrivals	Year	International Tourist Arrivals
1964	352832	1990	3235860
1965	366649	1991	3532651
1966	432937	1992	3581540
1967	476771	1993	3410447
1968	519004	1994	3468055
1969	608744	1995	3345274
1970	854419	1996	3837113
1971	660715	1997	4218208
1972	723744	1998	4106057
1973	784691	1999	4437863
1974	764246	2000	4757146
1975	811672	2001	4771555
1976	914772	2002	5238963
1977	1028140	2003	5211725
1978	1038875	2004	6137905
1979	1112606	2005	6727926
1980	1316632	2006	7334077
1981	1583043	2007	8346969
1982	1793164	2008	8350835
1983	1968461	2009	6789658
1984	2110346	2010	8611175
1985	2327047	2011	6218752
1986	2061526	2012	8358105
1987	2154864	2013	10363904
1988	2355412	2014	13413467
1989	2835064		

Source: JTB Tourism Research and Consulting Co. & Japan National Tourism Organization (JNTO).

**Annex 6 The expenditure pattern of foreign tourists in Japan (2011-2015)
(Japanese Yen)**

Year	Accommodation	Food	Transport	Amusement	Shopping	Other
2011	62,219	31,436	18,880	12,858	45,404	15,439
2012	60,518	29,864	18,019	12,136	46,436	15,863
2013	60,839	30,224	17,298	10,875	49,661	25,585
2014	65,060	32,902	18,014	10,401	58,517	16,445
2015	62,795	31,397	18,679	12,659	78,829	80,673

Source: Ministry of Land, Infrastructure, Transport and Tourism (MLITT), 2011-2015

Annex 7 Top five tourist source markets to Japan (1990-2015)

Year	Asia	Korea	China	Taiwan	Hong Kong	Thailand
1990	1262012	428,171	23238	497591	113116	40405
1991	1467091	504,099	24864	565882	114421	69004
1992	1482415	502,871	29147	622707	136040	58583
1993	1334976	473,318	26454	581958	113366	35298
1994	1335108	511,753	24550	562053	109391	25542
1995	1154405	459,166	25489	490080	63301	18409
1996	1491437	565,034	29291	628192	133700	26460
1997	1721487	587,299	33431	725785	227909	26517
1998	1599204	380,279	35616	744089	318827	17814
1999	1743509	516,053	37153	829969	215463	24255
2000	1829079	603,697	45270	807261	205315	28452
2001	1827904	653,370	72118	708065	226862	29764
2002	2084700	756,991	101299	769074	255294	38193
2003	2142267	917,590	95991	681490	228073	43832
2004	2726855	1,037,483	189692	962168	271492	63017
2005	3150093	1,215,766	201940	1160402	269123	75333
2006	3801316	1,614,811	323018	1184228	322428	80330
2007	4601596	2,084,195	407286	1255642	399681	119718
2008	4647940	1,892,654	455728	1264425	513185	143541
2009	3445035	1,153,935	481696	912982	418169	135903
2010	4996418	1,963,002	831652	1139339	473031	165901
2011	3207331	1,199,020	453182	868010	333773	95185
2012	4795664	1,569,278	829206	1329331	447486	201623
2013	6452906	1,974,117	704737	2067269	708997	392856
2014	9050505	2,285,069	1753572	2674425	886308	599690
2015	14667800	3,519,608	4237920	3505149	1480564	737943

Source: Japan National Tourism Organization (2016)

Annex 8 Expenditure per tourist from selected countries in 2015 (Japanese Yen)

Expenditure Category	South Korea	Taiwan	Hong Kong	China	Thailand	Singapore	India	UK	Germany	France	United States
Accommodation	28,284	45,535	52,342	84,130	60,958	75,145	101,183	112,620	82,111	91,911	103,156
Transport	9,132	13,199	15,127	21,958	22,466	20,728	22,777	28,261	33,380	32,040	27,847
Amusement services	9,856	9,739	9,546	16,520	17,915	10,849	9,313	12,152	16,829	13,715	15,025
Shopping	23,516	61,368	72,865	169,260	58,704	65,807	36,184	36,535	30,182	38,074	36,112
Other	43,056	8,956	234,843	218,814	41,659	25,000	100,000	-	-	7,237	8,963
Package Tour	84,675	131,363	142,143	150,979	159,995	239,779	179,644	568,302	493,595	483,583	498,573
Package for individual travelers	69,763	96,829	125,379	164,222	159,381	167,450	238,630	431,678	318,105	413,710	333,590
Round-trip flight/voyage fare	36,914	55,087	70,403	81,041	90,633	83,804	115,822	197,756	155,815	139,355	215,173

Ministry of Land, Infrastructure, Transport and Tourism (MLITT), 2013 & 2014.

