Perception of Stakeholders’ on Tourism Investments in Sri Lanka

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Abstract—This research study is based on tourism investments and stakeholders’ perception in Sri Lanka. The study is conducted based on a selected case study area called Kalpitiya in Sri Lanka. The kalpitiya tourism development project is launched by Sri Lanka Tourism Development Authority. There are three main objectives are consisted in this research, such as; to identify; the government organizations’, tourism investors’ and local community’s (stakeholders) overall perception, to find out the key motivational factors to make tourism investments in the kalpitiya tourism development project and, to obtain the sustainable tourism development opinions by evaluate the stakeholders’ opinions in kalpitiya integrated Resort Sri Lanka. The research was conducted using mixed methods (quantitative and qualitative) such as questionnaires survey with 401 questionnaires distributed in kalpitiya local community, there were thirteen (13) in-depth interviews with government stakeholders and fourteen (14) in-depth interviews with tourism investors could be held to make viable this study. The main Results of local community survey shows the perception of nine island villages in terms of Economic, Social, Cultural and Environmetal impacts of tourism investments. There were 412 questionnaires distributed and 11 questionnaires were not useable. As of the results its shows there is a significant relation with tourism investment and the possible tourism impacts in negatively and positively to the local community and the industry itself. The findings of in-depth interviews of government stakeholders showed that infrastructure to be improved, investment promotion, and the project supervision before this start some ad hoc developments. The results of interview inventors also significant. as they request more and more infrastructure developments with the government involvement and the overall perception about investment conditions, climate of Sri Lanka is satisfactory according to this interview results.

Keywords— Stakeholders, stakeholder’s perception, Tourism Investment, Tourism Impact, Sustainable tourism.

I. INTRODUCTION

The tourism industry is no more unless there are related tourism investments from the beginning to the today’s context. Tourists demand for different tourism products create the supply side of the industry by introducing numerous Investments relate to various tourism products and services in different fields, levels, size and with different perspectives. Though the tourism investments were originated in European countries, In present context, tourism related investments are taken place many parts of the world. Tourism is considered as a most biggest and popular service industry in the world. According to the World Tourism Organization [23]. The boom of tourism especially in Asia Pacific and South Asian region is highly notable in terms of tourism investments and the tourist arrivals pattern to this region (Eg such as India, Malaysia, Maldives, Thailand, China etc.)

This research study, it is based in Sri Lanka. Identified as a fastest developing South Asian country in all sectors of economy after the year 2009. The fastest growth pattern in new investments in all sectors of the economy have been reported according to the [28]. Specifically the tourism investments are identified as one of the best investment sector in the economy after civil war in 2009. The main objective of the research is

• To find out the key motivational factors to make tourism investments in the kalpitiya tourism development project
• To evaluate the stakeholders’ opinions to a sustainable tourism development in kalpitiya integrated Resort Sri Lanka

II. KALPITIYA TOURISM DEVELOPMENT PROJECT

Under the power vested by the Tourism Development act and the tourism Act.no.38 Sri Lanka Tourism Development Authority (SLTDA), it has initiated Kalpitiya integrated Tourism Development project. This project was started as the country’s biggest and largest island resort development project with acquisition of over 4100 acres in land extent in the year 2005. This project site is located in north of Colombo, where about 150 km away in North western province of Sri Lanka. This kalpitiya area is known as a peninsular separates Puttalam lagoon from Indian ocean and this area is a marine sanctuary with higher bio diversity habitats ranging from bar-reef, flat-coastal plains, salt pans, mangroves swamps, salt marshes and vast sand dune beaches. Initially, this project started to develop on fourteen (14) untouched islands where they identified around Kalpitiya Lagoon [3]. This development project is targeted at national, regional and international markets in the tourism industry. Under the national market, a short and weekend break destination and business travel for residents of Sri Lanka. When it turn to regional market, it is targeted a high quality leisure destination that is conveniently reachable form Asian countries as well as Middle East. And
with the international target market, it is planning to provide Kalpitiya as an exciting and authentic holiday destination, complementary to the overall destination Sri Lanka for visitors from around the globe [3]. Under this integrated project, it is planned to offer different tourist products alone with developments. There some core products are been identified as water based accommodation facilities, city hotels, water related facilities, Ayurvedic health village and spa, tennis academy, activity center, Eco-lodge deluxe hotels as leading product and development landmark, special interest beach and sports resort dive resorts, visitor village, Boat service, Aqua center and museum, performance center, biodiversity conservation center and research institute etc. Here in the introduction it is vital to identify the different proposed projects under the selected islands in the conceptual master plan of SLTDA.

