



**The Problems and Constraints Faced by Small Scale and Informal
Business Community in the Tourism Industry: A Case Study from Ella,
Sri Lanka**

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Article Info

Article History:

Received 23 June 2020

Accepted 28 July 2020

Issue Published Online

01 July 2020

Key Words:

Tourism industry

Small Scale and Informal
Business

Entrepreneurial

Characteristics

Issues and Constraints

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Journal homepage:

<http://journals.sjp.ac.lk/index.php/vjhss>

<http://doi.org/10.31357/fhss/vjhss.v05i02.06>

VJHSS (2020), Vol. 05
(02), pp. 91-105

ISSN 1391-1937

ISSN 2651-0367 (Online)

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ABSTRACT

Small scale and informal business sector in tourism is an effective mechanism which generates different advantages. It has come into existence as an important feature of peripheral tourist destinations. However, communities in such businesses confront different constraints which hinder their involvement. The main objective of this study was to analyze the issues and constraints faced by the small scale and informal business community of the Ella divisional secretariat division of the Badulla district. After a preliminary survey, this study area was selected. The total population (221) in the selected business sector was stratified into 13 categories and 90 respondents were selected by stratified random sampling method. Research techniques such as interviews and questionnaire surveys were employed for data collection. Qualitative techniques including the quotation and thematic analysis and quantitative techniques such as the methods of central tendency were employed for data analysis. The results of the study reveal that the small and informal businesses fall into 13 groups. The entrepreneurial characteristics identified were classified under the themes of the location and permanency of the business, source of capital and investment. The constraints were identified under 10 categories. Different measures have been introduced to eliminate such issues. However, there is a pressing need of carrying out an in-depth study to investigate these issues in detail and novel policies and plans are timely and significant to lessening the issues and constraints identified.

1. Introduction

Tourism is an important industry commonly known as a multi-faceted economic activity. It has been promoted as an approach for community development due to the contribution made towards the expansion and development of different sectors in rural areas. This contribution is highlighted especially through the development of the local economic activities such as small scale and informal businesses. Tourism industry in the developing countries has proven as an effective mechanism for the generation of new employment and income opportunities for local communities, new markets for local productions, better usage of peripheral resources and domestic improvement of rural communities. As stated by Durbarry (2004) studies in developing countries have found that there is a positive relationship between economic growth and tourism development. It is mainly due to the contribution made towards the establishment of new businesses, especially small in scale.

Tourism research in general began to expand rapidly during the 1980s, which saw 'an overall and steady increase in published research on tourism' (Sheldon, 1991). This growth was also reflected in the field of tourism related businesses, especially small scale and informal. When the literature related to this area is critically analyzed, it is clear that the volume of tourism research related to the small business sector has grown considerably during the past few decades. This new form of research has appeared in both developed and developing countries. The rapid expansion of tourism research related to the above business sector has attracted the attention of a growing number of researchers and policy makers.

Citing the research of Thomas (2000); Sharma and Upneja (2005); Rogerson (2004); Hanqin and Morrison (2007), Othman and Rosil (2011) stated that research has been carried out on small businesses in the tourism

industry recognizing the positive advantages of tourism. According to them, less attention has been given to the importance of the small, medium, and informal business sector in tourism. This includes especially the constraints and problems faced by the communities which are involved in such businesses of peripheral tourism destinations.

Tourism has been identified by many countries as a prioritized platform that would assist in developing small and informal businesses. This sector of tourism businesses plays an important role in different aspects including community development and welfare, enhancement of economic status of small scale business community, generation of income sources and livelihoods, uplifting the living standards, domestic improvement, rural level infrastructure development and providing essential services for tourists. According to the International Labour Organization (2011) the development of tourism is strongly based on the informal sector in several countries. Therefore, it has been considered as an essential segment in the tourism industry of the peripheral locations.

Most of the tourist sites and attractions, particularly in the developing countries, have been located in less developed rural areas. Tourists, both domestic and foreign, visit these destinations and engage in different activities. They require a number of services and facilities including food and lodging, recreational services, transport facilities, and other day to day needs etc. But there is a dearth of facilities in these areas which are large or medium in scale. As a result, many small and informal scale businesses have been started by local residents to provide certain tourism related services and facilities. The means to develop the tourism industry and to uplift the different aspects of the community life in peripheral regions are limited owing to the scarcity of services and facilities especially in large and medium