Annex 9

A Survey on the Impact of Informal Institutions on Tourism Development in Sri Lanka

About yourself

1. Age and Sex Years	Male <input type="checkbox"/>	Female <input type="checkbox"/>
2. Nationality			
3. Occupation			
4. Level of Education	i. No education		
	ii. Primary education (Primary/ Middle School)		
	iii. Secondary education (High School education)		
	iv. Tertiary Education (College/ University)		
	v. Postgraduate		
	vi. Vocational Training		
	vii. Professional Diploma/ Training		
5. Is this your first visit to Sri Lanka?	i. Yes <input type="checkbox"/> ii. No <input type="checkbox"/> If No, how many times have you visited Sri Lanka before?		
6. Type of Tour	i. Group (10 or more people)	<input type="checkbox"/>	
	ii. Independent (Less than 10 people)	<input type="checkbox"/>	

General Facts about your trip to Sri Lanka

7. Your purpose of visit and feedback of your experience. Respond only to the purpose/s that applies to you.

		Great	Good	Fair	Dull	Hopeless
1	Relaxation					
2	Experience Culture					
3	Visit Historical Sites					
4	Adventure					
5	Visiting Friends and Relatives					
6	Religious purposes					
7	Ayurveda treatment					
8	Educational tour					
9	Shopping					
10	Volunteer tourism					
11	Business					

8. Where did you first hear about Sri Lanka?

1	Friends and/ or relatives	
2	Media (Eg: Television programme)	
3	Social Media	
4	The Internet	
5	Guide book	
6	Promotions by the Sri Lankan Government	
7	Promotional Campaign by an Airlines	
8	Travel Agency	

9. How much do you spend/ intend to spend per day in Sri Lanka?

1	Less than \$ 75	
2	\$ 76 - \$ 100	
3	\$ 101 - \$ 125	
4	\$ 126 - \$ 150	
5	More than \$ 150	

About your experience in Sri Lanka

10. The places you visited during your stay and your feedback about the experience. Respond only with regard to the places you visited. You may leave the other cages blank.

		Pollution			General infrastructure			Facilities for tourists			Hospitality of the local people		
		High	Medium	Low	Very good	Satisfactory	Poor	Very good	Satisfactory	Poor	Very hospitable	Hospitable	Rude
1	Capital City (Colombo)												
2	Eastern Coast												
3	Southern and Western Coast												
4	Hill country (Nuwara Eliya/ Kandy)												
5	Historical Sites (Anuradhapura/ Polonnaruwa/ Sigiriya/ Dambulla/ Galle Fort)												
6	Wildlife Parks												
7	Jaffna												

11. Which type of accommodation facility did you utilize the most? Then, give your opinion about its features.

Hotels, Guesthouses/ Rest-houses/ Inns, Home-stay facility, At a friend's/ relatives house						
		Excellent	Good	Satisfactory	Poor	Very poor
1	Cleanliness					
2	Facilities and Amenities					
3	Hospitality of the staff					

12. Which type of food did you have most? Give your opinion about the food you ate.

Sri Lankan cuisine, Food from your own culture/ country, Fast Food, Snacks, A combination of the above, Sri Lankan fruits						
		Excellent	Good	Satisfactory	Poor	Very poor
1	Taste					
2	Impact on health					
3	Cleanliness					
4	Presentation of the meal					

13. What type of facilities did you visit for your meals? Indicate your level of satisfaction.

		Excellent	Good	Satisfactory	Poor	Very poor
1	Restaurant/ Dining Hall of the Hotel etc.					
2	Food Chains (KFC/ Pizza Hut/ Mc Donald's)					
3	Other Restaurants/ Canteens in the town/ city					
4	Wayside stalls					
5	Mobile vendors					
6	A combination of the above					

14. Where did you buy souvenirs most? Indicate your level of satisfaction.

		Excellent	Good	Satisfactory	Poor	Very poor
1	Designer Stores					
2	Shopping Malls/ Shops					
3	Showrooms run by the government					
4	Showrooms/ shops recommended by your tour guide					
5	Wayside stalls					
6	Pavement vendors					
7	Mobile vendors					

