

## **Impact of the Economic Crisis in Sri Lanka on Families Engaged in the Tourism Industry**

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### **Abstract**

The tourism industry is one of the main sources of national income in Sri Lanka. The COVID-19 pandemic adversely affected not only to Sri Lanka but also to the global tourism industry. The economic crisis followed by the pandemic has further intensified the downturn in the tourism industry. This study aims to explore the impact of the economic crisis on families engaged in the tourism industry selecting Dope Grama Niladhari Division, Bentota in Galle district. Main method of primary data collection was a questionnaire survey, directed to 80 households, employing a stratified random sample and supplemented by informal interviews. Descriptive and inferential statistical methods were used in the analysis. Results of the research revealed that people have lost their usual jobs directly and indirectly related to the tourism industry. People who have been engaged as tourist guides and transport facility providers have been identified as the most affected group of respondents. The effects of the economic crisis have led to the deterioration of the social life of the families of the respondents, including food security, children's education, transportation, health, and the elderly community.

**Keywords:** Economic crisis; emigration; pandemic; tourism industry

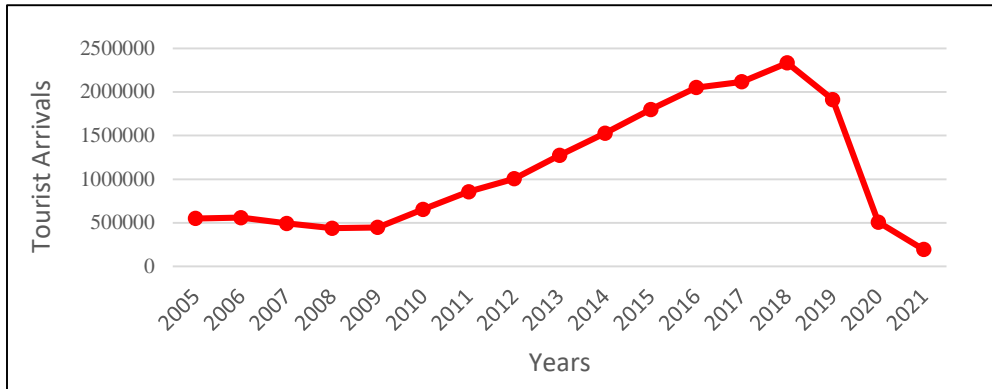
### **Introduction**

Over the past few centuries, tourism has grown significantly worldwide and is now a fast-expanding industry that is diversifying due to current scientific and technological advancements. A wide range of activities, including hotel systems, hospitality, the transportation sector, etc., are connected to the tourism industry. Tourism is one of the main economic activities in the service sector

that operates internationally. Prior to the COVID 19 pandemic, tourism accounted for 10.3% of all jobs globally and one out of every four newly created jobs globally (World Travel and Tourism Council - WTTC, 2022). It is one of Sri Lanka's primary economic sectors and a major source of domestic revenue. Since the end of 2019, the COVID-19 pandemic has negatively affected the world economy, with the tourist sector being the most severely impacted.

According to the WTTC (2022) report, the income earned through the tourism industry at the global level in 2020 has dropped by about 4.9 trillion US dollars. Although the contribution of the tourism industry to the GDP in the global economy was reported as 10.3% in 2019, it has decreased to 5.3% in 2020. It has been identified that around 62 million tourism-related jobs have been lost worldwide and another 100-120 million jobs are at risk during the same period. Thus, it is obvious that the tourism industry significantly contributes to strengthening the world economy, where millions of people around the world depend on tourism-related activities for their livelihood. An over-reliance on the tourism sector led to job losses. For example, around 62 million jobs related to the tourism industry were lost during this period. The COVID-19 pandemic risked an additional 100-120 million jobs (WTTC, 2022). The economic crisis that Sri Lanka experienced toward the end of 2021, has intensified the downturn in the tourism industry further. Figure 01 shows the tourist arrivals (number) to Sri Lanka from 2005 to 2021. Following the end of the 30-year civil war in 2009, there was a gradual increase in tourist arrivals. However, with the COVID-19 pandemic since 2019 there was a sharp decline and the economic crisis in 2021 caused a continuous decline.