scales. This scarcity is due to different reasons including remote location, poor accessibility and limited infrastructure, less profits, shortage of trained human resource and seasonality of the businesses. Therefore, the role of small and informal sector related to the tourism industry in above rural areas is of paramount importance. Consequently, the local participation in the tourism industry in these areas is at a satisfactory level. Communities who reside in and around such tourist attractions run small and informal scale businesses including food and catering services, homestay lodgings, communications and internet cafes, stalls of handicrafts and souvenirs, snack bars, juice parlors, cloth boutiques, fruit stalls, flower shops, revamping huts, renting stalls of foot cycles and recreational gears, wayside businesses such as tiffin services. As The Overseas Development Institute (2006) described, there are many different types of tourism products and services that can be delivered directly by small entrepreneurs such as small or micro businesses, informal sector operators, food and juice producers and sellers, local guides, providers of homestays, camping and bed and breakfast, taxi and boat operators, musicians, bands and dance troupes, craft makers and artisans. These businesses help to fulfill the necessities of tourists and generate large number of employment and income opportunities for local residents. Thus, tourism is a noticeable economic activity in the regional economies of such rural areas where a large number of small scale and informal business communities are engaged in. As a result, the small-scale businesses come into existence as an important feature of rural tourism destinations. However, the small scale and informal business communities in rural areas face many difficulties due to different reasons. Logistical issues, manpower and capital related issues, seasonality of the tourism industry, accessibility and infrastructure related issues, limited language skills, low priority provided by the regional tourism authorities, high cost for

registrations and licensing are some of the common issues faced by them.

As stated by Mshenga et al. (2010) maximizing tourism's potential for economic development can be achieved through the enhancement of linkages between tourism and other sectors such as agriculture, micro, small and informal enterprises. Citing Joosten and Marwijk (2003) they have further explained that this sector stimulates local entrepreneurs to start tourist establishments and encourage local entrepreneurial activities.

Many studies have been conducted on the issues and challenges faced by the local business community who run small or informal tourism businesses. Citing the research of Page, Forerand and Lawton (1999) conducted in New Zealand, Patience, Mshenga and Owuor (2009) discuss in detail the relationship between tourism and small businesses highlighting the different issues such as finance, marketing and human resource. They further reference the work of Rogerson (2003) who studied the constraints faced by tourism based medium and small-scale businesses in South Africa. As Rogerson argued it was only through small enterprises that rural people can participate in tourism. Chill and Mabaso (2016) in their literature survey found that the small tourism enterprises encounter difficulties related to lack of financial resources and management skills, limited access to expertise in core business disciplines, life-style motivations that create long-term economic problems, short-term business horizon and often limited knowledge of the business environment. They have justified this background referring the works of Shaw (2004), and Getz and Petersen (2005).

Jaafar et al. (2011) have critically reviewed the literature related to the issues faced by small business community in their research titled *Entrepreneurship in the Tourism Industry: Issues in Developing Countries*.

They have cited Reynolds et al. (1994) and stated that 73% of small businesses in the tourism industry in Australia close within the first five years of operation. As they pointed out, the low entry barriers to tourism and hospitality businesses place constraints on the finance and knowledge of the owners of the small firms. Jaafar et al. (2011) further cited Morrison (1996) and identified several constraints including low capital and lack of specific qualifications and professional requirements needed to start a business, demand being very localized and segmented. The Overseas Development Institute (2006) conducted a research in many African countries including Ethiopia, Kenya, Mozambique, Rwanda, Tanzania, and Uganda and summarized different constraints facing small enterprises in the tourism sector. These constraints include lack of language and entrepreneurial skills, regulations imposed by the governments, absence of tourism culture, lack of capital and lack of access to credit and finance, high interest on loans, lack of entrepreneurial education, limited knowledge in understanding visitors' needs and ownership of the land or the business premises.

Understanding the potential advantages, diverse strategies have now been introduced by different countries to overcome the issues and constraints faced by the small and informal business communities in tourism. Chill and Mabaso (2016) pointed out the recommendation made by Tosun, (2005) and stated that local small enterprise development of tourism might be supported by the provision of special government fiscal and monetary incentives to enable local entrepreneurs to own and operate small tourism establishments.

According to the above discussion, it is clear that the businesses and the business communities in small scale and informal sector play an important role in the tourism industry. At the same time, it is obviously discernible that the different problems and

constraints faced by them limited the potential advantages. Due to the limited literature that explores this theme, it is timely and important to carry out a research to investigate the problems and constraints faced by the small scale and informal business community in the peripheral rural destinations of Sri Lanka, focusing on the small and informal sectors of the Ella divisional secretariat division of the Badulla district.

