

The Study of Impacts of Tourism Industry on Employment and Gross Domestic Product in Sri Lanka

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Introduction

From early historical times, Sri Lanka has attracted foreign visitors. Many books, particularly by British administrators have been written based on the different attractions of the island. When Sri Lanka gained independence in 1948, the new government decided to review tourist activities by setting up the second Tourist Bureau. The first Tourist Bureau has been set up in 1937. In 1966 Ceylon Tourist Board was established. Tourism industry expanded rapidly after 1966. Between 1976 and 1982, tourist arrivals increased by 24% per annum, rising to 407,230 before dropping to 337,342 in 1983. The civil conflict that started in July 1983 and had adversely affected tourism, with arrival figures reducing by 43%, year on year (1982-3). Total arrivals were 230,106 in 1986, down 43% from 1982. The Ceylon Tourist Board provided a range of concessions to the industry in order to help them survive the crisis. In 1987, tourist arrivals declined by 23% year on year (1986-7).

When we examine the literature on tourism industry it provides evidence for direct and indirect impact on social, cultural, economic and political environment. But this study is an attempt to examine the impacts of tourism industry on employment and Gross Domestic Product in Sri Lanka. There have been some attempts Gamage (1978), King and

Gamage (1994), Daniel (1999), Ihalanayake and Wickremasinghe (2006), Rathnayake and Deshappriya (2010) in the literature to address the economic impact of tourism industry in Sri Lanka. Tourism has passed a landmark industry to create jobs across national and regional economies. By 2012, its total contribution comprised 9% of global GDP and generated over 260 million jobs, 1 in 11 of the world's total jobs. Travel & Tourism investment in 2012 was 4.7% of total investment. In particular, the total contribution of travel and tourism to Gross Domestic Product was 9.1% of GDP in Sri Lanka economy and the total contribution to employment was 8.2% of total employment in 2012. Travel & Tourism investment in 2012 was 3.2% of total investment Sri Lanka too; it had started to make an impact on the economy. Out of 184 registered countries of World Travel and Tourism Council (WTTC) the Sri Lanka travel and tourism economy is ranked 76 in absolute size and 94 in relative size (WTTC Report 2013). As well as the direct economic impact, the travel and tourism industry has significant indirect impacts. The tourism industry demand inputs such as food and services from other sector. Therefore, it generates more indirect impact on various sectors in the economy.

Examining tourism industry's economic impact over last years in Sri Lankan economy is more important to make favorable policy formulation as it is one of the fast emerging industries of the economy with average annual revenue of US \$ 500 million at present and it is the sixth largest foreign exchange earner in Sri Lanka.

Objectives and Methodology

The World Travel and Tourism Council have been investing economic impact research for over 20 years. But a few researches have examined impacts of tourism industry on Gross Domestic Product and employment in Sri Lanka over past years using time series data. Therefore, the main objective of this study is to examine the impacts of tourism industry on employment and GDP in Sri Lanka.

In order to accomplish the objective set for this study secondary data over last 24 years (from 1988 to 2012) and descriptive analysis are employed. The data series used were obtained from annual statistics

of Central Bank of Sri Lanka and World Travel and Tourism Council.

Results and Discussion

The figure no 1 and 2 represent the summary of contribution of travel and tourism industry to Gross Domestic Product and employment for the period for 1988 to 2012. when we seek the direct contribution and its total contribution to Gross Domestic Product and employment, data shows that the industry has significant indirect impacts as its total contribution is much greater. In detail, trend of travel and tourism industry contribution on GDP and employment directly have affected due to tourist arrivals for last years. A positive relationship indicates between tourist arrivals and employment and GDP. During the period of 1988-2012 tourism industry shows increasing trends of employment growth and contribution to GDP growth except, year 2001 and 2008. The tourism industry suffered a major setback by terrorists attack at Katunayake International Air port in 2001. The arrivals