People who engage in direct and indirect employment related to tourism are affected differently by the downfall of industry, depending on their capacity to cover the loss. The loss of employment and income had a significant impact on family members' economy, nutrition, physical and mental health, children's education, etc. Therefore, it is important to explore the impact of the economic crisis on families engaged in the tourism industry.



**Fig. 01:** Tourist Arrivals to Sri Lanka from 2005 to 2021

Source: Sri Lanka Tourism Development Authority, 2022

### **Literature Review**

As an island nation, Sri Lanka can be recognized as a beautiful country that has always been a tourist attraction due to its natural beauty, hospitality, cultural diversity, and economic opportunities. Sri Lanka's location in the tropical region with a very favorable and attractive climate rich with Sun, Sea, and Sand is one of the main factors that attract tourists specially from European countries and the Americas. The beautiful beaches around the country offer various entertainment activities such as sea diving, water sports, coral watching, boating, etc. Central mountain ranges, rivers, waterfalls, parks as well as sanctuaries have been added to enhance the natural beauty of the country. Religious festivals like Esala Perahera and cultural heritage belonging to the kingdoms of Sigiriya, Anuradhapura, and Polonnaruwa have led to attracting tourists to Sri Lanka (Fernando et al., 2016).

According to Ranasinghe and Sugandhika (2018), the Sri Lankan tourism industry directly contributes to bringing many economic benefits to the national economy such as foreign exchange earnings, increase in government revenue, increase in employment, regional development, etc. However, due to the problematic situations that occurred in Sri Lanka from time to time, such as political instability, and a thirty-year civil war, the tourism industry suffered

some setbacks, but a significant recover by the end of the civil war in 2009. Even though Sri Lanka's tourism industry was operating productively until 2019, there was a noticeable decline with the Easter attack in 2019 and followed by the COVID-19 epidemic in 2020, (Arachchi and Gnanapala, 2020). Sri Lankans confronted many issues such as fuel shortages, increase of commodity prices, power cuts, and food insecurity due to the national economic crisis in 2021. As a result of these issues, the arrival of tourists and the income generated through the tourism industry drastically declined. Some countries such as the United Kingdom, and Canada had announced to their people that Sri Lanka is not a safe country to travel in this period (Baskar et al, 2022). Consequently, the downfall of the tourism industry in Sri Lanka has a significant impact on the livelihood of the direct and indirect beneficiaries of the tourism industry in the country. As per the findings of Minaz et al. (2023), the average income of lodging providers has dramatically declined due to the decrease in tourist arrivals during the crisis period.

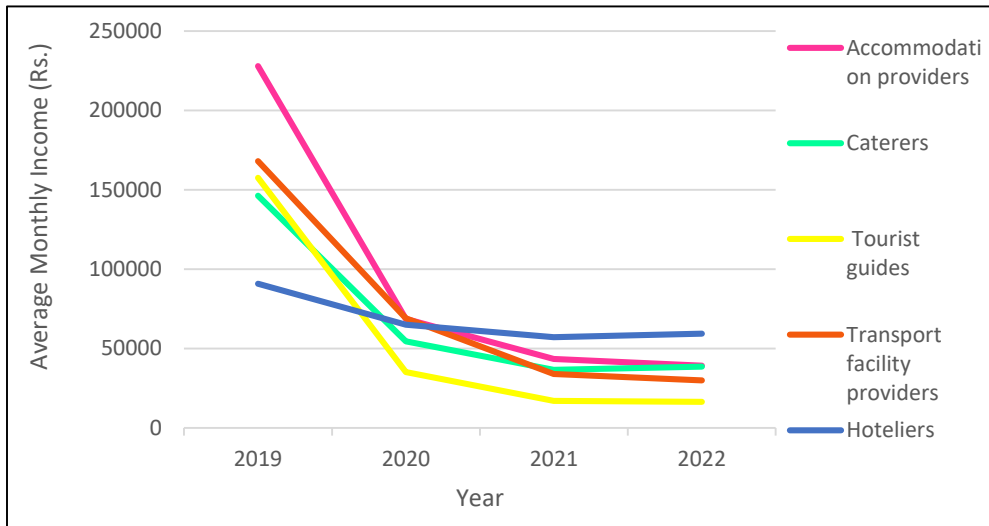
Most of the recent research highlights the impacts of Covid-19 pandemic and the economic crisis mainly on economic concerns such as impact on the income of tourism industry, impact on the hotel industry. While Arachchi and Gnanapala (2020) and Karunaratne et al. (2021) discussed the impact of COVID-19 on tourism industry in Sri Lanka in different perspectives, George et al. (2022) provides an overview of the economic crisis in Sri Lanka. Similarly, Minaz et al. (2023) highlight the downfall of the tourism hotel industry with the economic crisis in Sri Lanka. Although the families engaged in the tourism sector are the grass root level stakeholders in the industry, sufficient attention has not been paid to explore the possible impact on the families engaged in the tourism sector. Therefore, it would be worthwhile to study the impact of the current economic crisis in Sri Lanka on families engaged in the tourism industry through this study.