There has been increasing attention placed on exploring the issues and challenges faced by the small scale and informal business community who engaged in tourism enterprises of remote rural tourism destinations. This community encounters different issues which hinder self-development as well as the development of the tourism industry. Even though they play a significant role to uplift the tourism industry and the local economy of these regions, constraints hamper their involvement and discourage them to either refrain from or give up their businesses. Relevant literature was categorized into several themes and critically reviewed to identify the research gap. Research available in different sources depicts the diverse aspects of the small and informal sector businesses in tourism which include the entrepreneurial characteristic, challenges of developing small tourism enterprises, the contribution of tourism to informal and small business development, problems and constraints in the informal and small sector of tourism businesses and possible mitigatory measures which can be implemented to overcome the problems and constraints. According to this analysis, it is evident that there is a dearth of research conducted on the problems and constraints faced by the business communities involved in this sector. The Sri Lankan context related to this research area too is limited and inadequate. Therefore, the research focuses on the constraints faced by this community and the reasons which generate such issues. Since this research focuses on a novel side of

the tourism industry of Sri Lanka, it will help to fill the vacuum in the research area concerned. The findings of this research will assist the policy makers to explore the different issues and constraints faced by the small scale and informal business communities in the tourism industry of Sri Lanka. At the same time, it will provide insight in the formation of mitigatory devices which can be used in lessening the issues associated with this business sector and the business community.

The main objective of this research was to analyze the issues and constraints faced by the small scale and informal business community of the Ella divisional secretariat division of the Badulla district. In connection with the main objective, a few specific objectives were set and those were to identify the existing nature and types of the informal and small tourism businesses, analyze the entrepreneurial characteristics of the business community, examine the reasons for the related issues and recommend appropriate measures to mitigate the identified issues.

2. Materials and Methods

The methodology of this research was designed on a multi-method approach which includes a number of steps viz. the selection of the study area, selection of the sample, data collection and data analysis.

Prior to selecting the study area, a preliminary survey was carried out at different tourist destinations located in the Badulla district. Findings of the preliminary survey were summarized and a few criteria were formed which include the availability of tourist sites and activities, the diversity and the range of the small and informal scale tourism related businesses, number of people engaged in and the nature of the noticeable issues faced by them. Based on the above criteria, three villages located in the Ella divisional secretariat division named Karandagolla, Ella and Kithal Ella were

selected as the most suitable sites to conduct the research. The judgment sampling method was used to select the research sites.

The sample frame of this research was selected through a multiple sampling method. After the study area was determined, a list of tourism related small and informal businesses in each village was prepared since there was no recorded information available for stratification. Related information was obtained through a survey of three community group viz. residents, tourism businesspeople and village level officials. The total number of small and informal businesses (221) was stratified into 13 categories and a total of 90 respondents were selected by stratified random sampling method. Applying the purposive sampling method 10 and 05 respondents were respectively selected to conduct interviews and case studies. They were selected according to the responses given at the questionnaire survey.

A mix method which includes both qualitative and quantitative techniques was employed for data collection. Interviews, questionnaire surveys, observations, case studies, event records were among the commonly used techniques. The questionnaire technique was employed to collect information from a large number of respondents while the interviews and case studies were used to explore more detailed information on certain themes such as issues and constraints related to the ownership of the business and the financial issues. The questionnaire was divided into three parts. The first part dealt with the business profile and entrepreneurial characteristics of the respondents, followed by the nature of the businesses. The final part was about the issues and constraints faced by them. A pilot survey with ten respondents was carried out before the questionnaires were distributed. Further, observations during the field survey were undertaken to collect data. From the survey form, the researcher identified the respondents who were willing to cooperate for in-depth

interviews. A total of 10 structured interviews were conducted and those were transcribed and analyzed based on the context. Several techniques to enhance data trustworthiness were applied during the field survey. Data credibility was addressed through the use of prolonged engagement. Purposive sampling through the identification of most suitable respondents that participated in selected business activities ensured the transferability of findings. Main sources of secondary data were books, journals, web-based research articles and other secondary sources of information related to the small and informal business sector in the tourism industry. This secondary data was critically reviewed and used to write the literature review.

Both qualitative and quantitative analytical methods were employed to analyze the collected data. The data collected through questionnaire survey were converted into percentages and collated in the form of tables, graphs and figures to make the data analyses and the presentation meaningful. As quantitative analytical tools, simple statistical methods such as central tendency (mean, median and mode) were employed. These methods were employed to analyze the themes such as the number of persons engaged in different businesses, source of capital by number of businessmen and the number of persons who faced each difficulty in detail. Among the applied qualitative analytical methods, ranking and summarizing the information, making list of important facts and using visual displays in the form of images are most prominent. Information gleaned from the interviews and case studies were summarized and converted into quotations and themes to analysis certain issues such as source of capital, ownership of the business and the business history. Those were presented in the form of extractions in the data analysis.

