
IJST

**International Journal of Sustainable
Tourism**

Editors

D.A.C. Suranga Silva

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Volume 01, Issue II, 2024



International Journal of Sustainable Tourism

Published by
Sustainable Tourism Unit (STU)
Faculty of Arts,
University of Colombo,
Sri Lanka

ISSN: 3021-6184

Publication: The International Journal of Sustainable Tourism is a peer-reviewed journal published two times a year by the Sustainable Tourism Unit, Faculty of Arts. University of Colombo.

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Printed by
Colombo University Press, University of Colombo
Prof. Stanley Wijesundera Mawatha
Colombo 07, Sri Lanka

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Forward

The University of Colombo stands as a beacon of academic excellence and innovation in Sri Lanka, proudly holding the title of the country's top-ranked university. Established in 1921, it boasts a rich history and a legacy of producing distinguished alumni who have made significant contributions to various fields. The university offers a wide array of undergraduate and postgraduate programs across diverse disciplines, attracting students from across the nation and beyond. With a strong emphasis on research and a commitment to fostering a vibrant intellectual community, the University of Colombo plays a vital role in shaping the future of Sri Lanka through education, research, and community engagement. While its global ranking places it in the top 1000 band, its national prominence and regional recognition solidify its position as a leading educational institution in South Asia.

The University of Colombo, Sri Lanka's premier institution of higher learning, has a long-standing reputation for academic excellence and innovation. The university has consistently produced distinguished alumni who have made significant contributions to various fields. Among its many accomplishments, the Department of Economics, a leading centre for economic studies and research, introduced tourism studies to the university at the turn of the century, further expanding its academic offerings and recognizing the growing importance of the tourism sector in Sri Lanka. This initiative solidified the university's commitment to providing cutting-edge education and research opportunities in a field that is vital to the country's economic development and cultural exchange.

Recognizing the burgeoning field of tourism studies and its increasing importance in the Sri Lankan economy, the University of Colombo established a dedicated centre for tourism studies and research. This centre, an offshoot of the Department of Economics, was created to further advance research and education in this field, providing a platform for students and academics to explore the multifaceted aspects of tourism and its impact on society, the environment, and the economy.

The second issue of the tourism journal presents a multi-faceted exploration of key themes shaping the modern tourism landscape. It delves into the growing significance of ecotourism, examining its potential for sustainable development and environmental conservation. The issue also investigates the transformative power of digitalization, exploring how technology is reshaping customer experiences, marketing strategies, and operational efficiencies within the industry. Additionally, it sheds light on the crucial role of women entrepreneurs in the tourism sector, analysing the challenges they face and the opportunities for empowerment. Lastly, the issue examines the adoption of sustainable practices by tourism enterprises, highlighting their impact on environmental preservation and social responsibility. This diverse collection of articles offers a comprehensive overview of the dynamic and evolving nature of the tourism industry, providing valuable insights for academics, practitioners, and policymakers alike.

Ecotourism, a form of sustainable tourism that prioritizes environmental conservation and the well-being of local communities, has gained significant traction in recent years. However, successful implementation of ecotourism principles requires careful planning, community involvement, and adherence to sustainable practices. Many destinations, eager to reap the economic benefits of tourism, often struggle to balance these with the need to protect their natural and cultural resources. A comprehensive understanding of ecotourism principles and their effective implementation is crucial for achieving a harmonious relationship between tourism and the environment, ensuring that both thrive in the long run.

In an increasingly interconnected world, digitalization has emerged as a transformative force across industries, and tourism is no exception. Tourists now rely heavily on digital tools and platforms to plan, book, and experience their travels, making digitalization a critical factor in ensuring customer satisfaction. From online booking platforms and review websites to mobile apps and social media, the digital landscape offers endless possibilities for enhancing the tourist journey. However, the digitalization of the tourism industry presents both opportunities and challenges. While technology can streamline processes, personalize experiences, and improve efficiency, it also raises concerns about data privacy, security, and the need for continuous adaptation to evolving digital trends. Striking the right balance between leveraging digital tools for enhanced customer experiences and addressing potential risks is essential for the sustainable growth and success of the tourism industry.

The tourism industry holds immense potential for women's economic empowerment, particularly in developing regions. Subnational level development policies, often tailored to local contexts and needs, can play a pivotal role in fostering women's entrepreneurship within this sector. By addressing specific challenges faced by women, such as access to finance, training, and market opportunities, these policies can create an enabling environment for women-led tourism businesses to thrive. Unlocking this potential requires a multifaceted approach, including gender-sensitive policy design, targeted support programs, and the removal of systemic barriers that hinder women's participation in the tourism economy. By investing in women entrepreneurs, subnational governments can not only drive economic growth and reduce gender disparities but also contribute to the overall sustainability and resilience of the tourism sector.

The adoption of sustainable practices by tourism-related enterprises is a critical step towards minimizing the industry's environmental footprint and ensuring long-term viability. These practices encompass a wide range of measures, including energy conservation, waste reduction, responsible sourcing, and community engagement. By implementing sustainable strategies, tourism businesses can contribute to environmental preservation, support local communities, and enhance their brand reputation. However, the transition to sustainable practices can be challenging for many enterprises, particularly small and medium-sized ones, due to financial constraints, lack of awareness, or limited access to resources. Understanding the barriers and drivers of sustainable adoption is crucial for developing effective policies and incentives that encourage businesses to embrace environmentally responsible practices. Research in this area can shed light on the specific challenges faced by

different segments of the tourism industry, and help identify best practices and innovative solutions for promoting sustainability across the sector.

Sustainable tourism, a growing global trend, seeks to balance the economic benefits of tourism with environmental and social responsibility. In biodiversity-rich regions like Sri Lanka, where tourism heavily relies on natural resources, integrating sustainable tourism with biodiversity management is crucial. This approach aims to minimize the negative impacts of tourism while maximizing its contribution to conservation efforts. Integrating sustainable tourism and biodiversity management requires a comprehensive approach that involves collaboration among various stakeholders, including government agencies, tourism operators, local communities, and conservation organizations. Effective strategies encompass responsible resource management, visitor education, and community engagement. This integrated approach not only protects valuable ecosystems but also ensures the long-term viability of the tourism industry, ultimately contributing to both environmental and economic sustainability.

Digitalization is revolutionizing the tourism industry, offering new pathways for sustainable regional development. By leveraging technology, destinations can enhance their appeal, streamline operations, and create economic opportunities for local communities. Digital tools like online booking platforms, mobile applications, and social media enable tourists to access information easily, personalize their experiences, and engage with local businesses, thus promoting economic growth and cultural exchange. However, the digital transformation of tourism also presents challenges. Bridging the digital divide in rural areas, ensuring data privacy and security, and adapting to rapidly evolving technologies are crucial considerations. This calls for a balanced approach that embraces the benefits of digitalization while addressing its potential drawbacks. By harnessing the power of technology responsibly and inclusively, the tourism industry can contribute significantly to sustainable regional development, fostering economic growth, environmental preservation, and cultural vibrancy.

The upcoming issue of the tourism journal promises a deeper dive into the scientific underpinnings of the industry's most pressing concerns. Building upon the diverse themes explored in previous editions, this issue will feature a curated collection of rigorously researched articles that examine the multifaceted relationship between tourism and sustainability, technology, and social impact. Readers can anticipate in-depth analyses of ecotourism initiatives, the transformative potential of digitalization, and the role of women entrepreneurs in driving sustainable tourism development. The issue will also delve into the critical intersection of tourism and biodiversity management, exploring innovative strategies for conservation and responsible resource utilization. With a focus on evidence-based research and practical applications, this issue aims to provide a valuable resource for academics, industry professionals, and policymakers alike, ultimately contributing to a more informed and sustainable future for the tourism industry.

Tourism in Sri Lanka is indeed experiencing rapid growth, and this expansion calls for a robust research framework to inform evidence-based policies. In-depth studies are essential to understand the complex dynamics of the industry, identify emerging trends, and address potential challenges. This journal is planning to help policymakers make informed decisions that promote sustainable tourism development, balancing economic growth with environmental conservation and social responsibility.

The University of Colombo, with its renowned Department of Economics and the dedicated Centre for Tourism Studies and Research, is well-positioned to lead this research culture. By collaborating with industry stakeholders, government agencies, and local communities, the university can generate valuable insights that will shape the future of tourism in Sri Lanka. By conducting rigorous research and providing evidence-based recommendations, the University of Colombo can play a pivotal role in ensuring the sustainable and responsible growth of Sri Lanka's tourism industry.

Editors,
International Journal of Sustainable Tourism.
July 2024

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Implementation of Ecotourism Principles: A Case Study of Delft Island, Jaffna District

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Abstract

Ecotourism is increasingly recognized as a critical component of global tourism practices, aiming to harmonize economic development with environmental and socio-cultural preservation. Delft, a historically and culturally distinct island in Sri Lanka, has witnessed growing tourism activities in recent years. However, there is a lack of initiatives related to ecotourism development in this region. This study evaluates the extent to which existing tourism plans encourage ecotourism development on Delft Island. Primary and secondary data were used in this study. The main method was content analysis of these plans. Results of the analysis showed that ecotourism initiatives have not been promoted based on true ecotourism concepts in all three documents. While comparing the three policy documents, all give a certain focus on ecotourism development. However, they do not adequately define ecotourism zones, resources, regulations, and responsibilities. The study recommends that it is high time to study the ecotourism potential of Delft Island in detail, put in place regulations to encourage ecotourism, conserve the environment and ecotourism attractions, provide intensive training to stakeholders, and increase the awareness and involvement of local communities in the development of ecotourism in the study area. Further, the local community expects to promote mechanisms for the conservation of local culture, ecosystem conservation, and endangered species protection; increase economic development; and generate revenue by improving indigenous products and services. They expect other collective benefits, including visitor appreciation, and improvement of health, education, skills, and technical knowledge. Some community members in the area have a negative opinion of ecotourism development. They fear the disturbance of the local culture; increasing waste materials and garbage; reducing the demand for local resources; changing villagers' lifestyles; economic distortion; and creating conflicts with outsiders.

Keywords: Community Engagement, Cultural preservation. Ecotourism, Sustainable Tourism, Environmental Conservation

1. Introduction

Tourism, in its various forms, has become a significant global industry, offering economic opportunities and cultural exchange. However, the conventional model of tourism often raises concerns about its environmental and socio-cultural impacts. In response to these challenges, there has been a growing emphasis on sustainable alternatives, with ecotourism emerging as a promising paradigm. Ecotourism seeks

to strike a harmonious balance between tourism development and the preservation of natural and cultural resources.

Delft Island, situated in the northern region of Jaffna, stands as a compelling case study for exploring the practical applications of ecotourism principles. The island, known for its unique ecosystem and historical significance, presents an opportunity to examine how ecotourism concepts can be effectively implemented in a real-world context. This research aims to delve into the specific ecotourism initiatives on Delft Island, assessing their adherence to established principles and evaluating their impact on the environment, local communities, and the overall tourism experience.

The urgency of this study is underscored by the escalating concerns over environmental degradation and the need for sustainable development. Delft Island, with its diverse natural landscapes and rich cultural heritage, is not only a valuable asset for the local community but also an important resource for the broader tourism industry. As we embark on this exploration of ecotourism principles on Delft Island, we seek to contribute valuable insights that can inform not only local policymakers and stakeholders but also the broader discourse on sustainable tourism practices.

This article is structured to provide a comprehensive understanding of the ecotourism landscape on Delft Island. The subsequent sections will delve into the theoretical framework of ecotourism principles, discuss the unique features of Delft Island that make it a focal point for such analysis, and present empirical findings regarding the implementation and impact of ecotourism initiatives on the island. Through this study, we aim to illuminate the path toward a more sustainable and responsible tourism model that can serve as a blueprint for similar regions facing the delicate balance between tourism development and environmental conservation.

2. Literature Review

The scientific community and various international organizations have defined ecotourism development and its guidelines in recent decades. These definitions have varied, often emphasizing nature and value-based components (Weaver, 2001a). The term "ecotourism" was first used by Hector Ceballos Lascurain, a Mexican environmentalist, in 1983. He defined it as "traveling to relatively undisturbed natural areas with the specific objective of studying, admiring and enjoying the scenery and its wild animals and plants as well as existing." A modified version of this definition was officially adopted by the International Union for Conservation of Nature (IUCN) in 1996 (International Union for Conservation of Nature, 2016).

Boo (as cited in Weaver, 2001b) defined ecotourism as nature travel that contributes to conservation by generating funds for protected areas, creating employment

opportunities for surrounding communities, and providing environmental education for visitors. Fennell (1999) elaborated that ecotourism is a sustainable form of natural resource-based tourism focused on experiencing and learning about nature, ethically managed to be low-impact, non-consumptive, and locally oriented (control, benefits, and scale).

It typically occurs in natural areas and should contribute to their conservation or preservation (Fennell, 2002). Definitions of ecotourism range from general to specific, but three core criteria have been identified: nature-based elements, education and learning components, and a requirement for sustainability (Weaver, 2001a & 2001b).

Honey (1999) proposed seven characteristics of "real ecotourism": travel to natural destinations, minimizing impact, building environmental awareness, providing direct financial benefits for conservation and local people, respecting local culture, and supporting human rights and democratic movements.

Currently, ecotourism receives increased attention from governments and conservation organizations due to its potential for simultaneous economic and environmental benefits. The International Ecotourism Society (TIES), the oldest and largest ecotourism society, promotes ecotourism and develops guidelines, standards, training, educational resources, and technical assistance. TIES defines ecotourism as responsible travel to natural areas that conserves the environment, sustains the well-being of local people, and involves interpretation and education (The International Ecotourism Society, 2016). TIES emphasizes the importance of adhering to ecotourism principles.

The United Nations World Tourism Organization has been involved in and promoted ecotourism development since the early 1990s and has prepared guidelines describing ecotourism characteristics (United Nations World Tourism Organization, 2005). The World Wildlife Fund for Nature (WWF) has included ecotourism components such as the social dimension, local community involvement, and income generation for the community in its work (WWF, 2001).

3. Methodology

For this study, a qualitative approach was employed, as it is well-suited for understanding social phenomena [55-57]. The authors recognized that interviews in Delft Island were the most effective method to gather insights from both industry practitioners and local communities, as well as to obtain government perspectives. This approach was chosen due to the lack of readily available, detailed information

on tourism development in Delft Island. Figure 1 illustrates the analytical framework of the study.

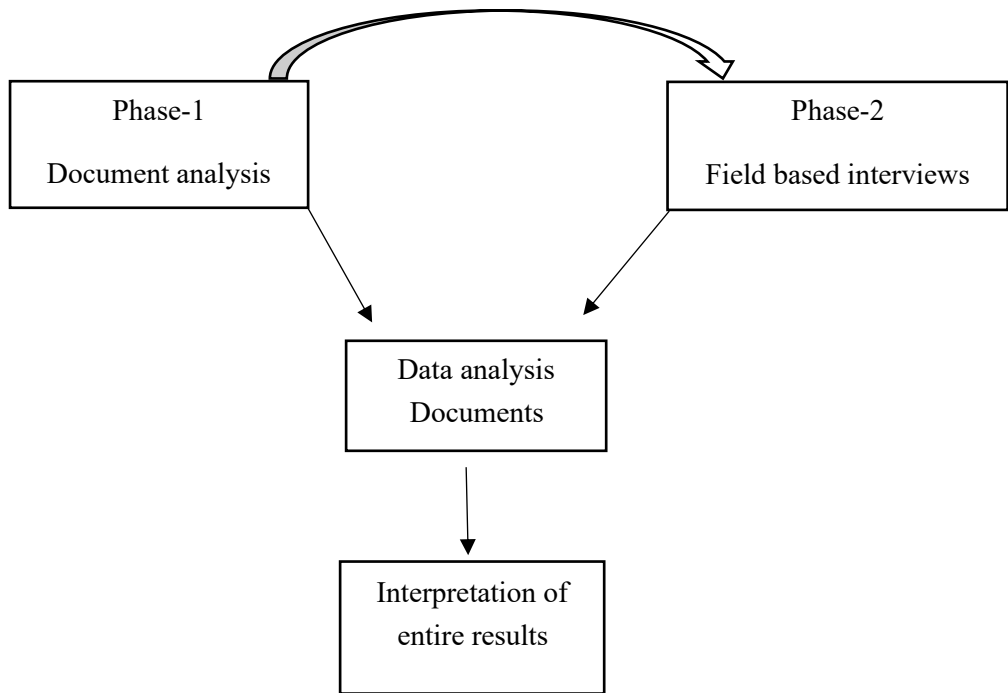


Figure 1: Research Methodology

This study utilized both primary and secondary data. Secondary data was obtained through document analysis of relevant sources, such as annual reports from the Sri Lanka Tourism Development Authority and Northern Province. Primary data was collected through semi-structured interviews with twenty-eight key stakeholders. This approach aligns with the qualitative methods used by other researchers like Lew (2014), Daskon and Binns (2009), and Becken (2013) who also employed interviews to gather diverse stakeholder perspectives [58-60].