Figure 1. Contribution of Tourism industry to GDP in Sri Lanka 1988-2012

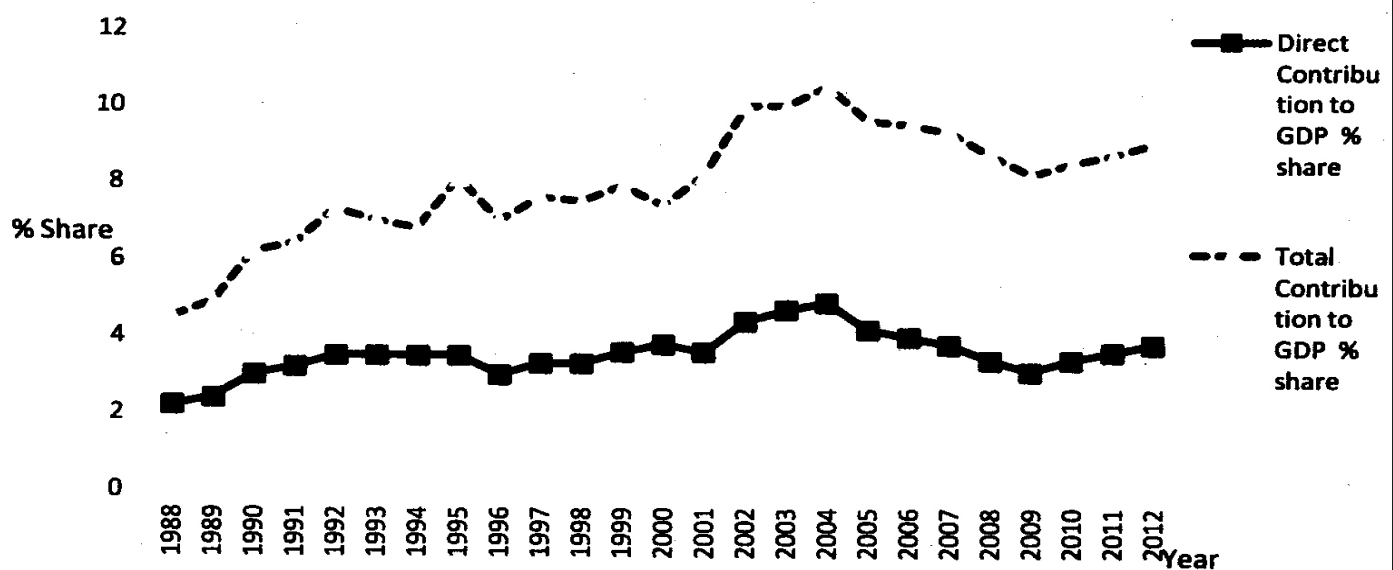
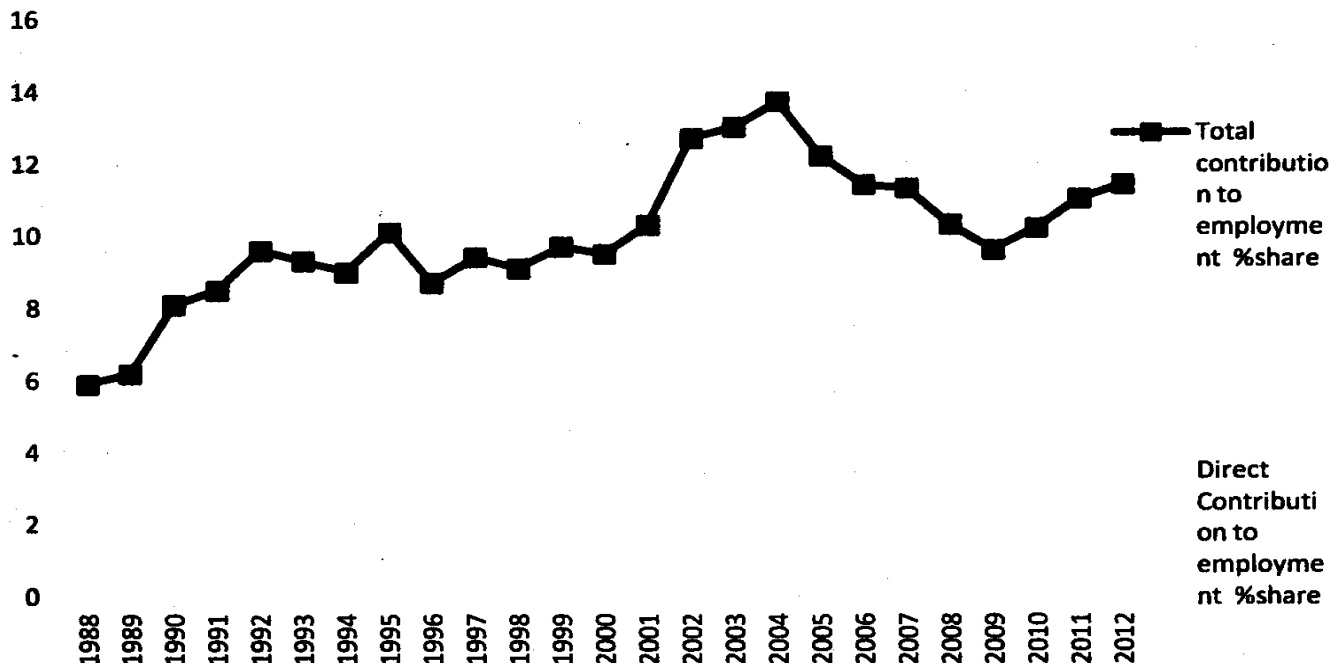


Figure 2. Contribution of Tourism industry to employment in Sri Lanka 1988-2012



Source: Author developed using WTTC Reports

of tourists in 2008 declined due to global recession that resulted from financial market turmoil. But after 2009, the tourism industry shows increasing growth in employment and contribution to GDP. The end of the internal conflict has opened up new vistas for the travel and tourism industry in Sri Lanka. The Sri Lanka Tourism Development Authority (SLTDA) continued to operationalise its role in National Tourism Strategy introduced in 2011 to develop the tourism sector.

Continuing the post-conflict growth momentum, Sri Lanka attracted more than one million tourists in 2012. The study suggest that further studies should draw attention on new strategies for the development of tourism industry in Sri Lanka as it generates more indirect contribution on employment and contribution to GDP rather than its direct impacts.

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