3. Results and Discussion

The problems and constraints faced by the small scale and informal business community selected for the survey could be discussed and analyzed under several sub headings such as a) the nature of the businesses, b) the entrepreneurial characteristics, c) different constraints faced by the business community, d) possible strategies to mitigate the identified issues and constraints. When these multiple sections are critically examined, it is evident that this study provides a significant inclusion and a detailed explanation on the problems and constraints faced by the small scale and informal business community of the tourism industry in the Ella divisional secretariat division.

Citing the work of Othman and Rosil (2011), Rogerson (2004) reveals that tourism provides business opportunities in the form of provision of accommodation, especially the small bed and breakfast sector. They further quote the study by Sharma and Upneja (2005) in the Tanzanian tourism industry and state that the small hotels and restaurants become a major source of employment opportunities and entrepreneurial activities. With tourism, UNESCAP (2005) asserts that local people, including the poor, have opportunities to earn additional incomes by selling produce or offering services directly to tourists. A similar nature could be noticed in the small and informal business sector in the tourism industry of the Ella divisional secretariat division. The study area, where a large number of tourist attractions are located has been identified as a diversified region for a vast number of tourism activities including mountain tourism, cultural tourism, adventure tourism, nature tourism, agricultural tourism, rural/village tourism and cave tourism. These activities have contributed to generate important sources of income for the rural community of the area. As a result, it is considered as a lucrative livelihood by the community of the region. Due to this nature, a large number of residents are engaged in different tourism

related businesses which are small and informal in scale. Small and informal businesses of the study area encompass a wide variety. Table 01 depicts the nature of

the businesses and the number of persons engaged in the business.

Table 1. The Nature of the Businesses and the Number of People Engaged in the Business

Nature of the business	Number of people	Percentage
Homestay lodgings	15	16.7
Wayside mobile businesses	14	15.6
Food, snack stalls and tiffin services	12	13.3
Provision of transport services	11	12.2
Selling agricultural products	09	10.0
Retail shops	08	8.9
Stalls of handicrafts/souvenirs	05	5.6
Cloth shops	05	5.6
Communications/internet cafes	03	3.3
Fruit stalls	03	3.3
Rental shops (recreational gears etc.)	02	2.2
Plant nurseries and flower shops	02	2.2
Revamping huts	01	1.1
Total	90	100.0

As shown in Table 01, there is a vast variety of small and informal businesses which belongs to 13 different categories. Out of the total surveyed, the homestays which provide lodging facilities for both foreign and domestic tourists dominate the small business sector of the study area. It is 15 in number and 16.7% as a percentage. They provide both food and lodging or only lodging facilities according to the demand made by the tourists. It was evident from the field survey that the owners of the homestays receive the highest income among all small

scale business holders. The income varies between Rs. 75,000 to 175,000 per month. The number of persons who engaged in wayside mobile businesses is 14. The most noticeable feature of this business community is that they do not own either a permanent or a temporary stall to run their businesses. Instead, they engage in businesses as peddlers in and around the tourist attractions of the study area (Figure 01).



Figure 1. Peddlers Engage in Mobile Selling at Rawana Ella

Tourist arrivals to this region generate a huge demand for local transport services and food. Therefore, the businesses which provide transport facilities and food, tiffin, snacks, fruits and other related services and facilities are a noticeable feature of the informal sector. Accordingly, there are 12 persons who provide food and associated services while 11 persons provide transport services. The demand related to the transport service is due to many reasons. The study area is located at a proximity to the most popular train route of Sri Lanka. Tourists use Colombo-Badulla trains up to Demodara railway station where the world famous Nine Arch Bridge and the railway loop are located and travel to the different tourist sites using the transport facilities provided by the local, small scale transport providers. On the other hand, the public transport system of the area too is not at a satisfactory level. Since most of the tourist sites have been scattered all over the region, it is a difficult task to travel by public transport. This background ultimately increases the demand for privately owned transport services which are mostly operated by local residents.