III. TOURISM INVESTMENT

In general, “Investment” is often means “financing” in reality, taking the risks to rise future gaining. It is a long and complex process for which that has to follow the previous planning, drafting and appraisal, implementation and post evaluation in terms of the return or profitability on the particular capital investment. In this study, it is to discuss the specific tourism investments which also requires long procedures, that involved in many different stakeholders who all would play different roles according to the “Guidelines of Sustainable Tourism Investment” [3] The research is based in Sri Lankan, where it has been opened its doors to make specific tourism investments in a unique island tourism resort for all the local and international investors. The term “investment” is very popular to understand in both economic and financial terms, financially speaking people means that, it as the purchase, of monitory assets, and economically speaking people believe that, as using of monetary resources to acquire capital good or real-estates.

When it think about investors in tourism field, in simply that we can segment them into both local and international investors according to the geographical factor. And the scale of investor can be larger, bigger or smaller in size and those parties would be either firms or individual entrepreneurs who ready to invest in this industry in different tourism projects. Again, these investments fall to two main the basses that as equity based and non-equity based investments. In the form of

Investing, we do see the many of the tourism investors can be partnerships, joint ventures, or franchises in the larger and bigger levels. All these forms are occurred due to the core competencies that investors (firms /individuals) have been achieved in the form of equity ownerships, managerial controls, and technology and knowledge competencies on relevant field of investments. In this tourism investment filed, there are land/destination leasing agreements, management contracts, franchise agreements, marketing agreements, mergers acquisitions can be appeared in the current world. The [8]Report on tourism investment promotion, argues more practical ways means about Foreign Direct Investments(FDI) in tourism filed, according that, non-equity forms of investments, management contracts that can be easily controlled than the franchise agreement in the investment when it is about tourism investments.

Under the enabling condition of tourism investments, the decision-making activities of investors are primarily based on infrastructures and technological factors of the destination. The operation of tourism facilities, services and amenities depend on the infrastructure network. The success of the destination determined to a great extent to which the quality of the public infrastructure facilities (roads, air-ports, ICT for tourism etc.) offered for the inventors. On the other hand investment decision making further based on; the size and the scope of the market, divers of change, labor force, physical and ICT infrastructures, FDI frame work, cultural factors, investment incentive and promotion are also caused under the tourism investment decision making process [8].

IV. DIFFERENT TYPES OF TOURISM INVESTORS

In the broader outlook, tourism destination can be developed with help of local and foreign investments. According to the various tourism product and development requirements of the tourism development resort, the planners can select the different investors on different approaches. The common way of identifying the investors to a particular project is to segment proposed tourism products and facilities to the required investors from locally or internationally. For example reference [8] reports that different forms of investors according to the tourism activities and the frequency of FDI occur.