Field-based interviews were conducted between September and November 2023, facilitating a discourse analysis approach. This allowed respondents to freely express their thoughts on tourism development and ecotourism implementation in Delft Island. The interviews encouraged detailed responses, enabling participants to share their experiences, attitudes, and understanding of tourism development on the island.

4. Findings

In Sri Lanka's experience, opportunities for community interaction in tourism development have been limited. Additionally, the existing policy lacked comprehensive guidelines for involving local communities. The STSP (Sustainable

Tourism Strategic Plan) highlighted that Sri Lanka could become a credible international leader in ecotourism by focusing realistically and intensely on this sector.

Following the end of the war, the government has an opportunity to include the entire region in tourism development, aiming to avoid regional disparities. As part of this national plan, tourism hubs were proposed for planning purposes, with Jaffna identified as one such hub. The plan suggests fully utilizing Jaffna's islands to promote coastal tourism with strong community participation.

Rather than large hotel accommodations, the focus is on establishing accommodations on the water and creating excursion opportunities. Community-based tourism products, such as excursions on traditional fishing boats, overnight stays on leisure boats, and activities like kayaking, recreational fishing, swimming, and diving, are aimed at attracting more tourists.

Delft Island has been identified as the main island for tourism development in Jaffna due to its unique attractions like wild horses, beaches, cultural and historical sites. The STSP emphasizes constructing research and conservation centers for wild horses on the island, demonstrating an effort to conserve biodiversity through tourism development. Additionally, there are plans to promote the fishing industry, allowing visitors to observe and interact with traditional fishermen.

The Northern Provincial Council of Sri Lanka (2018) has undertaken numerous activities in the post-war development phase, resulting in a growth of both domestic and international tourist arrivals to the Northern Province, including Jaffna. Among the five districts in the province, Jaffna has become the primary focus for tourism development, with an emphasis on developing coastal sites in collaboration with local communities to attract visitors. The NPC tourism plan has specifically prioritized the development of Delft Island as part of this strategy.

Delft Island has been highlighted as a priority in three tourism documents. The island's wild horses, a vulnerable species facing challenges due to changing weather patterns, are a key feature of the region. These horses struggle during the summer months due to insufficient food and water. Despite a proposal to establish a research and information centre for wild horses on Delft Island, no action has been taken so far. While many tourist attractions on Delft Island are featured in the Northern Provincial Council's tourism guidebook, there is a significant lack of basic infrastructure, service facilities, and community participation at both sites.

All three documents prioritized increasing accommodation facilities, tourism products, income generation, and private investment. However, they also recognized

the importance of environmental and cultural conservation, community involvement, and stakeholder participation for achieving sustainable tourism development. The documents emphasized promoting low-impact tourism, eco-friendly practices, community awareness, fishing, and other local community involvement. Coastal tourism development was highlighted as a key focus area, with special attention given to promoting Delft Island in all three documents.

5. Conclusions and Recommendations

The primary reason for the low number of tourist arrivals on Delft Island is the inadequate transportation system both within the island and from the mainland. The journey is described as uncomfortable and unsafe. The lack of accessible facilities, degradation of local resources, and limited livelihood opportunities have led people to leave the island. The majority of the community cites insufficient facilities as the main reason for leaving, followed by the lack of local resources and then opportunities for higher education, employment, and better livelihoods.

Despite these challenges, the community overwhelmingly expresses positive attitudes towards community-based ecotourism (CBE) and is eager to participate. They are willing to provide various products and services, including accommodation, infrastructure, transportation, food, and traditional performances to entertain tourists.

The community anticipates that CBE will contribute to the conservation of local culture and the ecosystem, protect natural resources and endangered species, and boost business viability, economic development, and revenue generation through indigenous products. They also believe CBE will enhance visitor appreciation and provide collective benefits such as improved health, education, skills, and technical knowledge. Additionally, they expect it to foster local creativity and handicraft production.

To develop Delft Island into a thriving tourist destination, Community Eco Tourism is the optimal strategy, requiring substantial community participation. Implementing guidelines for tourism development and management, particularly for environmental protection and infrastructure development, is crucial.

Reliable transportation services, both between the mainland and within Delft Island, are essential. While improving transport systems on the island, it's crucial to preserve the natural setting by utilizing options like horse-drawn carts, bullock carts, push bicycles, or rickshaws, each bearing a unique "Delft label."

Water scarcity is a major concern on the island. Establishing a Reverse Osmosis Plant to convert seawater into drinking water is a potential solution. Installing rainwater

harvesting tanks would further improve water accessibility during the rainy seasons. Constructing drainage paths based on existing natural gullies can facilitate this process. Efforts should also be made to enhance groundwater recharge by capturing rainwater.

Tourist arrivals to Delft Island can be increased by enhancing homestay facilities, natural huts and resorts, and promoting coastal tourist activities such as wildlife viewing, swimming, water sports, recreational fishing. Additionally, focusing on Agri tourism, showcasing traditional food culture and organic food, offering boat tours, and highlighting archaeological sites can attract a wider range of visitors. Tourists seeking a respite from hectic urban lifestyles are often drawn to ecological locations, and the calm, quiet beaches of Delft Island provide an ideal setting for water sports. The island's unique biodiversity and rural culture offer significant tourism potential.

Promoting eco-friendly community-based small industries, like Palmyra and coconut-based product manufacturing, in conjunction with tourism development, can boost local livelihoods. A dedicated marketing centre showcasing local products could be established, utilizing eco-friendly technologies such as solar panels, biogas units, and wind-powered water pumps.

Creating an attractive theme to market Delft Island, such as "Most authentic Dutch coastal town in Asia," and developing a central website like "www.visitdelft.com" could further promote tourism. Advertising local products online would also generate revenue for the community.

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IMPACT OF SUSTAINABLE MARKETING STRATEGY ON MARKETING PERFORMANCE OF BUSINESSES IN SRI LANKA

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Abstract

Sustainability is a key concern in marketing strategy formulation and sustainable marketing involves creating and sustaining sustainable interactions with customers, the social and the natural environment. The objective of this research is to investigate the impact of the dimensions of sustainable marketing strategy consisting of social and environmental responsibility, sustainable technology adaptation, and sustainable product innovation on marketing performance. Using convenient sampling method 385 respondents from businesses having marketing division were chosen and the questionnaire was circulated. 284 questionnaires were redeemed and qualified for statistical analysis. The analysis shows that the variables taken for the study significantly contribute towards marketing performance. Therefore, to maximize the benefits of sustainable marketing strategy, marketers should support in creating new opportunities in the local and global market and utilize their sustainable marketing to succeed. Marketing business should focus on development, improvement, and transform of the sustainable marketing model to increase product creativity, customer satisfaction and marketing performances.

Keyword: Sustainable Marketing Strategy, Marketing Performance, Sri Lankan Businesses

1. Background to the Study

Sustainability is a key concern in marketing strategy formulation, and it has been seen as an increasingly urgent strategic issue that positively signifies challenges to business and in improving the marketing performance. Sustainable marketing involves creating and sustaining sustainable interactions with customers, the social and the natural environment. The strategy of practical use of sustainable marketing and sustainable marketing strategy dimension is applied from several concepts. Sustainable marketing focuses on formulating marketing strategies to balance environmental, economic, and social goals to assure long-term development, to attract customers, and to contribute to society (Sun, Kim and Kim, 2014). In the

dimension of sustainable marketing strategy technology adaptation, product innovation, social and environmental responsibility aspects that integrate towards business performance. Hence, the integration of sustainability and environmental management has become part of the marketing strategies. Therefore, it is apposite to investigate the impact of sustainable marketing strategy on marketing performance.

The main objective of this research is to investigate the impact of the dimensions of sustainable marketing strategy consisting of technology adaptation, product innovation, social and environmental responsibility on marketing performance.

2. Literature Review

Literature review includes theoretical and empirical foundations. Stakeholder theory and contingency theory are supported to the conceptual framework of this study and relevant empirical literature detailed sustainable marketing strategy used to construct the model and operationalize the variables. Literature reviewed on the relationships among sustainable marketing strategy and its impact on marketing performance. The following components of sustainable marketing strategy were found.

2.1. Social and Environmental responsibility

In recent years, social responsibility considered as an important strategy and environmental impacts by firms are now attracting severe concern from the public. It is a concept of integration of ethics and social and environmental business practices with voluntary disclosure (Jones, Comfort and Hillier, 2005). Literature depict that social responsibility needs to respond to economic, social and environmental factors, which focus on the benefits to the individual, community and society. Many companies use environmental process as a marketing strategy that contributes to sustainable development. The prior research found a positive relationship between social and environmental responsibility had an influence on performance of the marketing activities.

2.2. Sustainable Technology adaptation

In this study, technology adaptation is defined as the firm's emphasis on new tools and strategies to develop a product and process to meet customer's need and requirement that can achieve competitive advantage (Tuominen et al., 2004). It suggests that the long-term success of the firm and customer value are best created through new technologies, products, or innovations (Hakala, 2011) that guide to

activities and strategies of the organization in the technology-oriented firm. Therefore, technology adaptation can influence on marketing performance.

2.3. Sustainable Product innovation

Product innovativeness can offer eco-friendly products and high-quality products to customers in the marketplace. Sustainable marketing strategies for product innovation focus on integrating environmental and social considerations into the development, promotion, and lifecycle of products. This creates sustainable value for its products and contribute to a company's sustained success in the market through customer satisfaction. The relationship between product innovation and marketing performance had a significant direct effect (Nataya and Sutanto, 2018). Therefore, product innovativeness is likely to have a positive influence on marketing success.

2.4. Marketing Performance

The marketing performance has been studied with association of various dimensions such as non-financial and financial measures and it helps marketers better understand the performance of their strategies. Marketing performance can also be measured with market share and sales volume, competitive market, consumer behavior, marketing intermediary, and innovativeness (Llonch, Eusebio and Ambler, 2002). Prior research confirmed that market performance has been shown to positively and often significantly affect profitability in a number of several empirical studies (Spanos and Lioukas, 2001).

However, the integration of these three aspects of sustainable marketing strategy simultaneously rarely investigated on marketing performance. Therefore, the application of these strategy is likely to have a positive influence on marketing performance in Sri Lankan context too.

3. Research Methodology

Based on the literature review the following variables have been identified and the conceptual model for the study was developed. Variables have been operationalized for measuring by identifying indicators for each variables based on the previous studies.

Research approach

This research philosophy is positivism, and the approach is deductive and quantitative method. The study used a cross-sectional time horizon.

Sustainable Marketing Strategy

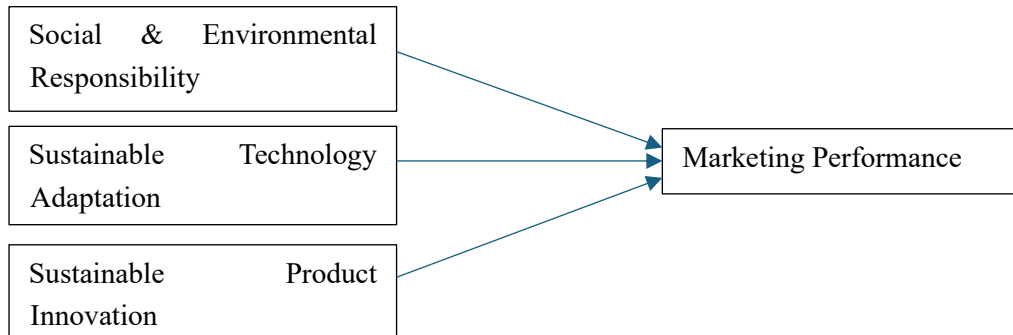


Figure 2: Conceptual Framework

Population and Sample

The population and sample of this study was drawn based on the convenient sampling method from among the business with marketing division in Sri Lanka. 385 companies were selected for the study in order to increase the generalizability to this study. In this study, the key respondents were the marketing manager and marketing director such as, ownership, and general manager who are considered appropriate key informants because they determine the sustainable marketing strategy, provide the factual of information, and truly understand their business.

The questionnaire used as the instrument, measured each construct in the conceptual frameworks using 5point Likert scale and administered via emails to collect the data. 284 questionnaires were redeemed and qualified for statistical analysis.

4. Data Analysis and Discussion

The validity and reliability were measured and found the instrument was truthfulness and credible for this study. Structural equation modeling was used as a multivariate statistical analysis technique to analyze structural relationships. This method estimates the multiple and interrelated dependence in a single analysis.

Measurement model developed and factor loading has been done. Accordingly, social & environmental responsibility, sustainable technology adaption, sustainable product innovation, and marketing performance have been loaded with each 4 factors. Descriptive statistics of sustainable marketing strategy and marketing performance executed and found constructs are robustness and are not impacted by a non-normal distribution. Therefore, the findings of sustainable marketing strategy and marketing performance are reliable and valid. Correlation analysis are performed and correlation matrix displays the correlations among constructs which indicate the relative strength and direction of a linear relationship among constructs in a correlation matrix.

The Cronbach's Alpha of all four constructs are greater than 0.80. measurement model for all construct shows that social & environmental responsibility (AVE 0.721 | CR 0.901), sustainable technology adaption (AVE 0.745 | CR 0.923), sustainable product innovation (AVE 0.733 | CR 0.911), and marketing performance (AVE 0.711 | CR 0.899).

Hypotheses testing and result shows that Social & environmental responsibility has a significant positive effect on marketing performance ($\gamma = 0.942$, $p < 0.01$). Thus, Hypothesis 1 is supported. Sustainable technology adaptation has a significant positive effect on marketing performance at a level of significance 0.05 ($\gamma = 0.342$, $p < 0.05$). Thus, Hypothesis 2 is sustained. Sustainable product innovation has a significant positive effect on marketing performance at a level of significance 0.05 ($\gamma = 0.860$, $p < 0.05$). Thus, Hypothesis 3 is supported.

5. Conclusions and Recommendations

The key objective of this research is to examine the impact of sustainable marketing strategy on marketing performance. All the variables of sustainable marketing strategy namely technology adaptation, product innovation, social and environmental responsibility had positive impact on marketing performance and significantly promotes marketing firms related activities and customer acceptance, and marketing performance. This finding is aligning with the previous studies.

Therefore, marketers may put more emphasis on how to establish the concept of sustainable marketing strategy in their business and marketing activities. To maximize the benefits of sustainable marketing strategy, marketers should support in creating new opportunities in the local and global market and utilize their sustainable marketing to succeed. Marketing business should focus on development,

improvement, and transform of the sustainable marketing model to increase product creativity, customer satisfaction and marketing performances.

Recommended marketing strategies for sustainable social & environmental responsibility

Developing a sustainable marketing strategy with a focus on social and environmental responsibility involves integrating ethical practices into your marketing approach. The following strategies are recommended for marketing practitioners.

Define specific, measurable goals for social and environmental impact, such as reducing carbon emissions, supporting local communities, or improving workplace diversity. Customer communication plays a vital role and implement community development projects, charitable contributions, or partnerships with nonprofits. Apply safe working conditions, and ethical labor practices in your supply chain. Use marketing channels that align with your sustainability values, such as digital platforms that reduce paper waste and employ sustainable advertising practices, including minimal packaging and eco-friendly materials. Create campaigns that involve customers in sustainability efforts, such as social media challenges or community clean-up events. Promote products designed for durability, repairability, and recyclability. Gather and analyze feedback from stakeholders to continuously improve your social and environmental practices.

Recommended marketing strategies for sustainable technology adaptation

A sustainable marketing strategy for technology adaptation focuses on promoting and integrating technological advancements towards sustainability. The following strategies are recommended for marketing practitioners.