The study area is predominantly an agricultural region where different cultivation practices exist. These include paddy cultivation, slash and burn cultivation, vegetable farming, floriculture and horticulture. The tourism industry has

contributed to create a substantial market for different agricultural productions of the local farmers. This outcome is supported by the research finding by Mshenga et al. (2010). They have found that there is a symbiotic relationship between these two sectors in that agriculture provided local food products for restaurants and the restaurants provided money, which was used to enhance agricultural productions. Similar to this relationship, there is a strong connection between tourism industry and the agriculture in the study area. Even though, there is a large majority who benefit from this relationship, attention in this research was given especially to the small businessmen who directly sell the agricultural products in and around tourist attractions. According to the filed survey, there are 09 sellers who have benefited out of this and engage in selling of their agricultural products to the tourists on part time basis. It is another noticeable fact that there is a huge demand for different drapery items due to the cold and misty environment of the region. To fulfill this demand, there are 05 cloth shops which sell winter caps, jerseys and sweaters, handloom items and other products. Renting out of recreational gears is the business for 02 persons and 06 (03 by respectively) are engaged in communications and internet cafes and fruit stalls. With perusal of the above description, it can be concluded that the small and informal sector in tourism

business is a prominent economic activity in the study area.

Literature on entrepreneurial characteristics of the tourism related business communities argues different aspects. As cited by Jaafar et al (2011) many researchers including Russell and Faulkner (1999), Bygrave (1993), Dunkelburg and Cooper (1982), Glimore et al. (2004) have paid sufficient attention on the same theme. They have focused on the different aspects of the entrepreneurial characteristics under themes such as source of capital, ownership of the businesses and many other aspects. When the entrepreneurial characteristics of the business community surveyed are taken into consideration, a few important features are discernible. More than a half of the sample

(51 persons or 56.6%) do their business at a permanent location. Out of this, there are 22 who run their business at a rented place while another 29 own a private business premises. The rest of the grand total (39) engages in businesses either in temporary places or by the side of the roads.

The source of capital is another important factor which needs to be considered in analyzing the entrepreneurial characteristics of this business community. A large majority of them (67.8%) has started the business using their own money while 32.2% relied on loans obtained from different sources including banks, micro finance institutions, pawn brokers and private money lenders (Figure 02).

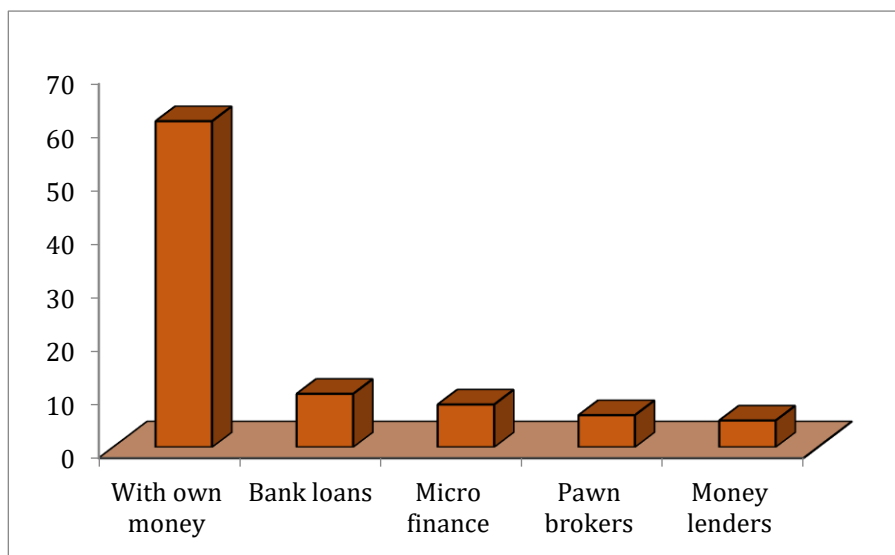


Figure 2. Different Financing Types and Sources for the Businesses

As shown in figure 02, the number of persons who have obtained loans from banks, micro finance institutions, pawn brokers and private money lenders are 10, 08, 06 and 05 respectively. The businessmen who have a short-term business history belong into this category. UNESCAP (2005) reveals that many tourism businesses in remote regions are run

by the poor, for examples in the provision of accommodation, catering, retail outlets, tourist guiding services, and entertainment and other services. Similar to this opinion, a large majority of the business community in the small business sector in tourism of the study area belongs to the poor category who lack saved capital to invest on the businesses.

As a result, they have been compelled to depend on many informal methods such as pawn brokers and private money lenders, which has lead them into a loan trap. This situation was further revealed through the interviews held with them. Some of the difficulties expressed by several interviewees are as follows:

"I myself started this business in 2007, investing a sum of Rs. 75,000.00 obtained from a private money lender at Wellawaya town. I had to pay the initial amount taken with an interest double than that."