In the above table-1, it says very frequently the foreign direct investments will be occurred for the hotels, restaurant and similar types, second homes and passenger transport rental services and occasionally some investments will be happen for the air and railway transport services. The rest of the investments such as road, water, electricity, travel agencies and sport and recreations will be rarely on foreign direct investments according to the [8] report. And in the mean time it explains that the nature of FDI can be depend on country to country according to their economic and government policy. When we think of foreign investors, they can be either firms or individual entrepreneurs. The Accor, Four Season, Hilton, Shangri-La are big players in international level who are the large corporate investors in European and Asian context. The largest hotel investors and their head quarters are located in developed countries. There are few large tourism investors such as Shangri-La, Taj, Banyan-Tree companies/Hotel Chains are located in Asian Regional tourism context. The other types of investors are tour operators and travel agencies in this tourism industry. These players also segmented national and international levels. According UNCTDA report it says that the “largest and most influential tour operators are based in tourism generating developed countries, major ones being in order of the size of outbound tourist traffic-United State, Germany and Japan and United Kingdom.” The next crucial and important investors are airlines and air transport service
providers for the tourism industry. Air transport is an integral part of tourism industry. For the development of tourism destination, a tourism logistic service is important according to [10]. The Global Distribution System (GDS) and its related investors are also very crucial type, for the development of a particular destination [2]. When the mediation of all of the investors, such as hoteliers, tour operators and travel agencies, railway and air transport providers and all other logistic service providing investors into this industry, there it can expect the following things for the enhancement of the tourism in destination development.

**TABLE I**
**TOURISM INVESTMENT AND FDI FREQUENCY**

<table>
<thead>
<tr>
<th>Activity / Investment</th>
<th>Frequency of FDI appears to occur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels and similar</td>
<td>Frequent</td>
</tr>
<tr>
<td>Restaurant and similar</td>
<td>Occasional</td>
</tr>
<tr>
<td>Second Homes</td>
<td>Rare</td>
</tr>
<tr>
<td>Passenger transport rental equipments</td>
<td></td>
</tr>
<tr>
<td>Railway services</td>
<td></td>
</tr>
<tr>
<td>Air-passenger transport service</td>
<td></td>
</tr>
<tr>
<td>Road passenger transport service</td>
<td></td>
</tr>
<tr>
<td>Water-passenger transport services</td>
<td></td>
</tr>
<tr>
<td>Travel agencies and similar</td>
<td></td>
</tr>
<tr>
<td>Cultural services</td>
<td></td>
</tr>
<tr>
<td>Sport and other recreational services</td>
<td></td>
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</tbody>
</table>

- An equity stake, e.g. in a hotel chain, a tour operator, or a car rental business;
- Construction and development of a hotel or another tourism facility;
- Property development;
- Development of theme park or attraction;
- Setting up as supplier to domestic or foreign firms(e.g. training facility, provision if equipment, cleaning, catering or marketing);
- Let the infrastructure and required supper structure development to be happen through the investors and their investments.
- Management contracts for service providers in the tourism sector.

Both foreign and local investors can play an important role to develop a tourism resort under the better planning conditions. The level of the utilization of two approaches will be determined according to the government/authority intervention, legitimacy on investment policy implementation and projects requirements. The reference [10] of “evolution, management, and development of “Resort Destination”). For instance in Sri Lanka, Kalpitiya tourism development has also explained that the macro level expectation of total project. The main expectations of this development can be quoted from the investment guideline that SLTDA prepared for the understanding of local and foreign investors. Among those expectations they say, this investment is; to make tourism the number one earner of Sri Lankan, to create 15,000 direct and 50,000 indirect employments and to uplift standards of living of local community along with all the infrastructure and superstructures development in Kalpitiya destination.

**V. IMPLEMENTING TOURISM INVESTMENT POLICY**

There are various countries has implemented and adopted different investment policies in terms of tourism development. Those policies are also depend on level of tourism development that they wish to intake into the country’s development as of the [10]. The value of keeping the investment policy by the particular government is stressed by [12] as “.Where there obvious commercial profits to be gained, the government may only be required to demonstrate a commitments to tourism investment by, say, marketing and promoting the region particularly abroad, and giving advice and information to the prospective developers and investors.”

He further explained that, when there is an investment policy implementation for the tourism investment in a particular resort destination, it is important to provide investment incentives in the line of financial incentive; reduction in capital cost and reduction in operating cost and investment security for both local and foreign investors. The following table-2 has shown the those classification of investment incentives.