Update on technologies that offer sustainable benefits, such as energy-efficient systems, renewable energy solutions, or smart technologies for resource management and assess how these technologies can reduce environmental issues and improve social conditions. Align technology solutions with global sustainability goals, such as reducing carbon emissions or improving resource efficiency. Ensure that the technology's entire lifecycle, from production to disposal, is designed with sustainability in mind. Create educational content to inform customers about the benefits of the technology and how it supports sustainability and use channels and media that align with sustainability values, such as eco-friendly publications, websites, or social media platforms and develop content that highlights the technology's role in advancing sustainability for blog posts, and videos. Use key performance indicators (KPIs) to measure the success of the sustainable marketing strategy, such as customer adoption rates, feedback, and environmental impact

metrics. Invest in ongoing research and development to enhance the technology's sustainability features.

Recommended marketing strategies for sustainable product innovation

In relation to product innovation the following strategies are recommended for marketing practitioners. Analyze consumer preferences for sustainability, emerging trends, and competitors' practices and determine where current products fall short in terms of sustainability and where innovation can fill gaps. Use renewable, recycled, or biodegradable materials in product design and to consume less energy during use or manufacturing. Create products that are built to last, reducing the need for frequent replacements. Design product such a way that make easy to dispose and incorporate elements of the circular economy, such as product take-back programs or designs that facilitate recycling and reuse. Ensure that materials are sourced responsibly, supporting fair labor practices and reducing environmental harm and communicate genuine sustainability efforts rather than superficial greenwashing. Moreover, obtain recognized eco-certifications to build credibility and trust with consumers. By embedding sustainability into every aspect of product innovation and marketing, companies can create a competitive edge in a market increasingly driven by conscious consumerism.

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Digitalization and Customer Satisfaction in the Sri Lankan Tourism Industry

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Abstract

Digitalization is rapidly transforming all industries, including tourism. This global phenomenon is changing lifestyles and work organization, intensifying globalization, and digitizing society at an unprecedented rate. Organizations are increasingly turning to digital transformation plans to enhance effectiveness and compete in the global market. The tourism industry was one of the early adopters of digitalization, starting with online booking for flights and hotels. Sri Lanka, despite its small size, has diverse natural attractions and a strategic location that make it appealing to visitors. Leveraging technological solutions to improve customer satisfaction can significantly boost the country's tourism industry. Satisfied customers are crucial assets for any organization, and digitalization can enhance various aspects of the tourism experience, including booking, payment, accommodation, food and beverage services, hospitality, and transportation. Digitalization will impact travel jobs globally, requiring more technical and advanced skills while creating new job opportunities. While digital adoption is smoother in urban areas, it poses challenges in rural tourist regions. This study aims to analyze the effectiveness of digital strategies in the tourism industry for enhancing international customer satisfaction. Data was gathered through in-depth interviews with 18 tourist guides at Hikkaduwa and Unawatuna tourist destinations in Sri Lanka. The research identified key problems faced by international tourists and explored digital solutions, analyzing opportunities and challenges through qualitative methods. Based on the findings, the study recommends that the government introduce robust policies and procedures to promote QR codes and online payment methods among small and medium-scale traders, taxi drivers, highway entrances, and public transportation services.

Keywords: Digitalization, Customer Satisfaction, Tourism industry, international tourists

1. Introduction

The rapid pace of change, driven by new events, technological advancements, and global competition, necessitates that societies and industries adopt strategies to navigate uncertainty. Dynamic and volatile industries like tourism must respond quickly and effectively to emerging challenges to ensure their survival (Kaushal & Srivastava, 2021).

In today's business landscape, travel and tourism have emerged as a significant industry within the service sector, playing a crucial role in the rapidly growing economy (Mukherjee & Nagabhushanam, 2013). Gretzel et al. (2015) define tourism as a form of entertainment or leisure that people engage in for relaxation, highlighting its integration into human life.

The tourism industry is recognized as a pioneer in digitizing business processes on a global scale, starting with the introduction of online booking for flights and hotels in the 1990s.

Despite its relatively small size, Sri Lanka's diverse natural beauty and strategic location make it a compelling destination for travelers (SLTDA, 2024). The tourism industry in Sri Lanka has significant potential for growth by harnessing technological solutions to enhance customer satisfaction. Satisfied customers are the most valuable assets for any organization, and in the tourism sector, factors such as booking and payment facilities, accommodation, food and beverages, hospitality service, and transportation play a crucial role in determining customer satisfaction.

Tourism thrives on providing exceptional experiences and luxurious services to its customers. Ensuring customer happiness and complete satisfaction is the key to further developing and sustaining the industry (Duarte & Amaro, 2018).

Digitalization is a global phenomenon that is rapidly transforming industries, including tourism. It is revolutionizing lifestyles and work organizations, accelerating globalization, and leading to unprecedented levels of societal digitalization. Embracing digital transformation plans has become crucial for organizations to enhance their effectiveness, navigate global competition, and secure their survival and growth in the market.

Digitalization, as a new practice, empowers countries, industries, and organizations to tackle various challenges (Soluk, Kammerlander & Darwin, 2021). Its influence has grown significantly in recent years (Ringenson et al., 2018), enabling the efficient and effective transformation of business models by creating fresh opportunities for development and value addition. Digitalization has revolutionized how businesses analyze market information, conduct operations, and interact with customers (Purwandani & Yusuf, 2021).

2. Literature Review

Digitalization is a global strategy that has profoundly impacted and transformed lifestyles and society. Morley, Widdicks, & Hazas (2018) define digitalization as an evolving term in Information and Communication Technology (ICT) encompassing

concepts and trends such as Digital Technology, Artificial Intelligence, and the Internet of Things. Similarly, Mariam & Bygstad (2019) confirm that digitalization involves developing and implementing ICT systems, accompanied by organizational changes.

Yoo et al. (2010) explain digitalization as the transformation of socio-technical structures from non-digital to digital objects. Ringenson et al. (2018) view digitalization as the reorganization of social life around digital communication and media infrastructures. Eling & Lehmann (2018) define it as the integration of the analog and digital worlds through new technologies that enhance customer interactions, data availability, and business processes. Gobble (2018) adds that digitalization is the use of digital technology and information to create value in novel ways. Synthesizing these definitions, digitalization can be broadly defined as the utilization of tools like digital technology, the Internet of Things, and cloud computing by individuals, organizations, and society as a whole.

Lukman (2021) defined customer satisfaction as fulfilling the needs and desires customers expect from their chosen objectives. Similarly, Herath & Herath (2019) described customer satisfaction as meeting customer needs through tangible and intangible offerings and value creation. Building on these definitions, customer satisfaction can be understood as providing benefits like experiences, empowerment, or relevance that meet or exceed customer expectations.

Tourism has become a major economic driver for many countries, contributing significantly to their GDP. It encompasses both domestic and international travel (Bogicevic et al., 2019), and in Sri Lanka, it is a long-established industry. The country's diverse attractions and strategic location make it a sought-after destination for foreign visitors.

Despite recent challenges, the tourism sector in Sri Lanka directly contributed 0.8% to the GDP in 2020 and generated 347,757 jobs (Sri Lanka Tourism Development Authority (SLTDA), 2024). Notably, there were 1,487,303 tourist arrivals in Sri Lanka in 2023. The leading source markets were India, with 302,844 tourists, followed by China, with 68,789 tourists (SLTDA, 2024).

Empirical Studies

Numerous authors have contributed to the research on digitalization in tourism and its impact on customer satisfaction. Hadjelias et al. (2022) explored how strategic agility, encompassing customer, partnership, and operational dimensions, empowers tourism organizations to leverage digital technologies for value creation and

distribution. Reichstein & Harting (2018) highlighted the importance of personalized customer communication in digital channels as a crucial aspect of future service delivery, emphasizing the need for two-way communication throughout the customer journey, particularly in structurally weaker regions. Kalia, Mladenovic, & Duque (2022) identified six clusters related to emerging directions in digital tourism: smart destination management, technology and sustainability, the internet as a communication medium, research design, theoretical frameworks, and consumer behavior. Each cluster comprises several components, as depicted in Figure 1, illustrating the diverse areas of discussion within the existing literature on digitalizing tourism.

Kalia, Mladenovic, & Duque (2022) highlight the importance of smart destination management in digital tourism, focusing on improving administration, enhancing value creation, delivering exceptional customer value, and securing a favorable market position (Gretzel & Mendonca, 2019). While smart destination management is currently limited in its implementation, with advanced technologies like AI and machine learning underutilized, there is significant potential for future growth in this area.

The internet has become a dominant communication and marketing channel in the digital age, extensively used for exposure to e-commerce platforms, web-based platforms, social media, email, and smartphone marketing (Bogicevic et al., 2019). However, existing research on digital tourism primarily focuses on consumers (tourists) rather than service providers, neglecting the impact of digital communication channels on their economic well-being. Despite its extensive scale, this research cluster suffers from fragmented scientific contributions that lag behind actual industry developments.

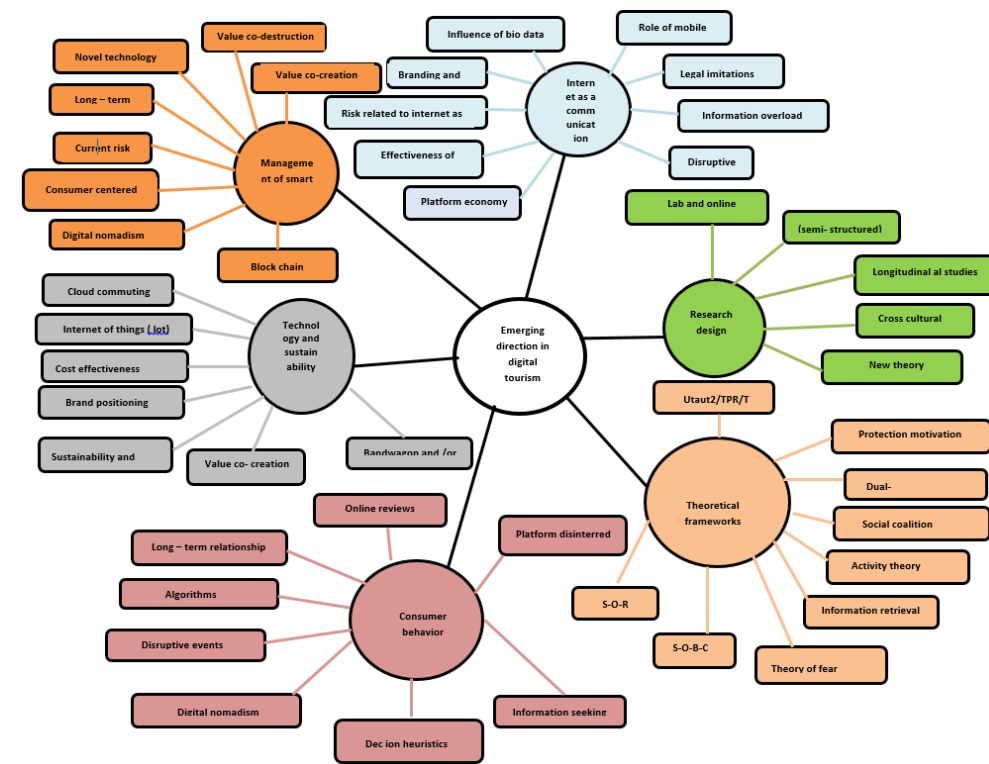


Figure 1: Relationship between sustainability and ecotourism Source: (Kalia, Mladenovic, & Duque, 2022)

In the realm of technology and sustainability, Alford & Jones (2020) emphasize the need for stakeholders to grasp the long-term strategic importance of various technologies. The intersection of new technologies with smart destination sustainability and the consumption habits of digital tourists remains largely unexplored. Kalia, Mladenovic, & Duque (2022) identify key components of digital tourism, including consumer behavior, innovations, business models, online recommendation systems, and internet marketing. To fully capitalize on the benefits of digitalization, the tourism sector must closely monitor and adapt to key behavioral changes. Despite extensive research, there are still several gaps in understanding, both in terms of topics and methodologies, that need to be addressed in this field.

3. Methodology

This exploratory research aimed to analyze the effectiveness of digital strategies in enhancing international customer satisfaction within the tourism industry. Recognizing that digitalization challenges vary between urban and rural areas, the study focused on a rural setting. Due to the lack of a comprehensive list of tourist

guides in the area, data collection involved in-depth interviews with 18 randomly selected guides working in Hikkaduwa (10) and Unawatuna (9), two prominent tourist destinations in the Galle district.

Interviewing international tourists directly proved impractical, so tourist guides were chosen as proxies due to their familiarity with the region's existing and lacking digital facilities. Their close interaction with foreign tourists provides valuable insights into their sentiments and opinions regarding digital services. Therefore, the study leveraged their perspectives and experiences to achieve its research objectives. A thematic qualitative analysis method was employed to derive insights from the interview transcripts, ultimately revealing the study's findings.

4. Findings

The sample population consisted of 83% male and 17% female respondents, with the majority (77%) falling within the age group of 30-40 years. Most respondents (66%) possessed 15-20 years of experience as tour guides, demonstrating a deep understanding of tourists' needs and preferences. All respondents were proficient in English, while a significant portion also spoke German (44%), Russian (61%), or French (22%). This diverse language proficiency indicates the respondents' extensive exposure to international tourists.

The study examined the impact of digitalization on tourist satisfaction across various aspects, including accommodation, food and beverages, transportation, and knowledge of local attractions, which are considered primary requirements for visitors. By focusing on the experiences and perspectives of seasoned tour guides, the research aims to provide valuable insights into how digital strategies within the Sri Lankan tourism industry can enhance the overall satisfaction of international travelers.

Respondents indicated that international travelers rely heavily on websites and social media to find accommodations before arriving in Sri Lanka, especially for first-time visitors. Regardless of their country of origin, most tourists utilize popular platforms like Booking.com, Airbnb.com, Agoda.com, and TravelAdvisor.lk to research and select their lodging. They often base their decisions on feedback and reviews posted by previous guests. Satisfied customers tend to establish direct contact with hotel or homestay owners/managers for future visits to Sri Lanka, bypassing online platforms.

This practice is exemplified by the following statement from a respondent:

"This tourist couple from Germany was visiting Sri Lanka for the third time. Upon arrival, they bypassed online platforms and directly contacted the hotel owner to book their rooms."

In addition to online platforms, some government websites, such as the Sri Lanka Tourism Promotion Bureau, offer information on accommodation options. However, smaller-scale providers with more budget-friendly options may lack the resources or knowledge to effectively reach a wider audience through the internet.

Respondents noted that digital payment facilities are available for accommodations booked online, eliminating payment concerns.

Food and Beverages

Tourists express interest in both their home cuisine and Sri Lankan traditional dishes like hoppers and string hoppers. However, information about local restaurants, street food vendors, and homemade food options is not readily available on digital platforms, and tourists rely on tour guides for recommendations. While tourists are often eager to try street food and beverages, they may hesitate due to difficulties with handling change and the inability to communicate their preferences effectively.

Local Transportation

International tourists typically arrange their transportation to Sri Lanka from their home countries. Upon arrival, they use various methods to arrange local transportation, such as through their accommodation provider, a transport agent, or directly hiring local transport providers. They generally prefer online payments or card payments over using local currency. However, this preference poses a challenge at Southern Expressway interchanges, particularly Pinnaduwa, Baddegama, and Kurundugahahetekma, where card and dollar payment systems are not available, despite the expressway being frequently used by foreigners.

Many international tourists are drawn to the experience of rural life in Sri Lanka. They often explore villages by utilizing private self-transport options like three-wheel rentals (tuk-tuks), bicycles, or motorcycles, which are popular modes of transport in rural areas. (Figure 2 provides visual examples of tourists visiting rural areas in the Galle District, specifically Unawatuna and Hikkaduwa). However, the lack of digital infrastructure in these areas presents challenges for international travelers during their journeys.

A respondent highlighted this issue with the following statement:

"Yesterday, a tourist visited Rumassala by three-wheeler. The fare was 300 rupees, but she didn't have the exact change. She had to walk back about 100 meters to find a place to exchange money and then return to pay the driver."

Local Transportation Challenges

Respondents revealed that most three-wheeler drivers are willing to accept payment in dollars, but they often overcharge tourists significantly. This leads to uncomfortable bargaining situations and leaves tourists dissatisfied with the service.