"Starting a small business in Ella town was a difficult task. The main problem I faced at the beginning is the money. I pawned all the jewelleries of my family

and invested all the money taken on this juice parlor. Still, I could not reclaim those, instead pay a large amount of money as the interest."

The constraints faced by the small and informal scale business community of the Ella divisional secretariat division include financial problems, lack of formal business or marketing background and prior experience, little or no knowledge related to tourism businesses, lack of language skills, insufficient capital and resources, unskilled employees, ownership issues, less support given by the regional tourism authorities, infrastructure related issues and high cost for registrations and licensing. These constraints reveal in detail by the quantitative results of this research which shows in Table 02.

Table 2. Constraints Faced by the Selected Business Community of the Study Area

Constraint	Number of persons (out of the total of 90 respondents)	
	Number	Percentage
Financial problems	90	100
Lack of language skills	76	84.4
Lack of experience	67	74.4
Insufficient capital/resources	61	67.7
Ownership issues	61	67.7
Lack of knowledge related to tourism	56	62.2
Unskilled employees	47	52.2
Less support given by the government	22	24.4
High cost for registrations/licensing	20	22.2
Infrastructure related issues	12	13.3

As indicated in Table 02, the respondents of the sample commonly faced financial problems which include less profits, high cost for materials, cost on payments including the salaries and wages for workers, rentals, payments for the local authorities as assessment tax and ground rent etc. As it was further revealed by the case studies

conducted, this situation caused another problem when the income and the payments of interest or instalments for loans obtained are considered. Some of them have to pay the total monthly income as debts and loans. This finding was supported by the empirical evidence suggested by Jaafar et al. (2011). They refer to the study of Reynold (1994) and

state that 73% of small businesses in the tourism industry of Australia have been closed within first five years of operation due to the financial constraints and lack of business knowledge.

Tourism businesses are negatively or positively affected by the level of fluency of foreign languages of the person/s involved in. Lack of language skills is perceived as a barrier for 76 (84.4%) respondents. Since the study area is mostly visited by the international tourists, this is a common issue and it ultimately impacts on the profits and the sustainability of their businesses.

Even though there is a large majority of persons who are involved in tourism related small and informal scale businesses, they severely suffer from the lack of business-related experience. This is a common constraint faced by small business community in different countries. According to Jaafar (2011), Morrison (1996) and Atelievic et al. (1999) most of the new small tourism businesses are run by owners who have no formal business or marketing background and no prior experience. Citing the conclusion made by Mckercher and Robbins (1998) and De Kocn and Saayman (1999), another important view in this regard has been submitted by Jaafar et al. (2011). Consequently, insufficient capital and resources, lack of experience and adequate business skills are the main resistant impact on the businesses.

Most of the new tourism businesses surveyed are operated by the owners/operators who have no formal business or marketing background and prior experience in tourism related businesses. The percentage value of persons who have faced this difficulty is 74.4%. When this problem is critically analyzed with regard to the number of businessmen who have been discouraged or left the business, the gravity of the issue is discernible. This situation was clearly revealed by the in-depth interviews conducted with the owners of some

businesses such as home stays, retail tourist shops, stalls of handicrafts and cloth shops. As they stated, the main issue that they faced during their period of service is the lack of experience. Citing the research of Saayman and Slabbert (2001), this finding was further elaborated by Jaafar et al. (2011). As they agreed many small tourism entrepreneurs are businesspersons who lack management skills and managerial knowledge inhabiting them to market their products successfully.

Insufficient capital or resources is another constraint faced by 61 (67.7%) persons. The nature of this problem was twofold. Accordingly, 42 individuals have faced this difficulty at the beginning of the business. The number of small traders who have faced this constraint at the level of further expansion of the business is 19. This can be considered as one of the main reasons which impact on business failure. Further, many mom-and-pop businesses in the tourism sector surveyed have little or no savings. As a result, there are number of businesses which have stagnated at the beginning itself.