15. How trustworthy are the following people according to your experience?

		Very trustworthy	Trustworthy	Moderate	Difficult to trust	Completely untrustworthy
1	Staff at accommodation facilities					
2	Staff at restaurants					
3	Airport staff					
4	Taxi (tuk tuk) drivers					
5	Tour Guides					
6	Sales staff at shops					
7	Pavement Vendors					
8	Vendors at wayside stalls					
10	Policemen					
11	Strangers/ Passers-by					

16. Please indicate your opinion about the following.

		Totally Agree	Agree	Somewhat	Do not agree	No Comments/
1	Sri Lankans are hospitable					
2	People are always smiling					
3	The general public is helpful					
4	They are willing to help tourists without expecting a return					
5	People running businesses have a propensity to cheat tourists					
6	People tend to think of tourists as cash cows					
7	Sri Lankans prefer White tourists over others					
8	Sri Lanka is a safe country in terms of national security					

17. Were you a victim of the following at least once during your stay in Sri Lanka?

1	Pestering by touts	
2	Following by beggars	
3	Persistence of Street Vendors	
4	Coaxing by tuk-tuk (taxi) drivers	
5	Pickpocketing	
6	Catcalling	
7	Ogling/ Staring	
8	Stalking	

9	Hotel room was broken into	
10	Violence at the hands of locals	
11	Attempted rape	
12	Realized that you had overpaid for goods/ services	
13	Servicemen solicited tips	
14	Realized that the tour guide has been giving fake information	
15	Taken on a detour by tuk-tuk drivers	

18. Indicate the level of availability of the following.

		Highly Favorable	Favorable	Somewhat	Harmful	No Comment
1	Sri Lankan hospitality					
2	Sri Lankan cultural practices					
3	Their attitude towards cleanliness					
4	Their attitude towards tourists					
5	Their attitude towards services/ business (working culture)					
6	Their attitude towards preservation of the environment					

19. Please state to what degree the following aspects are favorable to tourism

		Available everywhere	Available at most places	Available at some places	Rarely available	Not available at all	Do not know
1	Free Wi-Fi Facilities						
2	Toilet facilities						
3	Information in your language						
4	Communication facilities						
5	Safety measures (Eg. Helmets/ Jackets where applies)						
6	Medical Services for foreigners						

Annex 10

Questionnaire on the Impact of Informal Institutions on Tourism Development in Sri Lanka

- | | | | |
|-------------|----------|--------------|---------------|
| 1. Pinnawla | 2. Kandy | 3. Kitulgala | 4. Arugam-Bay |
|-------------|----------|--------------|---------------|

1. Personal Information

Age	Ethnicity				Level of Education						Main Occupation								Gender			
	Sinhala	Tamil	Muslim	Other	No formal education	Grade 1-5	GCE O/L or below	GCE A/L or below	Higher	Vocational Training	Professional Diploma	Government Sector	Private sector (Tourism Related)	Private Sector (Other)	Self Employed (Tourism Related)	Self Employed (Other)	NGO	Unemployed	Student	Retired	Male	Female

2. How long have you been living in this village?

1. Born and bred in this village	
2. More than 25 years	
3. 16-25	
4. 5-15 years	
5. Less than 5 years	

3. If you were not born and bred in this village, why did you move in?

1. Inherited land/ home in the area	
2. Cheap land/ property	
3. Occupational obligations (Eg transfer)	
4. Lucrative prospects in tourism	
5. Children's education	
6. Other personal obligations (Eg: to look after elderly parents)	
7. Peaceful environment	

4. Are you engaged in some form of tourism-related income generating activity? If you are not engaged in any income generation activity related to tourism, leave the entire table blank.

	Nature of employment								
	Owner	Managerial/ Administrative	Clerical/ Office Work	Bellboy	Cook	Driver	Waiter	Tour Guide	Other manual
1. Tour Agent/ Tour Operator									
2. Accommodation									
I. Hotel									
II. Guesthouse/ Inn									
III. Homestay Unit									
3. Restaurant									
4. Transport									
I. Tuk-Tuk									
II. Rent-a-car/ Hiring Service									
5. Adventure Tourism Service									
6. Providing goods (vegetables/ boats etc) for Tourist Services									

5. When did you start utilizing Tourism as a source of income?

1. It has been in the family for at least two generations	
2. It was something I started recently	
3. It is something my children started	
4. Tourism is not a source of income	

6. What is your opinion of Tourism as an income generating activity?

1. It is not a profitable source of income	
2. It is too risky as a main source of income	
3. Access to tourism as a source of income is closed for you	
4. It is a very profitable source of income with more prospects in the future	
5.	