Exploitation by Local Vendors

Local vendors and service providers sometimes attempt to charge tourists arbitrary prices, causing frustration due to the lack of transparency and understanding of fair prices. The varying prices of king coconuts serve as an example of this issue.

"Foreigners love king coconuts. One vendor sells them for Rs. 100, while another, just a few meters away, charges Rs. 150 for the same product."

Limited Information on Small-Scale Providers

Information about smaller businesses and services on the internet is often limited to accommodations and providers in specific locations. Nearby stores, local medical centers, handicraft shops, and local industries are often not listed on these websites, making it difficult for tourists to discover them without guidance from tour guides.

The handicraft center in Hikkaduwa is a case in point

"The 'Idikola' hat production center is not featured on any website. But when we take tourists there, they are delighted to buy and wear the hats."

Paying with Rupees

Tourists encounter difficulties when making payments with local currency (Rupees) for goods and services from street vendors, cottage industries, public transportation, or private transport. The lack of readily available change in rupees (notes and coins) poses a significant inconvenience. Tourists would greatly benefit from the ability to pay in dollars or through a card payment system, eliminating the need for time-consuming currency exchanges and ensuring a smoother experience during local transactions, including purchases from street food vendors.

5. Conclusions & Recommendations

The necessity for digitalization in Sri Lanka's tourism industry has been recognized in two key areas: the distribution of knowledge and information, and the digitalization of financial activities and transactions. While digital platforms have effectively disseminated information in sectors like accommodation, other areas such as local

transportation and rural markets lag behind. International tourists, particularly those from Western countries, are accustomed to a digitalized society, but Sri Lanka's rural communities, who are often service providers, have not yet embraced digitalization to the same extent.

Although international tourists seek to experience rural life, the lack of digital infrastructure in these areas leads to dissatisfaction and difficulties. These challenges include the absence of online payment options, platforms for price transparency, and limited bargaining power during transactions. Similar issues arise when using public transportation, such as three-wheelers and the Southern Expressway.

Equipping all merchants, including small and medium-sized enterprises, with barcode payment facilities would enhance price transparency and simplify transactions, thereby increasing customer confidence and satisfaction. To achieve this, the government should establish a comprehensive mechanism to provide these facilities to all merchants. This would enable tourists to easily and confidently purchase goods and services, fulfilling their expectations and contributing to a more positive overall experience.

In conclusion, Sri Lanka should strive to create an attractive environment for tourists by implementing universal digitalization facilities for seamless payment of goods and services, and by providing easy access to relevant information through the internet.

Based on the evidence presented in this study, it is recommended that the government introduce formal mechanisms to accelerate digital adoption among public transport providers, rural traders, and cottage industries. This can be achieved by equipping every merchant with a barcode payment system and enhancing their awareness of available internet services. Additionally, integrating their information into existing websites will improve visibility and accessibility for tourists.

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Potential of Subnational Level Development Policies to Empower Women Entrepreneurs in the Tourism Industry: An Investigation in Western Province, Sri Lanka

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Abstract

Between 2014 and 2019, tourism emerged as Sri Lanka's third-largest source of foreign currency earnings. The country's rich biological, cultural, and natural diversity, historical monuments, strategic location, and welcoming environment for foreigners create a strong foundation for boosting the tourism industry. Regional development within the country heavily relies on women's labor participation, which is intrinsically linked to socioeconomic progress. Promoting women's entrepreneurship has proven to be an effective strategy for enhancing their labor participation. The tourism sector, with its abundant entrepreneurial opportunities, holds immense potential for empowering women and advancing gender equality, aligning with Sustainable Development Goals (SDGs) 1 and 5: No Poverty and Gender Equality. Following the 13th Amendment to the Constitution of Sri Lanka and the Provincial Council Act No. 42 of 1987, provincial councils were established, effectively designating the provincial level as the subnational level for development planning. This study focuses on the potential of subnational development policies to empower women entrepreneurs in the tourism industry, specifically analyzing policies within the Western Provincial Council. Factors considered in this analysis include education and training, financing, digitalization, business skill development, and the collection and reporting of sex-disaggregated data. Utilizing both primary and secondary data, the study employed qualitative analysis methods. The findings reveal that existing subnational policies demonstrate significant potential for supporting women-led businesses in the tourism sector. However, to further enhance women's entrepreneurship, new policy initiatives are necessary. These initiatives include integrated planning and implementation, gender-responsive training, collecting sex-disaggregated data, fostering private-public partnerships, and implementing gender-responsive procurement practices.

Keywords: Women entrepreneurship, Sri Lanka, Tourism, Regional Development, Western Province

1. Introduction

United Nations Secretary-General Antonio Guterres emphasizes the transformative power of tourism, stating, "Tourism brings progress. As one of the biggest sectors in the global economy, it has great power to bridge cultures, generate new opportunities, and promote sustainable development" (UNWTO, n.d.).

The United Nations Universal Agenda for Sustainable Development provides a framework to eradicate extreme poverty, combat inequality, and address climate change by 2030. Tourism plays a significant role in delivering sustainable solutions in the areas of people, the planet, prosperity, and peace (UNWTO, n.d.).

The World Travel and Tourism Council reports that, in the pre-pandemic era, 1 in 5 new jobs created worldwide was directly or indirectly linked to the travel and tourism sector. Moreover, in 2019, the sector contributed 10.4% to global GDP and employed 10.3% of the global workforce (World Travel and Tourism Council, n.d.).

During the period from 2014 to 2019, tourism emerged as Sri Lanka's third-largest source of foreign currency earnings, contributing 14%. This is particularly significant as the tourism industry, unlike other export sectors, requires minimal input importation (CBSL, 2022). The country's rich biological, cultural, and natural diversity, historical monuments, strategic location, and welcoming atmosphere for foreigners further amplify its potential to drive the tourism industry (CBSL, 2022).

In 2018, the travel and tourism sector in Sri Lanka contributed 4.9% to the total GDP and employed 11% of the country's workforce in 2017 (ILO, 2020), highlighting its importance to the overall economy.

Despite the tourism industry's significant contribution to Sri Lanka's economy, there is a substantial gender gap in labor force participation. In 2022, only 33.1% of women participated in the workforce, compared to 70.7% of men (DCS, n.d.). Numerous studies and models demonstrate that achieving gender parity can yield significant economic benefits, although these benefits are often country-specific, shaped by unique circumstances and challenges (IMF, n.d.).

Women's labor participation is a key driver of socioeconomic development at the regional level. Encouraging entrepreneurship among women is one proven strategy for increasing their participation in the workforce. The tourism sector, with its diverse entrepreneurial opportunities, offers a promising avenue for empowering women and

advancing gender equality, aligning with Sustainable Development Goals (SDGs) 1 and 5: No Poverty and Gender Equality.

The 13th Amendment to the Constitution of Sri Lanka and the subsequent Provincial Council Act No. 42 of 1987 led to the establishment of provincial councils (Ministry of Public Administration Sri Lanka, n.d.). The provincial level is recognized as the subnational level, and provinces serve as regional units for development planning (Uduporuwa, 2007).

The Western Province, one of Sri Lanka's nine provinces, is situated in the southwest and boasts a diverse landscape with mountains, water bodies, jungles, and beaches. Its well-developed infrastructure, including a road network, international airport, and harbor, facilitates easy access to various destinations within the region. The capital city of Colombo, serving as a commercial hub, further enhances the province's tourism potential.

The UNWTO (United Nations World Tourism Organization) emphasizes the importance of policies that recognize and leverage tourism as a driver of economic development and livelihood improvement for local communities. It stresses the significance of regional and national-level policies and strategic interventions in promoting economic development and equality for women, youth, and minority groups (World Tourism Organization, 2023). However, there is a dearth of research on the impact of subnational-level development policies on women's entrepreneurship in the tourism industry in Sri Lanka.

Therefore, this study aims to investigate the potential of subnational level development policies to empower women entrepreneurs in the tourism industry, focusing on the analysis of development policies implemented by the Western Provincial Council in Sri Lanka.

2. Literature Review

Subnational-level Development Policies

In the literature, "subnational development policies" and "regional development policies" are often used interchangeably. According to Niestroy (2014), the term "subnational level" typically refers to a government level between national and local, often referred to as "regions" in Europe.

The OECD (Organisation for Economic Co-operation and Development) emphasizes the vital role of regional development policies in enhancing performance and well-being across all regions. These policies can encompass reducing regional disparities,

ensuring efficient public services, implementing quality infrastructure, strengthening the national economy, and promoting resilience and sustainable development through environmental conservation (OECD, 2023).

The subnational level is crucial in achieving sustainable development goals with specific targets. These policies are instrumental in formulating development plans and strategies, including cross-cutting initiatives, which are essential for realizing the Sustainable Development Goals. Subnational level policies are particularly important for small businesses as they facilitate a bottom-up approach to policymaking (Niestroy, 2014), allowing for greater responsiveness to local needs and conditions.

A regional development strategy outlines the objectives and tools aimed at building overall development potential, reducing regional disparities, and enhancing the capabilities of underdeveloped areas to achieve greater competitiveness. It serves as a bridge between local and regional development needs and the priorities set at the national level (UN Dept. of Economic and Social Affairs, n.d.).

Women Entrepreneurship in the Tourism Sector

The Global Entrepreneurship Monitor defines entrepreneurship as "Any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business."

The 15th Global Report on Women in Tourism highlights that 36.09% of employees in the hotel and restaurant sector are women, a significantly higher percentage than in other sectors (UNWTO, 2019). In certain countries, the number of women employers in tourism is nearly double that of other industries, demonstrating the sector's potential for women-led businesses.

In certain regions, the tourism sector demonstrates a remarkable level of women's ownership. For example, in Indonesia, Malaysia, the Philippines, and Thailand, over 50% of tourism-related businesses are owned by women. Similarly, in Latin America, women own 51% of such businesses, double the proportion seen in other industries. Notably, in Nicaragua and Panama, women's ownership in the tourism sector surpasses 70%, while in other sectors, it remains at a mere 20% (World Bank Group, 2017).

Despite these examples, women generally prefer wage employment over self-employment. Often, economic necessities like job scarcity or inadequate family income push women towards entrepreneurship. They tend to favor stable, low-risk businesses over fast-growing, risky ventures, prioritizing work-life balance and

avoiding stress. Women's entrepreneurial motivations are influenced by various factors, including their life stage, career, family preferences, and values (Carranza et al., 2018).

Entrepreneurship plays a crucial role in development and socioeconomic well-being, leading governments, NGOs, and researchers to actively support entrepreneurial ecosystems. However, the growth of women's entrepreneurship lags behind that of men in both developed and developing countries. Identifying and addressing the obstacles faced by women entrepreneurs is essential to increase their participation in business activities (Carranza et al., 2018).

Theories related to women entrepreneurship

Liberal feminist theory traces its roots back to the earliest feminist movements and advocates for social reforms to ensure women have equal status and opportunities as men. This theory posits that men and women are inherently equal, and gender should not be a basis for discrimination. It calls for the removal of discriminatory barriers and systemic biases that hinder women's access to resources, education, and business experience. Liberal feminism emphasizes equality, entitlement, and women's rights, and its principles have been instrumental in driving legal changes to promote gender equality. This theory suggests that if women had equal access to opportunities, they would behave similarly to men (Ali, 2018).

In contrast, social feminist theory acknowledges the differences in male and female experiences, arguing that deliberate socialization from early childhood shapes fundamentally different worldviews. Women's socialization often instills alternative perspectives, goals, and choices, influencing their selection of business fields. From a social feminist perspective, the interconnectedness between family and women is often prioritized over viewing the business as a separate entity (Ali, 2018).

3. Methodology

This research utilized a mixed-methods approach, incorporating both primary and secondary data collection. Qualitative analysis methods were employed to analyze the data.

Primary Data Collection

Key informant interviews were conducted with 10 executive-level officials from the Western Provincial Council. These officials represented various departments and agencies relevant to the study, including the Tourist Board, Department of Industries,

Industrial Development Authority, Department of Rural Development, Economic Promotion Bureau, Department of Cooperative Development, Department of Business Registrar, and the Provincial Ministry of Health (which oversees Women's Affairs). Additionally, five non-executive officers from the Western Province participated in the interviews. This approach provided a comprehensive perspective on the existing policies and practices affecting women entrepreneurs in the tourism industry.

Secondary data was gathered from various sources, including mandates from key institutions in the Western Province such as the Tourist Board, Department of Industries, Industrial Development Authority, Economic Promotion Bureau, Department of Rural Development, and Department of Cooperative Development.

Furthermore, guidelines from the Finance Commission for Development plans, The Western Provincial Rules applicable to formulating and implementing Development Plans (published in the extraordinary gazette on 25.08.2020), the 5-year development plan, annual performance reports of the Western Province, Central Bank Reports, and Reports from the Department of Census and Statistics were also consulted.

Additionally, the study drew upon academic literature relevant to the topic, including reports from the International Labour Organization (ILO) and the United Nations World Tourism Organization (UNWTO) related to women's entrepreneurship in tourism.

The analysis combined thematic and content analysis methods to derive insights from the data. Thematic analysis was applied to the key informant interviews, allowing for a deeper understanding of perspectives and experiences. Content analysis was used to systematically examine policy documents, focusing on specific themes relevant to women's entrepreneurship in tourism. The analysis centred on five key areas: gender-sensitive training, financing, business skill development, digitalization, and the collection of sex-disaggregated data. This multi-faceted approach ensured a comprehensive examination of the research questions, leading to a nuanced understanding of the potential of subnational-level development policies to empower women entrepreneurs in the tourism sector.

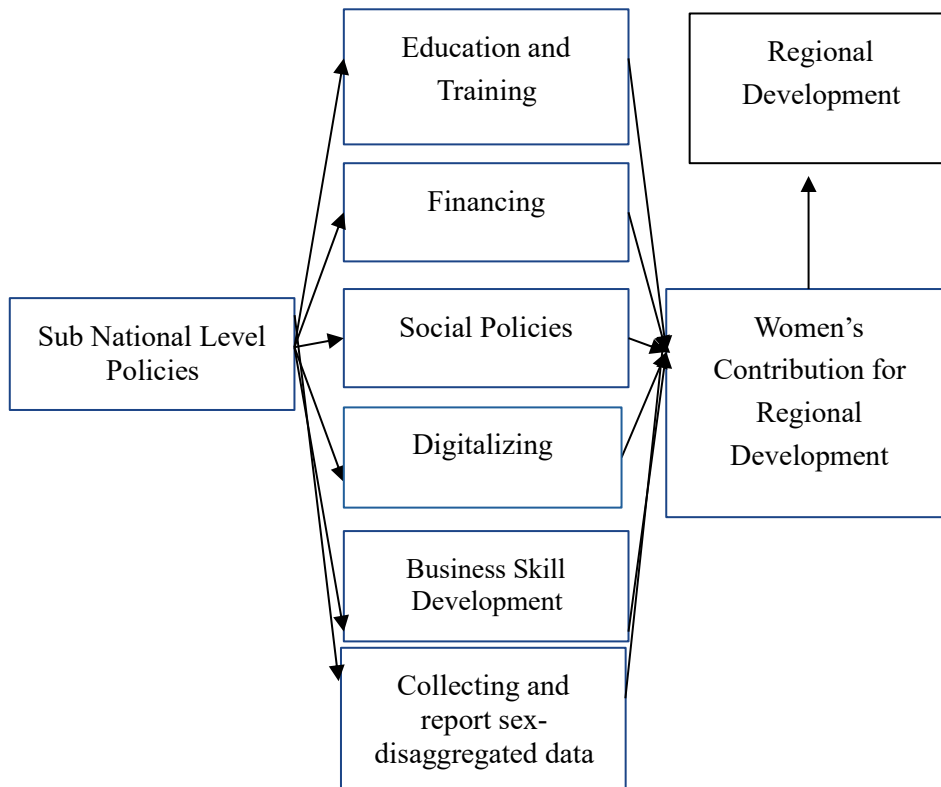


Figure 1: Conceptual Framework
Source: Researcher's findings

4. Findings

The following institutions established in the Western Province have a mandate to promote and develop entrepreneurship within the province:

S/N	Institutions	Key Functions Relations to SME
01	Tourist Board	<ul style="list-style-type: none"> • Vocational training programmes in the tourism industry. • Promotion of tourists and education. • Development of infrastructure facilities for attractive tourist destinations. • Publishing “Amazing Sri Lanka” magazine. • Preparing tourist business plans.