## **Methodology**

This research is based on a case study, selecting Dope as a rural Grama Niladhari Division (GND) in Bentota Divisional Secretariat Division (DSD), Galle District. The total population of Dope GND is 3513 out of which 2113 females and 1400 males (Grama Niladhari records, 2023). This GND is located close to beautiful Bentota Beach. The presence of natural beauty has increased the tourist attraction of this area. Recreational activities, including water sports underpin the tourists' attraction constantly which is further enhanced by the streams of the Bentota river flowing through this area.

The main objective of this research is to explore the impact of the economic crisis on families engaged in the tourism industry in the Dope Grama Niladhari division (GND). The study focuses on three specific objectives, to identify the impact of the crisis on the source of revenue of family members, to investigate the impact of the crisis on family income, and to analyze the impact on the social life of family members. The present research focused on three main aspects, education, health, and nutritional status although there may be several other aspects that represent family life.

Data was collected from a sample of families engaged in the tourism industry in the Dope GND, by administering the questionnaire directed to the head of the household. The study population in this study consisted of 400 households who engaged in the tourism industry in Dope, Bentota was considered as the study population. They were categorized into five strata according to the five main employment sectors in the tourism industry, i.e., tourist guides, caterers, accommodation providers, transport facility providers, and hotel employees. A total of 80 households (20%) out of 400 households were chosen in the first stage using a stratified random sampling technique and then 16 households ( $80/5=16$ ) representing each stratum were selected for the questionnaire survey. The duration of consideration in the study was four years, from 2019 to 2022. The field data collection was carried out during January and February 2023.



**Fig. 02:** Average Monthly Income from 2019 to 2022

Source: Surveyed data, 2023

In addition, informal interviews were conducted with the Grama Niladhari, Development Officer, Divisional Secretary and managers of four hotels in the area to obtain further information. Secondary data were gathered through Bentota Divisional Secretariat reports and Bentota Tourism Resort reports. A descriptive method was used for data analysis.

## **Results and Discussion**

The average monthly income of the households for the four consecutive years (2019-2022) was calculated in order to identify the trend in income. The findings revealed that people have lost their jobs, directly and indirectly, related to the tourism industry. Income of the families who are engaged in the tourism industry has decreased dramatically. Figure 02 illustrates the trend in the average monthly income of the five employee categories between 2019 and 2022.

It is obvious that the drastic decline in the national level tourist arrivals shown in Fig. 01 can be compared with the overall income decline shown in Figure 02. It was identified that tourist guides are the most impacted

employment category during this period (Rs.157500 in 2019 and Rs. 16563 in 2022). The second most affected source of revenue is the provision of transportation facilities for tourists. The trend in the other sources of income shows more or less a similar pattern with moderate fluctuations. The hotel sector has a relatively least impact compared to the other four categories (Rs. 90938 in 2019 and Rs. 59375 in 2022).