7. What is your Total Annual income?

1. Below Rs. 325,000	
2. Rs. 326,000 - 476,000	
3. Rs. 477,000 - 626,000	
4. Rs 627,000 - 777,000	
5. More than Rs. 777,000	

9. What is your opinion about the contribution of tourism to the following?

	Tourism has contributed to			
	Increase	Neutral	Decrease	Do not know
i. Employment opportunities				
ii. Personal Income				
iii. Living standards of residents				
iv. Revenue to the village				
v. Local businesses				
vi. Infrastructure development				
vii. Emergence of new locally made products				
viii. Improvement of the quality of local products				
ix. Value of property				
x. Cost of living				
xi. Conservation of wildlife and trees				
xii. Pollution of the environment				
xiii. Contamination of local values and norms				
xiv. Local people's pride				
xv. Crime against tourists				
xvi. Other crimes such as drug use and murder				
xvii. Increase of prostitution				
xviii. Number of women engaged in tourism activities				
xix. Mutual understanding between cultures				
xx. Peaceful atmosphere of the village				
xxi. Collective consciousness of the local people				
xxii. Reputation of the village				
xxiii. Improvement of tourism based education (language/ cookery/ tour guiding)				
xxiv. Health risks (HIV/ AIDS)				

10. What is your opinion about the following?

	Strongly agree	Agree	Somewhat Agree	Disagree	Strongly Disagree	Do not know
1. The positive impact of tourism outdo the negative impact						
2. Tourism is important to improve our community						
3. Improving tourism is the responsibility of community members						
4. Receiving tips from foreign tourists is one important way to earn revenue from tourism						
5. Overpricing tourism goods and services is a legitimate way of earning revenue from tourism						
6. We have a right to charge money for everything that a foreigner enjoys on our soil as a tourist						
7. All foreign tourists are rich						
8. White tourists are better spenders than East Asian tourists						
9. It is important to control my temper during an argument with a foreign visitor						

11. How much direct contact do you have with foreign visitors?

1. No contact	
2. Several times a week	
3. Once or twice a week	
4. Occasionally (once in several weeks)	

12. Are you a member of any tourism development committee in your community?

	Your attendance in tourism development committee meetings				
	Regular	Fairly good	Occasional	Rare	Never participate
1. Committee No: 1					
2. Committee No: 2					<input type="checkbox"/>
3. There is no tourism development committee that I know of in this area					

If your answer to the above question was 3, then please skip over to question number 14

13. If your attendance was not regular or fairly good, what was the main reason for your poor participation?

1. I have family obligations	
2. My job keeps me too busy	
3. I am just a passive participant in meetings: my opinions don't matter	
4. Nothing substantial happens in those meetings: it's just a waste of time	

14. Was your opinion consulted in the following instances?

	Yes Always	Often	Sometimes	Rarely	Never
1. When a new tourism project (a hotel/ a zoo etc) was proposed for the village					
2. When identifying resources available for a tourism project					
3. When a tourism project was being implemented in the village					
4. When problems arise due to tourism activities that are already running					

15. Does the following information reach community members?

	Yes Always	Often	Sometimes	Rarely	Never
1. Advent of new tourism businesses to the community					
2. Their multifaceted impact on the village					
3. How villagers can participate in the project					

16. If Yes, how does this information reach them?

1. Awareness programme by village headman	
2. Local politicians	
3. Influential people in the village (Head priest etc)	
4. Owners of the business/ projects	
5. Tourism development committee of the village	
6. We hear of them through rumors	

17. What is your opinion about the decision-making process with regard to tourism projects in your community?

1. Everybody's ideas matter. So does mine. We have a peaceful and democratic decision making process.	
2. Our voices are unheard of, unless we demonstrate it aggressively	
3. A few powerful people from outside the village make decisions	
4. A few influential people from the village make decisions	
5. We don't know who makes decisions	

18. If you have ever participated in making decisions with regard to tourism in your community what type of decisions were they?

1. Design a tourism project/ possible tourism activities for your area	
2. Attraction sites in your community to be allowed for visitors	
3. The number, frequency and schedules of visits for tourists	
4. Entrance fees to be charged	
5. Write up a code of ethics for visitors	
6. Write up rules and regulations for the host community/ business people in the community	
7. Decide on safety measures for tourists	
8. To discuss how to improve quality of the existing tourism products in your area	

19. Who enjoys the economic benefits of tourism in your village?

1. A small and powerful segment of the community	
2. Total outsiders such as hotel owners from the cities	
3. Evenly among all villagers	