02	Department of Industries	<ul style="list-style-type: none"> • Protecting the traditional industrial sector by carrying out quality productions relevant to the textile and small industries. • Implementation of vocational training courses suitable for timely needs and training courses relevant to the traditional industries Selling productions of textile and handicrafts artists by running Craft Lanka stores. • Creating employment opportunities and aiding with commencing small industries. • Uplifting the productivity of those engaged in handicrafts and textile industries. • Creating organisations by integrating traditional craftsmen. Providing infrastructure facilities to expand the traditional industries and small industries
03	Industrial Development Authority	<ul style="list-style-type: none"> • To create an enabling enterprise and industrial promotion environment. • To Enhancement of entrepreneurial capacities, skills and knowledge. • To support the Quality Improvement of products and services and linkage of local and international markets. • Poverty reduction and economic empowerment of women and youth through self-employment and livelihood promotion. • Institutional development and information management among micro. small and medium enterprises and utilise them for industry development. • Promotion of local and international markets for local producers and productions. • Reward and award western province industrialists and give recognition. • Create Industrial networks and support them for a sustainable industrial culture in western provinces. • Improve access to international agencies and organisations.

		<ul style="list-style-type: none"> • To create an enabling enterprise and industrial promotion environment. • Enhancement of entrepreneurial capacities, skills and knowledge.
04	Economic Promotion Bureau	<ul style="list-style-type: none"> • Establish, and promote agricultural, industrial, commercial and trading enterprises and other income-generating projects in the Western Province. • Engage with them and prepare, implement and coordinate industrial and economic development plans.
05	Department of Rural Development	<ul style="list-style-type: none"> • Establishment, registration and maintenance of rural development societies/Women's rural development societies. • Establishment and maintenance of women's progress training centres. • Planning and implementing programmes for rural development. • Establishment, and maintenance of sales centres which are for uplifting the economy and life strategies of the rural community • supervising the issuance of certificates for training, • establishment of banks for rural development to ensure the safety of the finances of the members. (Its administrative power is vested upon the Secretary of the Ministry of Rural Development.) Accordingly, banks for rural development are established in the divisional and district level. The excess of the fund should be deposited in a government bank.

06	Department of Cooperative Development	<ul style="list-style-type: none"> • Registration of Cooperative Societies • assisting in the development of Cooperative Societies • Regulating the Financial Services Cooperative Societies • Inspections/investigations regarding Cooperative Societies
07	Department of Registrar of Business Names	<ul style="list-style-type: none"> • Registration of Business Names Making necessary changes regarding the registration of Business Names. • Cancellation of Business Names Providing opportunities to inspect business files/documents. • Providing copies of certificates of registration of Business Names

Table 1: Key Functions of the Provincial Institutes Relations to Entrepreneurship
Source: Annual Performance Reports of the Western Province

Finance Commission Guidelines

The Finance Commission guidelines highlight tourism, small industries, rural development, and cooperatives as sectoral priority areas for development initiatives. Special emphasis is placed on SDG 5 (Gender Equality), advocating for projects that boost women's labor force participation through gender-responsive budgeting and women's empowerment initiatives. A mandatory 25% allocation for rural economic development projects, in line with the cabinet decision of 09.03.2016, is also stipulated. Provincial authorities are expected to maintain gender-disaggregated budget details for further analysis. The allocation of provincial development grants by the Finance Commission is based on the needs of each province, considering the government's policy statement, the annual budget speech, and the Agenda 2030 for Sustainable Development guidelines. Additionally, provinces have the autonomy to allocate a portion of their revenue towards provincial development activities.

Rules for Formulating and Implementing Development Plans

The Western Provincial Council operates under guidelines published in the extraordinary gazette on 25.08.2020. These guidelines provide specific criteria for development planning across various sectors, including tourism promotion, industry, social welfare, women's affairs, agriculture, cooperative development, and rural development.

	Subject	Activity
01	Tourism Promotion	<ul style="list-style-type: none"> • Carrying out promotional activities about places with tourist attractions and tourism. • Promoting employment related to tourism. • Conducting training programmes to provide more qualitative services to tourism • Conducting training programmes to improve quality of the goods manufactured targeting tourists and marketing promotion.
02	Agriculture	<ul style="list-style-type: none"> • Implementing projects to promote agricultural businesses and entrepreneurship and to minimize post-harvest damage
03	Industry	<ul style="list-style-type: none"> • Aids can be provided to purchase necessary inputs and equipment to specifically identified projects of active, small industry association registered for encouraging local traditional industries covering different ranges enabling them to enhance the quality of their products. • Help with finding the markets for registered association • introduced new technology for the industries • Conducting capacity development programme for those who are engaged • Provide financial aid to participate in training programmes. Priority is given to low-income family members, widows and persons with special needs • Provide self-employment equipment as direct grants
04	Women Affairs	<ul style="list-style-type: none"> • Providing provisions for women who are engaged and expected to be engaged in a self-employment

05	Social Welfare	<ul style="list-style-type: none"> Funds can be allocated for training programs and self-employment equipment to prevent the disadvantaged community belonging to the workforce from being housed
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Table 2: The guidelines published in the Extraordinary Gazette on 25.08.2020 by Western Provincial Council

Key Informant Interviews

The interviewed institutions each operate under distinct mandates for development planning. The Department of Rural Development and the Women's Affairs Division of the Ministry of Health focus on providing financial assistance, equipment, and training to support women's self-employment, particularly those from low-income backgrounds engaged in traditional businesses alongside household duties. These enterprises are typically conventional, such as sewing, handicrafts, and clay industries, with no specific emphasis on attracting tourists. These institutions currently do not offer dedicated business skill development training or programs to promote digital platforms for business growth, nor do they collect sex-disaggregated data.

The Department of Industries offers training in various crafts, including handloom textiles, red clay, basic sewing, leather, and coir products, at its 112 training centres across the province. It provides marketing support through 14 "Craft Lanka" sales centres, purchasing around Rs. 6 million worth of handicrafts annually from artisans, mostly women. However, no financial assistance is currently available to entrepreneurs, and while a database of registered craftspeople exists, intervention for business skill development is limited. No initiatives to develop a digital platform for business development have been undertaken.

The Industrial Development Authority (IDA) also engages in entrepreneurship development training and provides business service support. Currently, they offer the "Household Food Production Women Entrepreneurs Program" and have developed a digital platform called idashop.lk for marketing various products. Additionally, they organize fairs and exhibitions to promote entrepreneurs' creations. While a common database for entrepreneurs exists, the IDA does not currently offer financial assistance for business development. However, selected candidates receive funding for NVQ certification in their respective skills.

The Tourist Board conducts various business development activities without a specific gender focus, offering training programs for tour guides and drivers. No

financial assistance is provided for businesses. The Economic Promotion Bureau is not currently involved in entrepreneurship development.

Allocating resources specifically for women entrepreneurs by the Department of Cooperative Development was difficult to ascertain. The Department of Business Name Registrar handles business name registration in the province, with applications submitted through Divisional Secretariats. While a common database is maintained, it does not include sex-disaggregated data.

While the mandates of these institutions encompass a wide range of initiatives to support female entrepreneurship, their effectiveness is constrained by resource limitations. The success of programs aimed at enhancing women's entrepreneurial endeavours is directly tied to the availability of financial and human resources within these institutes. Additionally, the current policy landscape primarily focuses on providing welfare for women, rather than directly addressing the critical aspects of business development. The prioritization of areas within the annual sub-national level development framework is influenced by the prevailing government policies, budget speech priorities, and the commitment to achieving sustainable development goals.

5.Conclusion and Recommendations

While several subnational-level institutions offer training for women entrepreneurs, there is a notable absence of specific programs tailored to tourism-related entrepreneurship with a gender-sensitive approach. Financial support for women in business often prioritizes welfare over business development. Additionally, awareness and training for essential business development skills are minimal. The funding allocated for self-employment and small-scale societies is insufficient considering the current economic climate. There is a lack of programs or projects focused on empowering entrepreneurs to engage with digital platforms, and no institution systematically collects and reports sex-disaggregated data on women-led businesses, hindering the assessment of women's participation in the tourism sector. Collaboration and integration among relevant provincial institutions are crucial for enhancing entrepreneurial capacity in tourism, but such efforts are currently limited. However, existing subnational policies demonstrate significant potential to support women-led businesses in the tourism sector, offering a foundation for future progress.

New policy initiatives are recommended for the following areas. To achieve productive outcomes in women's entrepreneurship in tourism. sector, development planning and implementation should be integrated, involving the Tourist Board, Department of Industries, Industrial Development Authority, and other relevant

provincial institutions. it is crucial to collect sex-disaggregated data at the subnational level to understand the specific needs and challenges faced by women entrepreneurs in the tourism sector. Additionally, supporting women's engagement with digital tourism platforms can enhance their visibility and access to markets

Developing public-private partnerships can leverage resources and expertise from both sectors to create a more supportive environment for women's entrepreneurial activities in tourism. Providing gender-sensitive training and awareness programs is essential to equip women with the necessary skills and knowledge to succeed in the tourism industry.

Implementing gender-responsive procurement policies can create more opportunities for women-owned businesses to participate in government contracts and supply chains, thereby promoting their growth and economic empowerment. An additional productive initiative would be to provide awareness training to schoolgirls in higher grades about the "business potential in the tourism sector for women." This early exposure can encourage young women to consider entrepreneurship in the tourism industry as a viable career option.

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Impact of Sustainable Practices Adopted by Tourism-Related Enterprises: A Case Study of Small and Medium Enterprises in Sri Lanka's Accommodation and Tour Operator Sector

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Abstract

In recent times, tourism has emerged as a major global industry, generating substantial revenue (Budov. In Sri Lanka, before the challenges posed by the COVID-19 pandemic and the ongoing economic crisis, tourism held the position of the third largest foreign exchange earner (ITA, 2023), with Small and Medium Enterprises (SMEs) playing a significant role in this sector. However, the tourism industry can also negatively impact the environment through excessive energy consumption and the generation of waste and pollutants. This study aims to investigate the extent to which SMEs in the accommodation and tour operator sectors of Sri Lanka have adopted sustainable tourism practices. The research is based on both primary and secondary data. Primary data was collected through various methods, including key informant interviews (KII) with public and private sector officials and residents, semi-structured interviews (SSI) with tour operators and accommodation providers (conducted both in person and online), and direct observations by the author. Mixed methods were employed for data analysis. Qualitative analysis was performed using content analysis techniques, while quantitative analysis involved tabulation, graphical presentation, and statistical tools such as coefficient correlation and factor analysis, facilitated by SPSS software. The results indicate that the majority of institutions have taken initial steps towards sustainability. Therefore, it is recommended that authorities provide systematic guidelines and mentorship to these institutions to further develop their sustainability practices and achieve international recognition for their efforts.

Keywords: Tourism, SME, Regional Development, Energy saving, Sustainability

1. Introduction

Tourism, defined as a social, cultural, and economic phenomenon, involves the movement of people to countries or places outside their usual environment for personal or professional reasons. In modern times, it has emerged as one of the largest and most profitable industries in the global economy. (Budovich, 2023). Tourism has demonstrated a significant ability to reduce poverty and enhance shared prosperity in its host countries, many of which are developing nations. In 2014, tourists spent a substantial \$413 billion in developing countries, nearly tripling the amount received in development aid (SLTDA, 2024).

In the Sri Lankan context, tourism was the third largest foreign exchange earner before the industry was impacted by the COVID-19 pandemic and the ongoing economic crisis. (ITA, 2023). Sri Lanka's tourism recorded 2.5 million tourist arrivals and \$5.61 billion in revenue in 2018, as its peak (ITA, 2023) while generating over 380,000 direct and indirect employment opportunities. The Small and Medium Enterprises (SMEs) of this industry make a significant contribution for the same.

The tourism sector has a vast impact on global, regional and domestic trade, investment, infrastructure, income and the environment (SLTDA, 2024). As a sector, the tourism industry affects the environment adversely by heavy energy usage and waste and pollutants production. Scholars have highlighted the importance of maintaining the quality of the environment, for the long-run profitability of a destination.

Sri Lanka Tourism reached the number one ranking as Top Destinations to Visit in 2019 by Lonely Planet and Sri Lankan cuisine ranking to number one in BBC Good Food 15 Food Trends for 2019 (SLTDA, 2024). Colombo ranked number one in research of more than 1.3 million social media posts found the Asian city location travellers most want to take pictures of (SLTDA, 2024). Due to these valuable recognitions, it will experience a rapid influx of tourists to the Island. This is an important reason why Sri Lanka should treat sustainability as an urgent intervention without delay (SLTDA, 2024).

To meet the regulatory standards, the enterprises in the tourism sector have to follow some of the sustainable practices. In addition to that, due to the trends of modern tourism practices and changing customer needs, an additional number of practices have been adopted by them.

The objective of this research is to study the level of adoption of the sustainable tourism practices by the SME in accommodation and tour operator sector of Sri Lanka. Furthermore, there are few additional objectives such as to identify constraints, opportunities and suitable strategies to optimize the benefits

2. Literature Review

There is no globally agreed uniform definition of micro, small, and medium-sized enterprises (SMEs) due to the differing characteristics, covering 120 different economies all over the world (Deyshappriya & Nawarathna, 2020). In the United States (US), the definition of SMEs is based on number of employees while the People's Republic of China defines SMEs using the number of employees, annual revenue, and assets (Deyshappriya & Nawarathna, 2020). According to European Commission cited by (Deyshappriya & Nawarathna, 2020), "the European

Commission considers three dimensions, specifically the number of employees, annual turnover, and total balance sheet, to classify SMEs ”.

In Sri Lankan context, the definition of SMEs is based on two dimensions: the number of employees and the annual turnover. Under the present SME policy framework in Sri Lanka, to qualify as an SME, an enterprise must employ less than 300 people and generate an annual turnover of less than LKR7,50 million (Deyshappriya & Nawarathna, 2020). Table 1 indicates the SME classification in Sri Lanka.

Manufacturing Sector			Service Sector	
Company Turnover Category	Number of Employees	Annual Turnover (Million)	Number of Employees	Annual (Million)
Micro	1–10	≤ LKR 15	1–10	≤ LKR 15
Small	11–50	≤ LKR 16–250	11–50	≤ LKR 16–250
Medium	51–300	≤ LKR 251–750	51–200	≤ LKR 251–750

Table 1: SME Classification in Sri Lanka

Source: Ministry of Industry and Commerce cited by (Deyshappriya & Nawarathna, 2020)

Accommodation and Tour Operator Sector

The accommodation sector of Sri Lanka is consisted with star class hotels, homestays, heritage bungalows, boutique hotels, guest houses and rented apartments (SLTDA, 2024). Guests can expect friendly service and the best standards of their choice. The five-star hotels are the most luxurious accommodations out of all. They have superior standards and an extensive range of first-class guest services (Hotels & Other Accommodation, 2024). The four-star hotels have exceptional standards with high-quality furnishings and comfort. The three-star hotels are well-appointed establishments with comfortable, clean rooms and quality furnishings (Hotels & Other Accommodation, 2024). Hotels less than three stars are basic, but well-maintained standards. In addition to that, there are unclassified hotels. They are well-maintained properties with adequate facilities which do not fall under the star classifications (Hotels & Other Accommodation, 2024).

Other than hotels, there are many types of accommodation classified under the micro and small-scale business. Boutique Hotel and Villas are small but exclusive properties

that cater to the affluent clientele with an exceptional level of service at premium prices (Hotels & Other Accommodation, 2024). Bungalows are types of real estate properties that consist of a small, one-story home with an enclosed porch (Hotels & Other Accommodation, 2024). Homestays provide a stay at a residence for a tourist who is hosted by a local family to better learn about the local lifestyle (Hotels & Other Accommodation, 2024). Rented apartments provide a room or suite of rooms, designed as a residence and generally located in a building occupied by more than one household. Guest houses provide a range from low-budget rooms to luxury apartments and are likely to be small hotels in larger cities (Hotels & Other Accommodation, 2024). Boutique hotels are known as small but exclusive property cater to affluent clients with an exceptional level of service at premium prices (Hotels & Other Accommodation, 2024).