**TABLE II**
**CLASSIFICATION OF INVESTMENT INCENTIVES**

<table>
<thead>
<tr>
<th>Capital cost reduction</th>
<th>Operating cost reduction</th>
<th>Investment security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital grants</td>
<td>Direct and indirect tax exemptions or reduction</td>
<td>Guarantees against nominations and adverse legislation changes</td>
</tr>
<tr>
<td>Soft Loans</td>
<td>A labor and training subsidy</td>
<td>Repatriation of invested capital, profits, divide nds and interest</td>
</tr>
<tr>
<td>Equity participation</td>
<td>Subsidized tariffs on key inputs such as energy</td>
<td>Ensuring the availability of trained staff</td>
</tr>
<tr>
<td>Provision of infrastructure</td>
<td>special depreciation allowance</td>
<td>Loan guarantees</td>
</tr>
<tr>
<td>Provision of land on Concession terms</td>
<td>Double taxation or unilateral relief</td>
<td>Provision of work permits for key personnel</td>
</tr>
<tr>
<td>Tariff exemption on construction materials</td>
<td>Availability of technical advice</td>
<td></td>
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</tbody>
</table>
VI. TOURISM IMPACTS

It is important to understand the tourism impact with the study of this research. Tourism development has its own positive and negative impacts in whatever of the destination. Nowadays, tourism is an important industry for many places of the world and has a greater economic significance. Tourism can help to create a better understanding of way of life, and many act as a cross cultural consideration to promote between societies. Tourism can be a positive input for the development of physical, social and cultural, economic and environmental of the country [13]. According to [14], it explained that “…tourism can play an important contribution to poverty alleviation, employment, generation and the development of remote areas. It is also a major source of foreign currency revenue, improved infrastructure, public facilities and increased tax revenues are the other potential benefits of tourism. Tourism impact has explained in-terms tourism investments [15], in addition to capital (local and foreign) can provide technical and managerial expertise, access to markets, and higher quality and security standards, as well as an improved image for the destination.

The researchers such as [26] quoted by [26] that much work on tourism impacts in the period since the late 1970s, has tended to suggest that negative impacts outweigh positive impacts. However, larger number of residents of destination areas has continued to want tourist’s arrivals often want them very much such as jobs, higher incomes, increases in tax revenues and better opportunities for children are frequently stated reasons for wanting more tourists. Residents may be prepared to put up with some negative impacts in return for what they regard as desirable positive impacts.

The fig-1 shows that the relationship of Tourism developments and possible tourism impacts in the main streams of Economic, Social, Cultural and Environmental segments. It has discussed the relationship tourism development and above impacts by [16] to provide the more information and better understanding related to this relationship, it has paid the attention to review the facts of world tourism Organization secondary information.

Fig1. Impact of Tourism development/Investment

According to reference [17], it has explained the substantial benefits that can be gained from the tourism development for the local community of a particular destination. Further its says these benefits will be created only if there is a carefully planned, developed and managed tourism activities born alone with the tourism developments processes. Some important and potential benefits are vital to motioned under this tourism impacts analysis for the better understand of related literatures and the relationship with this research. They is as following points.

- An especially important benefit is new jobs generated by tourism. Tourism particularly can provide employments for young people, women, and local ethnic minority groups. Tourism employments is provided not only directly in hotels, restaurants and other tourism enterprises but also in the supply sectors such as agriculture, fisheries, crafts and manufacturing.
- Tourism development can stimulate the establishments of local tourism enterprises. These provide opportunities for local capital investments, job, income, profits from the enterprises and, more generally, developing a sense of entrepreneurship that may not have existed previously in the area.
- The increased income generated by the new jobs and enterprises in tourism results in improvement of local living standards. If the commercial enterprises are locally owned and managed, The profit they make is also likely to remain in the area.
- Tourism developments in a particular destination can generate local tax revenue that can be used to improvement of the community facilities and services and infrastructures plus other supper structures such as roads, schools, medical-clinics, libraries parks and other recreational facilities which can be further improve local community and the tourism as well.
- Tourism leads employees to learn new skills and technologies, such as use of computer and information technological experiences, which will enhance human resource of the local community, some of these skills and technologies are transferable to other economic activities.
- Tourism required that adequate infrastructures such as roads, water supply, and electricity supply, waste management, and telecommunication facilities to be developed, this infrastructure can be designed to serve the local communities so that they receive the benefits of infrastructure improvements. Tourism development can help pay for the cost of improved infrastructure.
- Tourism can provide new markets for local products such as agricultural and fisheries items, arts and handicrafts and manufactured goods and thereby stimulate other local economic sectors. Developing tourist facilities can help support the local construction industry too.
• Tourism stimulates developments of new and improved retail, recreation and cultural facilities such as specially shops and improved shopping districts, parks and recreation, cultural centers and theaters, which local residents as well as tourists can use. Tourism often helps to pay for cultural facilities and activities such as theater performances, which local communities could not afford without tourism.