In the same way, there are 67.7% who have faced different issues related to the ownership of the place or the plot of land which they engaged in the business. There are only 29 (32.2%) persons who operate a business at a place, building or a plot of land which belong to their own. Other 22 engage in their business at a rented place. Number of wayside sellers is 39. This problem is multifaceted. When there is no ownership of the land or the building, the opportunity to refurbish or further develop is limited. This has adversely impacted businesses such as homestays, cloth shops, souvenir stalls, communications and small hotels which require an attractive outlook. Tourists, especially international, hesitate to deal with such unorganized places. On the other hand, the local authority (pradheshiya sabha) do not grant permission for unauthorized constructions and that has negatively impacted persons who engage in peddling or hawking. There is another combined issue

with the ownership of the business premises since it creates some indirect problems when a loan is applied for further development. Banks, micro finance institutions or other formal agencies hesitate to grant loan facilities for the vendors who do not possess a land, permanent building, or a business. Therefore, a large majority of the small and informal scale businessmen have obtained loans from different informal sources including pawn brokers or money lenders for high interest rate. As a result, a considerable portion of their monthly income has to be paid as usuries.

Table 02 further depicts that the lack of knowledge related to the tourism businesses is another problematic issue which has been faced by a total of 56 (62.2%) persons. Accordingly, more than half of the small and informal tourism entrepreneurs of the sample have less business skills and knowledge which inhibit them to market their products or engage in the business successfully. This limited background or knowledge impact on their income, profits, savings and finally on the development of the business.

Tourism is a labour-intensive industry which needs skilled human resource. It requires skilled employees in different areas of operation. Especially, trained manpower is essential for the smooth functioning of the sectors such as food and beverage, catering and selling. Businesses of the study area such as home stays, cloth and souvenir shops, internet and communication centers and food and snack stalls have been severely affected. It is another adverse impact since the employment of unskilled employees leads to the poor reputation of the business. 47 (52.2%) entrepreneurs stated this as a constraint.

Andriotis (2003) has submitted a series of findings in his research titled "problems faced by the Cretan tourism industry as perceived by the businesspeople". His major findings include high municipal taxes, insufficient

incentives, lack of infrastructure, high compound interest, insufficient provision of services, unstable tourism policy and planning, no funding from state, and strict rules for opening and operations. According to the conclusion made by the author, these impediments emerged due to the government rules and regulations. Similar series of constraints could be identified during the field survey conducted at the Ella divisional secretariat division. Accordingly, there are many problems faced by the small and informal tourism entrepreneurs of the study area. Those have been derived from the government rules, regulations, and policies. These include less support given by the government, high cost for registrations and licensing procedures and infrastructure related issues. The respective values which belongs to each category are 22 (24.4%), 20 (22.2%) and 12 (13.3%). When the different issues related to the infrastructure are analyzed, it is evident that the most common problems are the provision of water, electricity, sanitary facilities, garbage disposal issues and poor condition and non-maintenance of the roads in rural areas where much of the tourist attractions are located.

As stated at the beginning the potential that can be generated through the small scale and informal business sector in the tourism industry is diminished due to the different constraints discussed above. Therefore, there is a pressing need to introduce different methods to overcome the issues identified and among them, the following are noteworthy.

4. Conclusion & Recommendation

Tourism related small scale and informal businesses play a significant role in the socio economic development of local communities of the study area through domestic improvement, entrepreneurial development, generating income and employment opportunities, saving enhancement, female representation in business sector,

agricultural and livelihood development, and the infrastructural development which is ultimately advantageous to the overall development of the region. However, the constraints faced by the small and informal scale business community adversely impact on the aforesaid advantages.

The constraints faced by the business community in the Ella divisional secretariat division have been analyzed under a few main themes viz. the nature of the businesses, entrepreneurial characteristics including the ownership of the business and the source of capital which invest on the business, the problems and constraints faced by them and the possible strategies to mitigate the issues and constraints identified.

According to the field survey, the community involvement in the small and informal business sector represents a vast variety such as homestays, foods, snacks and tiffin services, selling of different produces and items, wayside and mobile businesses, shops which sell cloths, retail items and souvenirs, service related businesses such as transport, internet cafes and communication centers.

As revealed by the quantitative analysis the homestay lodgings, wayside mobile businesses and food, snack stalls and tiffin services are the most prominent small-scale businesses in the study area which account for 45.6% of the total number of businesses. When the business diversity is further analyzed, it is also clear that there is a balance combination between the service facility and the trading sectors which accounts for 44 (48.9%) and 46 (51.1) respectively.

The entrepreneurial characteristics of the selected business community reveal that 56.6% run their businesses at permanent locations while the rest 43.4% engage in businesses in temporary places. When the methods of investment are concerned, it could be noticed that they have started their businesses in different ways such as using of personal money and loans obtained from

different sources. Respective percentage values are 67.8% and 32.2%.

Financial problems, lack of skills, knowledge and experience, language incompetency, insufficient capital and resources, ownership issues, less support by the regional tourism organizations, infrastructure related issues and high cost for registrations and licensing are among the major constraints faced by the small and informal scale business community of the study area.