Destination Management Companies (DMCs), Inbound Tour Operators and Tourism Service Providers registered with Sri Lanka Tourism represent the tour operator sector (SLAITO, 2024). Sri Lanka Association of Inbound Tour Operators (SLAITO) represents the inbound tour operators in Sri Lanka. The membership of SLAITO is amounting to 192 Fully-fledged members and 53 Associate members. Further, over 95% of them are from the small and medium sector (SLAITO, 2024).

Sustainable Tourism

The concept of sustainable tourism has obtained significant attention in recent years. It is considered as an essential aspect of both national and international tourism policies now (NSTC, 2023). Sustainable tourism is a form of tourism that considers the economic, social, and environmental impacts of tourism, both currently and in the future (NSTC, 2023). Thus, aims to meet the needs of all the stakeholders, with visitors, the tourism industry, the environment, and host communities (NSTC, 2023).

Tourism has the potential to stimulate economic development and protect the environment. This is also referenced in three of the seventeen Sustainable Development Goals (SDGs): economic growth, decent employment, and sustainable production and consumption (NSTC, 2023).

Making Tourism More Sustainable - A Guide for Policy Makers, UNEP and UNWTO cited by (NSTC, 2023) expressed that “to achieve this, sustainable tourism should make the most efficient use of natural resources, respect host communities, and ensure long-term economic viability, distributing benefits fairly among all those involved”. Further, it expressed that tourism is a key industry that can contribute to the achievement of a range of important global goals (NSTC, 2023).

Sustainable tourism is an important component in all aspects of tourism development. Therefore, a national sustainable tourism certification scheme has been identified by the SLTDA as a crucial element, placing emphasis on the development of the country's tourism industry (SLTDA, 2024).

There are few key areas of sustainable practices for the accommodation sector expected to be covered. They are demonstration of effective sustainable management, maximize social and economic benefits to the local community and minimize negative impacts, maximization of benefits to cultural heritage and minimization of negative impacts, maximization of benefits to the environment and minimization of negative impacts and finally, conservation of biodiversity, ecosystems and landscapes (NSTC, 2023).

Other Sustainability Certifications

Travelife is an internationally recognized sustainability certification program for the tourism industry (SLAITO, 2024). Sri Lanka Association of Inbound Tour Operators (SLAITO) and Travelife have announced a partnership aiming to promote sustainable tourism in Sri Lanka. This is by educating SLAITO's members to uphold Travelife standards.

To achieve Travelife certification, it is requested to meet a set of rigorous criteria including reducing energy and water consumption, supporting local communities, and implementing sustainable supply chain practices (SLAITO, 2024). Once certified, businesses are listed on the Travelife website and can use the Travelife logo to demonstrate their commitment to sustainability to customers (SLAITO, 2024).

3. Methodology

This study utilized both primary and secondary data. The study population consisted of 100 tourism sector SMEs considered for sustainability certification. Twenty institutions, selected through convenience sampling, representing five provinces (Western, Central, North-western, Southern, and Sabaragamuwa), were surveyed. Key Informant Interviews (KII) with public and private sector officials and residents, semi-structured interviews (SSI) with tour operators and accommodation providers (conducted both in person and online), and direct observations by the author were employed to gather primary data. Ten KIIs were conducted using snowball sampling to identify respondents. Convenience sampling was used to select informants for the semi-structured, in-depth interviews. A total of 32 individuals across the twenty institutions participated in the SSIs.

Secondary data was obtained from relevant literature, including Central Bank Reports (CBR), statistical reports from the Department of Census, Sri Lanka Tourism Development Authority (SLTDA) reports, previous research studies, books, journals, and magazines. A mixed-methods approach was employed for data analysis to uncover comprehensive insights. Qualitative analysis was conducted using content analysis techniques, while quantitative analysis involved tabulation, graphical presentation, econometric tools, coefficient correlation, and factor analysis, facilitated by the SPSS software package.

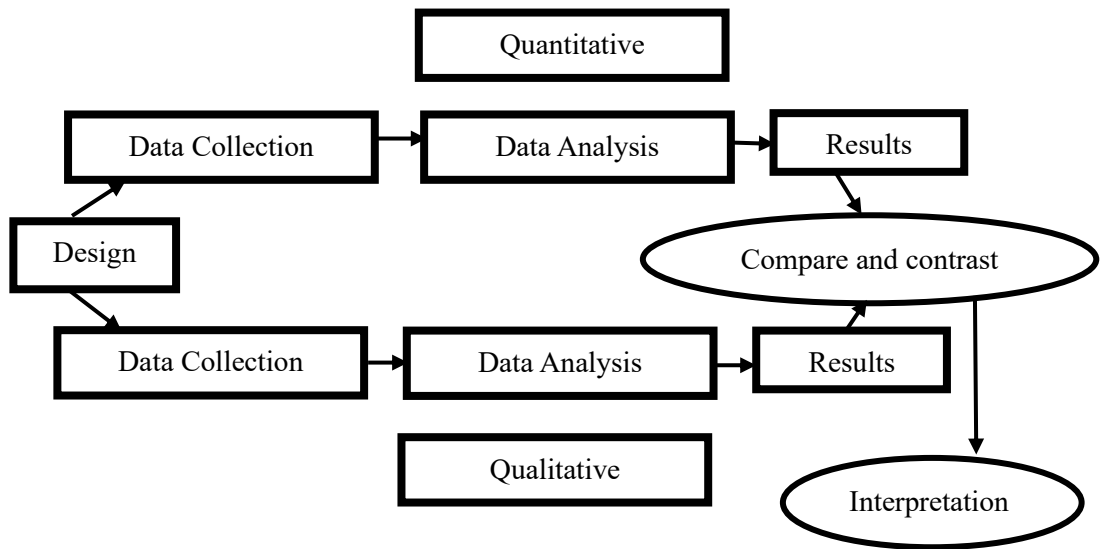


Table 1: Research Process

Source: Developed by Authors based on the literature survey

4. Findings

The survey encompassed twenty institutions, consisting of 10 guesthouses, 3 bungalows, 3 homestays, and 4 tour operators. The study findings are organized according to ten criteria. Under the criterion of **responsible offers on food & products**, all institutions (100%) prioritize sourcing from local, eco-friendly, and fair-trade suppliers when purchasing and offering goods and services, whenever these options are available and meet quality standards.

In terms of **legal compliance and social wellbeing**, all properties (100%) demonstrate full compliance with all relevant local and national legislation and regulations pertaining to health, safety, labor, and environmental considerations. Under the criterion of **ensuring good employment**, all properties (100%) provide a

safe and secure working environment for their employees and pay them at least a living wage. However, only 60% of properties contribute to the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF) for their staff.

Regarding **ensuring access for all**, only 85% of properties have facilities that ensure easy access for individuals with disabilities. While 40% of properties maintain their own websites, all (100%) have Facebook pages and are listed on popular travel guide websites like Tripadvisor.

In terms of **energy and climate**, all properties have implemented measures to minimize energy consumption, with all using LED lighting. However, only 65% utilize energy-saving inverter-type AC units. Thirty-five percent of properties have installed electronic key cards for rooms or display energy-saving instructions for guests, and 30% generate their own renewable energy. Solar power is the sole renewable energy source used by respondents, with no adoption of wind power or biogas. Solar energy is primarily used for electricity generation and water heating.

Fifty percent of properties offer bicycles for rent, while 45% provide electric vehicle charging facilities upon request. Forty percent of properties utilize fuel-efficient hybrid vehicles for their operations, but only 20% have fully electric vehicles.

Under the criterion of **waste and minimizing disposables**, all properties practice using reusable cups, plates, and dining utensils to reduce disposable waste (especially single-use plastic). Seventy percent discourage the use of single-use plastic bottles by providing bulk water dispensers, and 15% (primarily tour operators) gift reusable water bottles to their guests. Additionally, all institutions segregate waste, and some even implement the 3R concept of reduce, reuse, and recycle.

Concerning **water and water conservation**, all properties have taken steps to minimize water consumption and prevent pollution. Ninety percent have installed water-saving devices, and 45% adhere to a towel/linen washing policy that encourages guests to request changes, otherwise limiting them to twice a week. However, only 10% of properties explicitly display this policy.

Regarding **pollution and noise**, all properties have implemented practices to minimize noise pollution and the use of ozone-depleting substances, as well as air, water, and soil contaminants. Seventy-five percent utilize ozone-friendly refrigerators, and 65% avoid burning plastic.

Under the criterion of **being nature friendly**, all properties reported having caused no disturbance to the natural ecosystem. However, only 35% have actively supported or contributed to biodiversity conservation efforts.

Regarding **being culture friendly**, all properties claim to have avoided significant damage to local heritage in favor of modern business development over the past five years. Additionally, 65% of properties have contributed to cultural activities at least once a year, demonstrating a commitment to preserving and celebrating local traditions.

5. Conclusions & Recommendations

The results regarding responsible offers on food and products indicate a strong potential for local, eco-friendly, and fair-trade suppliers to expand their businesses through tourism. It is recommended to establish a community network between tourism establishments and these suppliers to enhance collaboration and mutual benefits.

The findings on legal compliance and social well-being demonstrate that all establishments adhere to local and national laws, suggesting that the existing legal framework is satisfactory. The results concerning good employment practices reveal that while all establishments provide safe working conditions and living wages, there is still a high employee turnover rate in the tourism industry. Additionally, there are gaps in employment rights that need to be addressed by authorities.

Regarding ensuring access for all, the findings highlight a lack of equitable access for individuals with disabilities in some properties, which requires attention. Furthermore, there is a need to address information gaps in the digital space to ensure equal access for all potential tourists.

The results regarding energy and climate highlight that solar energy remains underutilized in the tourism sector, primarily used for heating water in guest bathrooms rather than generating electricity. This is attributed to the high initial costs of solar electricity systems and discouraging practices by authorities. However, most establishments have taken steps to reduce their electricity consumption. While fuel-efficient hybrid vehicles are prevalent among tour operators, full electric vehicles (EVs) are rarely used due to limited range and inadequate charging infrastructure. Implementing a policy to offer EV charging facilities to guests at a special rate could benefit both travelers and accommodation providers.

The findings on waste and minimizing disposables reveal a conflict between environmentally friendly practices and concerns about personal hygiene. Single-use

plastic items, introduced during the COVID-19 pandemic for hygiene purposes, are gradually being replaced with reusable alternatives like glass bottles and bulk purchases. It is noteworthy that all institutions practice waste segregation, and some even embrace the 3R concept (reduce, reuse, recycle).

The results regarding water and water conservation demonstrate a strong concern among all institutions for conserving this resource. It is recommended to raise awareness and encourage properties to establish and enforce a towel/linen washing policy as a standard sustainability practice.

Regarding pollution and noise, there remains a lack of awareness regarding harmful air and soil pollution practices. Raising awareness about these issues is recommended to promote more environmentally conscious behaviors.

The findings on being nature and culture friendly reveal significant gaps in awareness concerning environmental and cultural heritage preservation. Given that the tourism industry greatly benefits from these resources, it bears a responsibility to protect them. Therefore, raising awareness about this responsibility is crucial.

Since the Sri Lanka Tourism Development Authority (SLTDA) is actively working towards sustainability, it is recommended to offer heightened recognition to institutions that demonstrate strong sustainability practices. This recognition can lead to increased business opportunities and success rates, directly impacting revenue generation, employment opportunities, and infrastructure development, ultimately contributing to regional growth.

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Sustainable Tourism and Biodiversity Management: An Analysis of Integration Needs in Sri Lanka

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Abstract

The Sri Lankan tourism industry is recognized as a key driver of the country's economy at all levels. Cultural assets (31.3%) and biodiversity assets (27.3%) are identified by the SLTDA as the primary motivators for tourism. Despite Sri Lanka's unique biodiversity and high endemism, resources allocated for biodiversity management remain insufficient. Therefore, alternative innovative financing mechanisms are necessary to address the biodiversity finance gap. This research aimed to examine the degree of interdependence between sustainable tourism and biodiversity management in Sri Lanka, seeking to identify mutual benefits for both sectors. A PESTEL (Political, Economic, Social, Technological, Environmental, and Legal) analysis framework was employed, with primary data collected through relevant policies, laws, action plans, and key informant interviews, and secondary data obtained from official records and journal reviews. Sri Lanka lacks a national policy specifically for biodiversity management, but related policies like the National Environmental Policy and Wildlife Conservation Policy, along with their national action plans, contain provisions for promoting tourism. The draft national tourism policy includes provisions for promoting biodiversity-related tourism. However, due to the economic situation, government spending on non-essential costs, including environmental conservation, may be reduced. The current outflow of skilled labor negatively impacts the tourism industry, and female labor force participation in the sector remains below average. Despite lagging innovation, Sri Lanka's high literacy rate and technological penetration facilitate the integration of tourism and biodiversity management. Environmental factors generally provide a positive environment for tourism-related business development in the country. Both tourism and some tourism-related natural environment managements are shared between national and provincial systems, although key environmental protection agencies are still governed by the central government. The SLTDA has provisions to establish a Tourism Development Fund, which could be used to develop and promote tourism nationwide. However, despite private sector support for biodiversity management, there are currently no incentives in place to encourage their investments in this area. Based on these findings, the research recommends facilitating effective decentralized environmental conservation and tourism promotion, incentivizing private sector investments in biodiversity management, and promoting the integration of biodiversity management and sustainable tourism planning through research and advocacy.

Keywords: Alternative Financing, Biodiversity Management, Sustainable Tourism, Integrated Planning

1. Introduction.

Tourism industry in Sri Lanka has been identified as a key industry which could be used as a vehicle to overcome the current economic difficulties that the country is facing. The country is heavily dependent on the tourism industry for foreign exchange income earning since 2021 (CBSL, 2023). Its heavy reliance on the tourism industry has earned a reference amongst fiscal adjustments and competitive gains through exchange rate adjustments as the only industry being cited as a major boost for restoring non-interest current account surplus in short term basis (IMF, 2023). In this context, Sri Lanka should facilitate the development of sustainable tourism industry for its socio-economic development process. In analyzing the main sectors contributing to the development of tourism sector in the country, cultural assets (31.3%) and biodiversity assets (27.3%) have contributed more to the public sector income earned during the 2013-2020 period (SLTDA, 2021). If taxes, fees and levies collected by the government are excluded, the percentages will be increased to 49.7% and 43.3% respectively. Tourists have indicated that the mix of activities such as time spent on the beach and sea-surfing, snorkeling and whale/dolphin watching- and on land-wildlife safaris, trekking, and birdwatching are amongst the most popular activities they experienced in Sri Lanka (SLTDA, 2022).

All nature-based tourism depends on scarcity and tourists expect to experience a unique and authentic experience by visiting a particular destination (Cederholm, 2017). Sri Lanka has unique biodiversity in abundance. High percentage of endemism can be observed in Sri Lanka which resulted from varied climate and topography (MoE&RE, 2014). But the biodiversity management in Sri Lanka is facing many difficulties mobilize resources required to attain its national biodiversity targets. It has been estimated that Sri Lanka required 73.61 billion LKR (Approx 452.87 million USD) during the period of 2018-2024 (BIOFIN, 2019). With the economic contraction experienced from 2018-2022 (CBSL, 2023), contributions of the government to biodiversity management may have further reduced. Therefore, it is imperative that alternative innovative financing mechanisms are required to bridge the biodiversity finance gap in Sri Lanka. If Sri Lanka is going to lose the uniqueness of its biodiversity, its appeal to the tourists hence it's potential to develop the industry as a key contributor to the national economy will be reduced. Therefore, understanding the possibilities to harness synergies between the tourism and biodiversity management sector will be mutually beneficial.

2. Literature Review

Convention on Biological Diversity defines "Biological diversity" as the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part: this includes diversity within species, between species and of ecosystems. Further it stipulates "Biological resources" includes genetic resources, organisms or parts thereof, populations, or any other biotic component of ecosystems with actual or potential use or value for humanity (United Nations, 1992). Sri Lanka has a high rate of endemism because of the millennia of evolution and speciation in isolation (MoMD&E, 2019).