• The overall environmental quality of an area may be improved as a result of tourism because, tourists prefer to visit clean, on-polluted and attractive places. The Land use patter also well developed due to proper planning designing for the tourism activities. Environmental friendly programs of tourism also act as a catalyst for the redevelopment of the environmental quality of the destination.

• Tourism can provide the justification and help pay for conservation of local nature areas, archeological sites, arts, crafts and certain cultural traditions because these features are attractions for tourists. Therefore, they must be maintained and often enhanced if tourism is to be successful and sustainable.

• Tourism encourages a greater awareness and sense of cultural identity by residents when they see tourists enjoying the local environmental, historical and cultural heritage. Often resident started to renew their pride of heritage when tourists starts to appreciate it.

VII. METHODOLOGY

This study investigates the perception of stakeholders on tourism investment in Sri Lanka. Both secondary and primary data for the study has gathered during the period of December 2010 to May 2011. Primary data have been collected using both quantitative and qualitative methods from the selected stakeholders for the study. The three main stakeholders (local community, investors, government stakeholders) were used to gather data with the views, opinions and comments. For local community, quota sampling method, investors, and government stakeholders-convenience sampling were used under the qualitative method. The data were gathered from local community with the distribution of structured questionnaires. The data from Investors and government stakeholders were collected by conducting in-depth interviews. The survey was carried out in Kalpitiya integrated tourism development resort in Sri Lankan during the month of December 2010 to January 2011. The analysis was done with SPSS (Statistical Package for Social Sciences) programmer and content analysis was done with qualitative data.

VIII. RESULTS

Some of the important results of the community survey of study is concluded in first part of the findings. There were 401 respondents out of 412 questionnaire distribution. The majority of the respondents are male (84.5%) and young (66% are less than 43 years old). The 81% of them are married, whale 15% are single. With regard to the educational background, many of the respondents have studied from secondary to GCE (O/L) exam levels, in totally it takes a higher percentage as 79.29%. In this community the people obtained diploma and above is very less amount as 1.75%. In terms of employment, majority of the respondents (65.59%) in the Kalpitiya integrated tourism resorts are engaged in fishing activities. Government sector job involvement is 2.74% out of total respondents. There are 64.58% Islam and 30.17% Catholic peoples are among the respondents in this case study survey.

Concerning the resident’s perception of planned tourism development in the area. It has examined the perceptions of local community, in terms of Economic, Social, cultural and environmental factors. Economic impacts of tourism investment are responded on eight economic attributes by the respondents of nine island villages of case study area. The level of agreement or disagreement is obtained comparing the Total Average Mean Value (TAMV). Four economic factors are “strongly agreed” by the respondent as; Tourism investment creates more employment (TAMV-1.48), More investment opportunities (TAMV-1.58), SME sector business development (TAMV-1.61) and Tax income for the local government and community development (TAMV-1.84). In analysis, it shows that there are another four economic factors are “agreed” by the respondent as: Price level of the local product will be increased due to tourism investment (TAMV-2.07), Local currency value will be reduced (TAMV-2.20), Foreign Bank development and introduction to the local community will be raised (TAMV-2.18…) and the inflation rate of the local economy badly increased (TAMV-2.07).