When the problems and constraints faced by the business community are considered, a few conclusions can be drawn. As this is one of the major tourist destinations of Sri Lanka, a large majority of the employment is centered round the tourism industry and it has positively contributed to improve the socio-economic conditions of the people in different ways. This business sector has also contributed to improve the tourism related informal service sector at a significant level. Despite such potential, the problems and constraints discussed here have adversely affected the business community. Those have resulted in the lessening of the benefits that can accrue to the community and the region. Therefore, there is a pressing need of carrying out an in-depth study to investigate these problems in detail. Due attention, novel policies and plans are timely and significant to alleviate the problems associated with the small and informal business sector of the Ella divisional secretariat division.

Key challenges of the tourism related small and informal business sector in the Ella divisional secretariat division could be identified as quite critical for the future development of the business community and the tourism industry of the region. Mitigation of the identified problems and constraints and strategies concerned, help enhance and maximize the optimum benefits of tourism related small and informal businesses. Measures have been carried out as mitigatory devices by governmental and non-governmental institutions, stakeholders and

at the community level. Ownership of the business premises is a serious issue among the various constraints faced by the small-scale entrepreneurs of the study area. Due to this issue, there are many who are engaged in way side businesses in unauthorized temporary buildings. At the same time, it is a constraint for the future expansions and development of the businesses. There are some suggestions which can be implemented to minimize such issues. Since the ownership of the business premises is a severe issue, supplying of planned business allotments for ground level stakeholders is timely and significant. As another important step, empty strips of land on both the sides immediately adjacent to the tourist attractions can be rented out to the small business community on a temporary basis. This will be a great support for the peddlers and hawkers who do not own a place to engage in the business.

The ideal pragmatic solutions related to the deficiencies of infrastructure faced by the business community are to improve the required infrastructure which is deemed possible and significant including proper maintenance and management, adoption and promotion of sanitary facilities in the tourist attractions and its outskirts, introduction of portable or community water supply programmes to avoid the scarcity of drinking water.

The scarcity of promoted, skilled and improved human resource is a serious issue with regard to the informal business sector of the study area. As a whole, there is a dearth of facilities which target to enhance the quality of the labour force engaged in the informal sector. The limited programmes available at different institutions target only the professional aspects of the tourism and hospitality related businesses. Since lack of language skills is one of the noticeable issues, training programmes to enhance foreign language skills are required. In addition, it is timely to train site tourist guides selected from the informal transport providers. In this way, attention towards the promotion of

skilled and trained labour force of informal sector is of paramount importance to accrue more benefits from the tourism related informal sector.

Running a small business at a remote location is extremely difficult due to a significant number of constraints. Out of which, the most frequent issue relates to financing problems. According to the views of the interviewees, it is one of the top reasons for business failure. Supplying incentives, grants and loan facilities, specifically designed for the existing and new businesses is a pragmatic solution to address this issue. At the same time, it is worth to introduce a co-operative financing system through self-help small group system. Awareness programmes and training seminars can also be organized to make aware the persons who need financial directives.

As discussed above, there is a series of constraints faced by the small scale and informal business community in the Ella divisional secretariat division. All these reduce the optimum benefits that can be accrued through different businesses which are small and informal in scale. Therefore, as the comprehensive strategically ultimatum, it is just and fair to bring the aforementioned measures into action, to implement - to have long term sustainable development on the overall small scale business community with positive participation - state and private sector, the results will be ushering a new era of prosperity for the posterity of the small scale and informal business community of the study area.

This study was based on the objective to analyze the issues and constraints faced by the small scale and informal business community of the Ella divisional secretariat division along with a few specific objectives. Those were to identify the existing nature and types of the informal and small tourism businesses, analyze the entrepreneurial characteristics of the business community, examine the reasons which caused to

generate the related issues and recommend appropriate measures to mitigate the identified issues. As the final stroke, it can be concluded that the objectives of the study could be achieved. However, there is a pressing need of carrying out detail research in future to investigate several aspects related to this theme and fill the research gap. Among them, the factors which cause to generate the issues and constraints of the small and informal scale businesses, adaptation methods which can be introduced to overcome the issues faced by the small and informal business sector, role of the government and private sector to promote the informal business sector in tourism are timely and significant.

Acknowledgment: This research was funded by the Centre for Multi-Disciplinary Research – Faculty of Humanities and Social Sciences – University of Sri Jayewardenepura - Research Grant Number - MRP/MDRCFHSS/2019/03

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