Unfortunately, Sri Lanka along with the western Ghats region of India is considered as one of the thirty-six biodiversity hotspots in the world where the natural habitats have been destroyed 70% or more (Conservation International, 2024). Tourism can be identified as a process towards commoditization and commercialization of local nature and culture (Cederholm, 2017). Butler noted that, sustainable tourism - tourism which is developed and maintained in an area (community, environment) in such a manner and at such a scale that it remains viable over an infinite period and does not degrade or alter the environment (human and physical) in which it exists to such a degree that it prohibits the successful development and wellbeing of other activities and processes- a single sectoral approach, something that is at odds with the concept of sustainable development, which by its very nature is holistic and multisectoral (Butler, 1999). Therefore, he argued that sustainable tourism is not automatically the same as tourism developed in line with the principles of sustainable development (Butler, 1999).

Gossling and Hall suggested it is highly likely that sustainable tourism could be practiced without other elements in a specific environment also being sustainable. According to them tourism and climate change are clearly interrelated: tourism contributes to climate change and in turn it will be affected by climate change (Gössling, 2017). To make it holistically sustainable, the tourism sector should consider economic operations, fair distribution of socio-economic benefits to all stakeholders, and the integration of four pillars: economic, social, environmental, and transversal sustainability (Amoiradis, 2023). Recognizing the importance of promoting sustainable tourism in achieving sustainable development, Sustainable Development Goals have included three goal indicators (8.9, 12.b and 14.7) related to tourism (UNESCSC, 2020).

3. Methodology

The objective of this study is to explore the degree of interdependence between sustainable tourism and biodiversity management in Sri Lanka. This exploration aims to identify political, economic, social, technological, environmental, and legal factors that influence the potential of utilizing the sustainable tourism sector as a means to mobilize resources for biodiversity management in Sri Lanka.

The research seeks to answer two key questions: 1) Is there an incompatibility between national policies and institutional structures in promoting synergies between sustainable tourism development and biodiversity management? 2) What are the political, social, technological, and environmental factors that support the development of interlinkages between the tourism industry and biodiversity management?

This research employed a desk review methodology, analyzing secondary data (legislation, policies, and action plans related to tourism and biodiversity management) and secondary data sources. To further validate and explore key areas of concern, six key informant interviews were conducted.

The PESTEL (Political, Economic, Social, Technological, Environmental, and Legal) analysis framework, as outlined by Cıtilki and Akbalık (Çitilci, 2020), served as the methodological foundation for this study. The analysis delved into several subtopics under each factor, as detailed below:

Political factors: Government policies, Tax laws, political risks, elections and stability/instability, and trade restrictions

Economic factors: Central Bank monetary policies, fiscal policies, growth, interest rates, Exchange rates, inflation, wages and taxes.

Social factors: Demographics/population, NGO, health/insurance systems.

Technological factors: Innovations, computer systems, copyrights.

Environmental factors: Climate/weather/nature, raw materials, pollution.

Legal factors: Labor laws, legislation, consumer rights/law.

Gregorić (2014) argues that the PESTEL analysis, widely employed in analyzing factors influencing international businesses, can be effectively applied to assess tourism destinations as well. This is due to the similar attributes that impact both international businesses and tourism destinations,

making the PESTEL framework a versatile tool for understanding the broader context in which these entities operate.

4. Discussion and Findings

Major findings of the study have been discussed under each factor.

1. Political Factors

Government Policies

According to the 13th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka, both tourism and certain aspects of natural environment management related to tourism (such as social forestry and the protection of wild animals and birds) are categorized under List III of the Ninth Schedule, also known as the "Concurrent List." This classification implies that the Parliament can enact laws related to these subjects, but only after consultation with all Provincial Councils. Furthermore, each Provincial Council is empowered to create statutes applicable to its province within these subject areas, following consultation with the Parliament. (Thirteenth Amendment to the Constitution, 1987). Despite the constitutional provisions enabling Provincial Councils to enact environment-related statutes, only the North-Western Provincial Council, out of the nine operational councils, has established its own Environment statute. This suggests a potential underutilization of the powers granted to Provincial Councils in this domain.

While all nine provinces have established their own tourism-related institutions, at least three different institutional models are in use for these provincial agencies. However, all key environmental protection agencies, including the Department of Wildlife Conservation (DWC), Forest Department (FD), and Central Environmental Authority (CEA), remain under the central government's jurisdiction, leaving Provincial Councils with no authority over them. Similarly, the Department of Botanical Gardens and the Department of Zoological Gardens, both involved in environment-related tourism destination management, are also centrally governed.

The Sri Lanka Tourism Development Authority (SLTDA) serves as the apex body for tourism management in the country. It has provisions to establish a Tourism Development Fund to finance tourism development and promotion initiatives. Additionally, the SLTDA receives one-third of the Embarkation Levy, providing a dedicated source of funding for its activities. (Tourism Act, No. 38 of 2005, 2005). Conversely, all biodiversity management-related agencies rely on the Consolidated Fund of the Government of Sri Lanka for their recurrent and capital expenditures.

The sole exception is the Wildlife Preservation Fund established under the Department of Wildlife Conservation (DWC), which has an independent fund-raising mechanism separate from the government's Consolidated Fund. (Fauna and Flora Protection Ordinance, 1938). The study findings indicate that the Wildlife Preservation Fund could potentially be utilized for various conservation-related investments. However, it has been underutilized in practice. While established under the Fauna and Flora Protection Act in 1968 to replace an earlier fund, only 4% of the Wildlife Conservation Fund was allocated towards habitat enrichment in 2016. (Auditor General's Department, 2017) Main use of the fund is to award incentives to the department staff.

Under the DWC, seven different types of National Reserves are being managed as Protected Areas. Except for Strict Natural Reserves and Nature Reserves, other Protected Areas managed under the DWC are open for tourists to observe fauna and flora within the limitations stipulated under the Ordinance. Further it is prohibited to construct any tourist hotels or provide services comparable to a Tourist Hotel within a one-mile distance from a National Reserve. (Fauna and Flora Protection Ordinance, 1938). Both Forest and Wildlife Policies have oriented the FD and DWLC to a major shift in management policy towards a participatory approach involving local communities in lieu of the former policing approach (BIOFIN, 2017). Other types of Protected Areas are being managed under the CEA but not many details are available on their readiness to welcome the tourism industry.

Sri Lanka has no significant privately owned biodiversity conservation areas even though the government has introduced a policy on Environmentally Sensitive Areas (Ministry of Environment, 2023). There are no legal barriers for a private investor to invest on conservation areas and the national policies are compatible with the sustainable tourism initiatives (BIOFIN, 2017).

2. Tax Laws

Currently, no tax incentives are offered to the tourism industry or any other sector for investments in biodiversity management. Some private sector companies have taken the initiative to support biodiversity management through Corporate Social Responsibility (CSR) schemes, albeit with limited collaboration with biodiversity management organizations. The SLTDA has proposed reducing the Tourism Development Levy for registered tourism ventures that actively support sustainability initiatives, but this proposal awaits approval from the authorities.

3. Political Risks

Given the global trend of encouraging Foreign Direct Investments (FDI) and reduced restrictions on capital flow, political risks in Sri Lanka's tourism industry should not be assessed in isolation. Instead, they should be evaluated relative to key competitors in the region. To facilitate this comparison, relevant indicators have been transformed to a scale of 0-1, where higher values represent better performance.

Indicator	Source of data	Period	Sri Lanka	Maldives	India	Thailand	Singapore	Malaysia	Vietnam
Political Rights index	The Freedom House	1972-2020	0.43	0.43	0.71	0.14	0.43	0.43	0.00
Political Stability index	The World Bank	1996-2021	0.436	0.60	0.376	0.39	0.798	0.528	0.478
Fragile State Index	Fund for Peace	2007-2023	0.25	0.48	0.38	0.43	0.79	0.54	0.51

Table 1:: Comparison of tourism industry competitive countries in the region on its political rights and stability

Source: (The Global Economy, 2023)

According to the table provided, Sri Lanka shares second place with another country in the region for the Political Rights Index, indicating a relatively favorable environment for political freedoms. However, it ranks 5th in the Political Stability Index and 7th in the Fragile State Index, suggesting vulnerabilities in political stability and overall state resilience.

Based on this analysis, it can be concluded that the political factors in Sri Lanka, specifically political risks and stability, are not entirely conducive to fostering a thriving tourism industry. There is room for improvement in enhancing political stability and addressing underlying fragilities to create a more attractive environment for tourism development.

4. Trade Restrictions.

Sri Lanka has been a signatory to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) since 1979. (Sri Lanka country page, 2014). Sri Lanka's commitment to sustainable international trade practices related to biodiversity is evident through its participation in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) since 1979. However, the country has not yet signed the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity, which could pose concerns if Sri Lanka seeks to develop research tourism based on genetic resources.

The following chart provides a comparative analysis of Sri Lanka's standings on three selected indices related to trade and business freedom against its regional competitors in the tourism industry. According to Table 2, Sri Lanka demonstrates a favorable position compared to its South Asian neighbors in terms of trade and business freedom. However, it lags behind its regional competitors. Specifically, Sri Lanka ranks 3rd in the Property Rights Index, 6th in the Ease of Doing Business Index, and 5th in the Trade Freedom Index among the seven countries analyzed. This suggests that while Sri Lanka performs relatively well within South Asia, there is room for improvement to enhance its competitiveness on a broader regional scale.

Indicator	Source of data	Period	Sri Lanka	Maldives	India	Thailand	Singapore	Malaysia	Vietnam
Property Rights index	The Heritage Foundation	1995-2023	0.52	0.48	0.50	0.44	0.94	0.65	0.49
Ease of Doing Business Index	The World Bank	2020	0.62	0.53	0.71	0.80	0.86	0.82	0.70
Trade Freedom Index	The Heritage Foundation	1995-2023	0.67	0.59	0.60	0.71	0.95	0.83	0.79

Table 2: Comparison of tourism industry competitive countries in the region on its trade and business freedom.

Source: (The Global Economy, 2023)

Economic factors: Monetary policies, fiscal policies, growth, interest rates, Exchange rates, inflation, wages and taxes

With the enactment of the Central Bank of Sri Lanka Act in 2023, Sri Lanka has taken significant steps towards the administration of its monetary policy independent of the political influences (Central Bank of Sri Lanka Act no. 16 of 2023, 2023). Further with the arrangement reached with the International Monetary Fund, the government of Sri Lanka will have restricted scope for determining the fiscal policy. It could be expected that the government will aspire to reduce public spending on non-essential cost items within a short to medium term time horizon.

Sri Lanka declared bankruptcy in April 2022 and experienced the worst economic performances since its independence in 1948 during 2022 and 2023. The real annual GDP growth during 2019-2023 period were -0.2%, -3.5%, 3.3%, -8.7%, and -3.0% respectively (IMF, 2023). Lending interest rates were around 28%-32% in the last quarter of 2022 (CBSL, 2023). Inflation measured as per the National Consumer Price Index Year on Year basis was hovering above 20% from March 2022 to May 2023 and it reached the highest point in September 2022 with a value of 73.7% (CBSL, 2023). Sri Lankan Rupee was devalued by 163.2% in 2022 compared to 2021 (CBSL, 2023) and thereafter some stability has gained during 2023. Sri Lankan corporate tax rates (30%) are amongst the highest of regional competitor countries as Maldives, India, Thailand, Singapore and Malaysia have corporate tax rates of 15%. 26-43.68%, 20%, 17% and 15-24% respectively (PwC, 2023).

Given this context is uncompetitive against the regional markets, Sri Lanka will face difficulties in attracting foreign direct investments for tourism sector. But if the country could be reposition its value offering as a sustainable destination, attractiveness could be improved against the regional competitors as niche markets could be developed for specific tourist segments rather than trying to compete on mass tourism markets.

Social Factors: Demographics/population, NGO, health/insurance systems

Sri Lankan unemployment rate is estimated to be around 5.2% and is rising (The Global Economy, 2023). With the economic downturn of the country, higher levels of encroachments to environmentally sensitive areas were observed during the 2022-2023 period. Some researchers have attributed the current high level of out migration of skilled labor force to political and economic factors such as the economic downturn, political unrest, human rights violations, bureaucracy, lack of national development

policies, bribery and corruption, lack of employment opportunities, generally at low levels of social freedom, high-income tax, lack of future vision, high energy prices, and a lack of jobs in their chosen fields (Madhavi, 2023). Tourism sector is also getting negatively affected by this out migration severely (ILO, 2021). Even though reliable statistics are still unavailable, the trend of out migration has continued or even aggravated with the economic crisis of the country. Due to cultural restrictions, female labor force participation in the tourism sector is below average and it also affects the tourism industry in attracting adequate labor for certain segments.

As formal social safety nets are weak compared to the informal social safety nets, not many people are interested in formal risk management instruments including insurance mechanisms. Further adequate statistics are unavailable on the penetration of insurance services in the country.

Technological Factors: Innovations, computer systems, copyrights

Sri Lanka has 130% mobile telephone penetration and 97.69% internet connection penetration (CBSL, 2023). The number of patents registered for Sri Lankans is comparatively low indicating low rates of innovations. Sri Lankan Property Rights index is one of the highest in the region (The Global Economy, 2023).

Even though innovations are lagging, with high literacy rate and high technological penetration, Sri Lanka is well placed to support any industry.

Environmental Factors: Climate/weather/nature, raw materials, pollution

Sri Lanka, being an island nation, is one of the most diverse countries in terms of the climate due its location close to the equator, and topographical characteristics. With high endemism of fauna and flora as well as diverse habitats ranging from coral reefs to montane forests, it harbors unique biodiversity in abundance (MoMD&E, 2019).

Even though air pollution in some parts of the country and plastic pollution are some concerns, the country has a better pollution control record than most of its competitors in the tourism sector. Environmental factors also provide a positive environment for tourism related business development in the country.

Legal Factors: Labor laws, legislation, consumer rights/law

Sri Lanka has a sound legal system and consumer rights are clearly stipulated in the law. There are significant issues related to delays in enforcing the law. Corruption Perception Index (CPI) which measures the degree of corruption as per the views of the businesspeople and experts, ranks Sri Lanka as one of the highly corrupt countries with a CPI score of 36 while Singapore has a CPI score of 83 (Corruption Perception

Index, 2023). Combined effect of corruption and delays in the law enforcement might hamper the possibilities of fair and transparent delivery of justice to affected parties.

5. Conclusions and Recommendations

Based on the analysis, four key conclusions can be drawn:

- I. **Tourism Promotion for Employment and Foreign Exchange:** Promoting tourism is crucial for generating higher employment rates among youth, increasing local job opportunities, and securing stable foreign exchange earnings for the country.
- II. **Sustainable Tourism and SDG Alignment:** Sustainable tourism development directly contributes to achieving the aspirations of the Sustainable Development Goals (SDGs), specifically:
 - a) SDG 8.9: Devising and implementing policies to promote sustainable tourism that creates jobs and promotes local culture and products.
 - b) SDG 12.b: Developing and implementing tools to monitor the sustainable development impacts of tourism.
 - c) SDG 14.7: Increasing the economic benefits to small island developing states and least developed countries through the sustainable use of marine resources, including sustainable tourism.
- III. **Holistic Socioeconomic Development:** By aligning with these SDG indicators, sustainable tourism development can play a pivotal role in fostering holistic socioeconomic progress throughout the country.

The current political, economic, and social climate in Sri Lanka poses challenges for initiating or expanding tourism ventures. However, technological, environmental, and legal factors remain either positive or neutral, offering potential support for tourism enterprises.

Sri Lanka's unique biodiversity and the authentic nature of its eco-tourism offerings present a significant advantage in developing and promoting eco-tourism ventures. By leveraging the 4Ps—Product, Price, Place, and Promotion—in a comprehensive campaign, Sri Lankan tourism authorities can reposition the country as a sustainable destination with high biodiversity value.

Despite this potential, Sri Lanka faces substantial threats of biodiversity degradation and depletion. Biodiversity management in the country urgently requires additional resources to achieve national targets. Due to limited fiscal space, the government cannot optimally invest in tourism product development or biodiversity management.