Perception of social impact from the tourism development responses were received from nine island villages. The received total average mean value were “strongly agreed”, “agreed” and “neither agree or disagree” on seven attributes. Tourism investment increases the local community living standard (Mean-1.47), community infrastructure development (TAMV-1.51), recreational facility development for the community (TAMV-1.88) and medical and sanitary facility development will increased (TAMV-1.99) are shown the “strongly agreed” of the respondent. The reposes as “agreed” received from factors of poverty of the host community will be reduced (Mean-2.14) and Kalpitiya lagoon and the fishing livelihood will be disturbed (-TAMV 2.80). The result shown the responses as “neither agreed no disagreed” on the attribute of youth of kalpitiya community will become dependents on due tourism development (TAMV-3.30).

Perception at cultural impacts of tourism development obtained on six attributes. This result of total average mean value depicts both “strongly agreed” and “agreed” on this six attributes. Perception of multi-cultural benefits to the host community is strongly agreed (TAMV-1.60), perception at “Local languages and dialects to be impacted” is strongly agreed (TAMV-1.52). It causes to have mixed life style with foreign cultures are also strongly agreed (TAMV-1.56) by the respondents. The TAMV of “building national and international cultural relationship” is strongly agreed (TAMV-
Tourism development “reduces the peace and harmony of the local community” has reposed as agreed (TAMV-1.63). The last attribute of cultural impact falls as agreed in TAMV-1.41).

Environmental impacts of tourism development is reposed four attributes and three of them are “strongly agreed” and one attribute is neither agree nor disagree by the respondents. The strongly agreed attributes; marine environment disturbances will increased(TAMV-1.66), high pollution and depreciation of natural resources(TAMV-1.59), and discharge of solid and liquid waste will increased(TAMV-1.56) and the heavily using boats in the lagoon causes to reduce marine life of fish(TAMV-3.19)

In the third apart of the survey the results shown that out of 401 respondents, there are 78.05% respondents like to engage in tourism and 21.94% respondents do not like to engage with tourism (mean=1.22, SD=0.41). Intention of expected tourism service to be engaged in Kalpitiya resort is “tourist guiding” in the majority of the respondents (48.88%) and there is a significant intention not to engage in any tourism services is 20.20% out of the total respondents. In terms of income expectations, the result depicts that only 28.67% (F=115) are anticipated to take the tourism as a option to their total household income and 50.87% like tourism to take half of their household income. There are 19.45% of people of the respondents are nothing any expectation of income from tourism. The perception or the intention to obtain training on tourism is higher as the percentage of 74.31% respondents like to have training and there are 25.18% are no intention to obtain the training on tourism. Further in the results of this survey depicts that there are 333 respondents like to have more tourists to Kalpitiya in the meantime 87 respondent do not like more tourists to this resort with the new tourism investments.

Results of qualitative data, which was collected using the government stakeholder’s populations under the in-depth interviews. There were thirteen (13) government stakeholder informants, at the in-depth interviews specially with selected key figures such as DGs (Directors generals), Department Heads, Directors and other relevant and heads positions. After the received information of interviews which transcribed into scripts, are followed with qualitative data analyzing methods such as coding, sub- coding, until the final results obtained. The final results of the interviews can be concluded as; The infrastructures should be well improved, Investment promotion activity should be started immediately, new projects Developments should be carefully supervised and evaluated to maintain the sustainability of the project. Finally, the opinions and perceptions obtained from real and potential investors of Kalpitiya tourism development project of Sri Lanka. There were 14 investors interviewed for about 15 to 30 minutes in maximum, until the data saturated. After the received information of interviews which transcribed into scripts, are followed with qualitative data analyzing methods such as coding, sub -coding, until the final results obtained as; Infrastructure and upper-structure should be improved and developed. The investment security should be ensued, Fair and equal investment policy should be implemented. Investment incentives and promotions required.

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