Therefore, this study recommends the following actions:

- I. **Explore, Promote, and Accommodate Private Sector Investments:** Actively explore, promote, and accommodate potential private sector investments in biodiversity management, particularly through eco-tourism enterprises across various sub-sectors (e.g., health and wellness tourism, agrotourism, nature tourism). Encourage such investments at the national, sub-national (provincial), and local levels to leverage diverse resources and expertise.
- II. **Integrate and Facilitate Decentralized Mechanisms:** Integrate, promote, and facilitate decentralized and devolved mechanisms, such as Provincial Councils, to effectively utilize their existing powers for environmental conservation and tourism promotion. This will empower local authorities and communities to take ownership of these initiatives and tailor them to their specific needs.
- III. **Translate International Obligations and Policy Initiatives into Action:** Convert international commitments on biodiversity conservation and recent Sri Lankan policy initiatives on biodiversity management and sustainable tourism into concrete domestic laws and actionable plans. This will ensure that these commitments and policies are translated into tangible outcomes on the ground.
- IV. **Promote Research and Advocacy:** Encourage research and advocacy initiatives within and among academia, professionals, and the private sector to foster a deeper understanding of the synergies between biodiversity management and sustainable tourism. This collaborative approach can lead to innovative solutions and greater public support for conservation efforts.

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Impact of Digitalization in Tourism for Sustainable Regional Development: A Case Study of Homestay Units in Hikkaduwa, Sri Lanka

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Abstract

Regional development, a concept aimed at ensuring balanced and substantial growth across various geographical scales, strives to minimize regional disparities. Tourism, a long-standing industry in Sri Lanka, serves as a key catalyst for this development. Despite its small size, Sri Lanka's diverse attractions and strategic location make it a desirable destination, resulting in a rapidly growing tourism sector. The Smart Sustainable Development model is currently a prominent framework for regional growth. This model emphasizes the integration of digital technologies, smart management practices, and innovative solutions, all while encouraging active participation from the local population. Digitalization, which involves leveraging innovative technologies, creates value through new products, processes, business models, and organizational structures within the region. Key aspects of the digital economy, such as mobile technologies, global access to the Internet of Things, cloud computing, and the shift to big data, offer novel avenues for achieving regional productivity. Consequently, digitalizing sustainable tourism is a promising approach to drive regional development. Homestay units, popular among international visitors due to their resource availability and alignment with customer preferences, are a significant part of Sri Lanka's tourism landscape. This study, based on 12 in-depth interviews and a structured questionnaire survey of 34 homestay operators in Hikkaduwa, utilizes mixed-method analysis to understand the role of digitalization in this sector. It analyzes the motivations and obstacles to digitalizing sustainable tourism and proposes strategies for improving the use of digital technology in the industry. The study found that primary digitalization components like online booking, web page optimization, mobile connectivity, and social media are widely used for advertising and customer acquisition. However, data processing tools, virtual assistants, and video encoding are less commonly employed in daily operations of homestay units. The key challenges identified include insufficient technical knowledge, unrecognized opportunities, cost concerns, and uncertainty. Despite these challenges, homestay operators recognize the potential benefits of digital technology, such as expanding market reach, improving visitor satisfaction, enhancing online brand visibility, and elevating service quality. To foster regional development through digitalized tourism, the government is advised to implement robust policies and procedures, including establishing a mechanism for providing affordable, high-speed broadband and offering training programs to increase digital literacy and adoption within the tourism sector.

Keywords: Regional development, Digitalization, Sustainable tourism, Homestays, Digital economy

1. Introduction

The development of any country is fundamentally linked to the development of its people. Developing regions is a significant strategy employed by developing countries to enhance the well-being of their citizens. Thus, the region is considered the heart of economic development (Karalay, 2016). Even though Sri Lanka has experienced overall economic growth as a whole, there has been no significant change in the living conditions of the rural population. On the other hand, disparities between the urban and rural populations have increased considerably. Therefore, regional development based on economic structure is a crucial aspect of the Sri Lankan context.

Regional development is a broad concept that aims to ensure balanced and substantial growth across a country, individual region, metropolitan, urban, or rural area by reducing regional disparities. The term "Regional Development" can be seen as a process relating to a particular part of a country called a "region." According to Glasson, cited by Udapuruwa (2010), "it can be seen as the process of development in a particular area or region." A region can approach its economic development by improving the efficiency and effectiveness of transactions, creating value-added production, services and logistics systems, closing the waste cycle and converting waste into resources, increasing consumption and exports, and reducing imports.

The OECD (2014) points out that national regional development policies should be developed by considering significant areas such as the economy, education, energy, the environment, health, housing, innovation and skills, social care, spatial planning, tourism, and transport to ensure regional development. Hence, tourism is one of the key mechanisms that can accelerate regional development. Besides this, most developing peripheries often consider tourism as a vehicle for regional development due to its positive economic impacts (Kauppilla, 2009). However, tourism is not automatically a best practice for all peripheries; it can also cause negative impacts (Hall, 2000; Swarbrooke, 2000; Sofield, 2003; Kauppilla, 2009).

The tourism sector significantly impacts global, regional, and domestic trade, investment, infrastructure, income, and the environment. It has a proven ability to reduce poverty and increase shared prosperity, particularly in developing countries. In 2014, tourists spent a substantial \$413 billion in these countries, nearly tripling the amount received in development aid (SLTDA, 2024).

Tourism boasts a rich history in Sri Lanka, dating back centuries to when Silk Road merchants, traders, and sailors journeying between East Asia and Europe visited the island, recognizing its strategic location and appeal as a transit and tourist destination.

The sector continues to grow rapidly, fueled by Sri Lanka's diverse attractions and its reputation as a safe and secure country (SLTDA, 2024).

Tourism is one of the most significant socio-economic sectors in Sri Lanka. The sectors' direct contribution to gross domestic product (GDP) was 0.8% in 2020 while generating 347757 employments in 2020 (SLTDA, 2024).

Accommodation establishments for international visitors to Sri Lanka can be divided into three broad categories: tourist hotels, supplementary institutions, and other institutions (including housing units). In 2020, the percentage distribution of room capacity in rated accommodation units by star category was 21% in the five-star category, 10% in the four-star category, 10% in the three-star category, 8.2% in the two-star category, 6.7% in the one-star category, 40% in the unclassified category, and 4.1% in boutique hotels (SLTDA, 2024).

Esthugova (2018) revealed that the development of production and market relationships while ensuring balance and growth poles are factors of regional development, while Hakimi et al. (2022) identified management, resources, participation, local industry, infrastructure, technology, local policy, innovation, entrepreneurship, government, politics, market, and investment as key factors that influence regional development. Similarly, Baerenholdt (2009) explained regional development as a multidimensional concept related to socioeconomic variety determined by the availability of natural resources, access to capital, quality and quantity of labor, productive and overhead investment, and entrepreneurial culture and attitude. Achieving balance among regions is a difficult phenomenon due to the variance of these factors. Thus, digitalization is a promising practice to overcome these barriers.

Hence, regional growth is currently highly considered within the framework of the Smart Sustainable Development model. This model emphasizes the introduction of digital technologies, smart management, and integrated innovations, coupled with the active participation of the population (CBR, 2022). Digitalization, which entails improvements in the use of innovative technologies, generates value through new products, processes, business models, and organizational structures within the region. Mobile technologies, global access to the Internet of Things, cloud computing, and the shift to big data storage and analysis are key aspects of the digital economy, providing new ways to achieve regional productivity. As a result, the digital economy creates a strategic foundation for regional innovation (Khoday, 2018).

2. Literature Review

Regional Development

Regional development is a significant practice that is used to address multiple crises such as finance, food, and energy, forcing a resolution of existing problems by reassessing the economic paradigm. Sustainable regional development means an integrated approach to taking action by using existing resources to enhance the well-being of citizens, with the intention of improving economic and social contexts while protecting the environment (Spangenberg, 2002). Regional economic development is the practice of economic activities based on the availability of resources in the region to ensure sustainable development through achieving desired economic outcomes.

To ensure regional development, several preconditions are required, such as a competent workforce, effective institutions, and well-developed infrastructure, finance, and logistics systems. Regional governments and institutions need to be built to support development and investment to strategically create a sound environment for these conditions. Additionally, well-developed business networks that focus on innovation and the commercialization of new products and services are also needed.

Tourism as a mechanism for Regional development

Sustainable tourism industry is significant new dimension terms (Hall, 2000; Sofield, 2003; Swarbrooke, 2000) that considered long term view point and comprehensiveness with three basic elements of sustainability: economic, social and ecological (Hall, Müller, & Saarinen, 2009). However, level of the achievement of regional development through tourism industry depends on the sustainable planning tourism.

In a declining periphery, tourism is often considered as a vehicle for regional development due to the positive economic impacts of the industry. However, tourism is not automatically the best saviour for all peripheral areas, because it can also cause some negative impacts. Therefore, sustainable planning is needed to balance the benefits and costs of tourism. (Kauppilla, 2009)

Tourism development aim to balance regional disparities, control the structural changes in decline rural areas and diversify the economic base on the areas (Shaw & Williams, 2009). It generally considered the capacity of the industry that having growth in future. Indeed, tourism industry create employment, source of income and diversification of economy (Swarbrooke, 2000).

Sustainable tourism should be to support the community and economic goals in regional development with elements protect the environment (Dowling & Fennell,

2003 Revenues of tourism should also stay within the destination and regional economy as much as possible in order that the local population gains benefits from tourism. Moreover, the tourism industry should employ the locals as a primary target group instead of people living outside the region (Inskeep, 2001).

The homestay concept presents a situation where the local people invite tourists to stay with them as members of the family at a fee (Kayat, 2010; Department of Tourism [DoT], 2024; Othman, Sazali, & Mohammed, 2013; Kimaiga, Kihima, & Pepela, 2015). The homestay concept identified as a way of enhancing community participation in tourism as well as a platform of enabling the local people to derive direct benefits from the tourism industry (Kihima, & Pepela, 2015).

Homestay tourist accommodation has numerous benefits to host families and the community. It ensure economic, social, and cultural benefits for local communities as well as sustainable development by provide job opportunities for local communities, thus improving their quality of life (Moscardo ,2008; Bhuiyan et al,2011; Chaayatorn, Kaoses, & Thitphat ,2010;Kimaiga, Kihima, & Pepela, 2015), boosts the supply chain in that it provides opportunities for local people living around the homestay to provide services that supplement the visitors' stay, such as cleaning services, production of finer home goods, or small local food supplies that may not be readily available in the hosts' home (Lynch, 2003; Lynch, McIntoch, & Tucker,2009).

Digitalizing Sustainable Tourism

Digitization is the connection between the physical world and software which can be applied in all processes for creating business value based on the need for consumable data. Digitalization considered the availability or improving processes by leveraging digital technologies and digitized data. Digitalization has been recognized as the most significant technological trend transforming business and society as well as day to day life. Hagberg *et al.*, (2016) defined “Digitalization as a transformation from “analogue” to “digital” (e.g. a shift from cash to electronic payments) and to the facilitation of new forms of value creation (e.g. Accessibility, availability, and transparency)”

Digital infrastructure, public digital platform, digital financial Service, Digital skill, Digital business and trust environment are the fundamental requirements of the digitalization of the economy. Therefore, assessment of these factors provides a clear picture for the developing strategies for the regional development by practice of digitalization of the economy. Chen (2020) cited that the G20 Hangzhou summit

defined Digital Economy in 2016, as “a broad range of economic activities that includes using digitized information and knowledge as the key factor of production, modern information networks as an important activity space, and the effective use of information and communication as an important driver of productivity growth and economic structural optimization”.

Galpaya *et al.*, (2019) conducted survey and noted that digital infrastructure facility in Sri Lanka has been comparatively rapidly developed within last two decades similar to the many other countries. The number of the mobile SIMs has exceeded the population due to multiple SIM usage. Further founded that 47 per cent of phone users used a smart phone while rest use phone which has similar features such as low-price model with colour screen etc. Moreover, reviled that usage of smart phone in urbanites higher than rural areas.

3. Methodology

This study was conducted as cross-sectional research design and used both primary and secondary data. Data was collected by using both qualitative and quantitative methods. Primary data were gathered by use of structured questionnaires and an interview guide. Secondary data were gathered from books, newspaper articles, academic journals, the Internet, and other relevant documents related to digitalization, sustainable tourism industry and regional development. Census technique was used for the homestay operators. Hence, all the 34 homestay operators in the Hikkaduwa were used in the study. The data from the in-depth interview were used in thematic qualitative analysis and the data collected through the survey was analysed using quantitative methods with descriptive statistics.

Accordingly, three independent variables and one dependent variable are identified in this research for quantitative analysis. Hence, the impact of digitalizing on the three independent variables, Daily operation, Attraction, and Management are tested against Visitor Satisfaction the dependent variable.

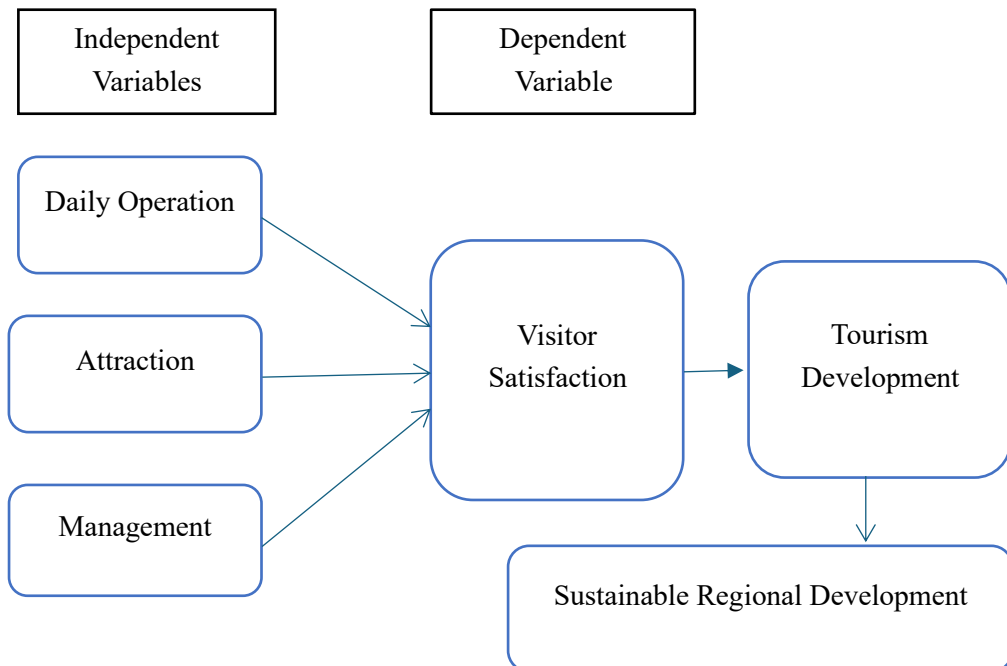


Figure 1: Conceptual Research Framework

Source: developed by Authors based on the literature survey

4. Findings

It is observed that, a significant amount of digital infrastructure is used by the home stay operators in Hikkaduwa DS division. All the respondents are equipped with data and online facilities and 56% of respondents are providing free Wi-Fi for their guests. Seventy eight percent of respondents declared that they often use online platforms to order their daily needs and special food items for their guests.

Booking.com (98%), Agoda.com (94%) and Airbnb.com (63%) are the prominent online platforms used by respondents for attracting visitors and room reservation. In addition to the facilities of online reservation and cancellation, visitors are provided online payment facilities by these platforms. Eighty seven percentages of respondents are using online banking systems and 91% are accepting Visa & Master cards. The respondents who have their own website is significantly low as 9% but 98% of them are having face book pages. The most popular online platforms used for taxi service by the respondents are Pick Me (83%), Uber (74%) and YoGo (56%). In addition to that, the local authority of Hikkaduwa has registered three wheelers as “Safety travel tuk tuk” with a sticker to display on them.

5. Conclusions & Recommendations

This research assesses the opportunities created by digitalization and tests them against tourist satisfaction, while also evaluating the suitability of tourism for regional development. Homestays are popular among budget travelers and adventure seekers, with online platforms playing a crucial role in advertising and connecting visitors with homestay operators.

The use of online platforms has led to a significant increase in business opportunities and success rates, directly impacting revenue generation, employment opportunities, and infrastructure development, ultimately contributing to regional development.

To further enhance this impact, it is recommended to develop the usage of digital platforms for management purposes and increase the publicity of tourism destinations. This can be achieved by promoting the creation and active maintenance of individual and group websites, engaging Facebook pages, YouTube channels, and other digital marketing tools.

However, the study also notes a potential risk associated with the heavy reliance of homestay operators on foreign online platforms. To mitigate this risk and ensure sustainability, it is advisable to develop local platforms and utilize them in conjunction with popular foreign platforms. This approach will diversify the channels of communication and marketing, reducing dependence on any single platform and ensuring a more resilient and adaptable business model.

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