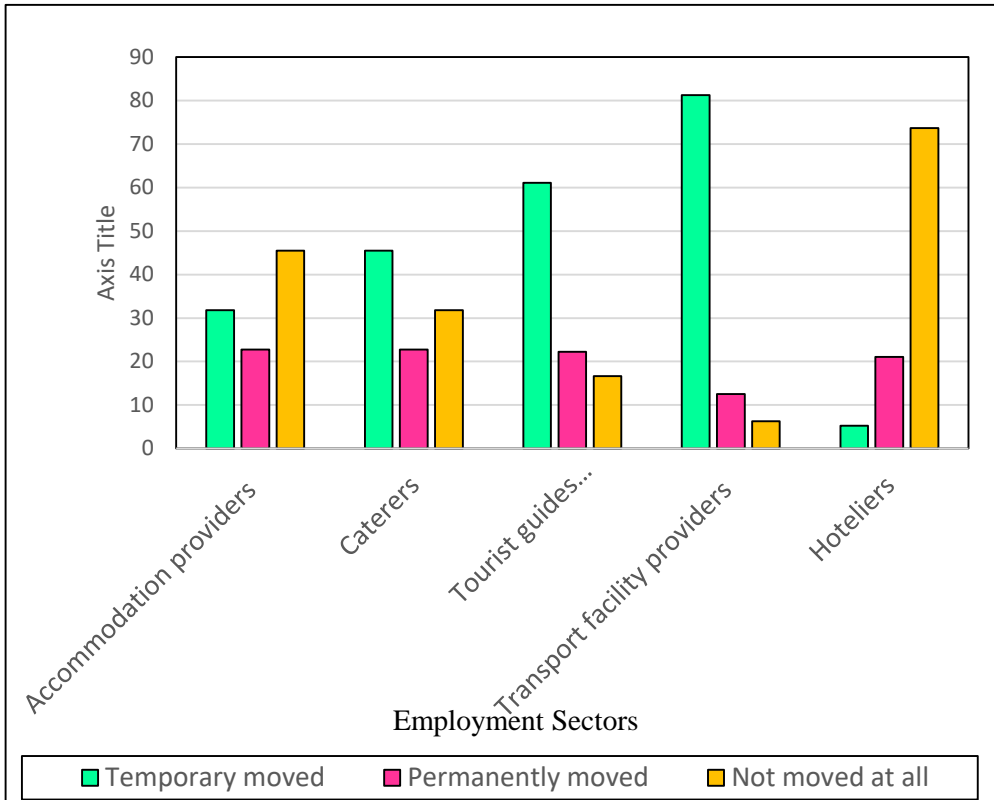


Fig. 03: Tendency to shift from the Tourism Industry to other occupations

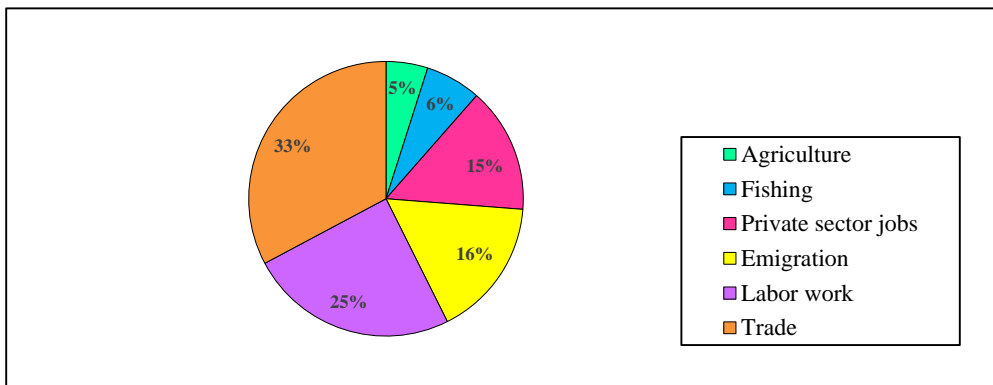
Source: Surveyed data, 2023

People are obligated to find alternative sources of income with the loss of usual income. Over half (56%) of the respondent families said they had taken out loans. Some families turned to borrowing from friends and relatives as well as other sources of income, such as personal assistance. Ten percent of the respondents were able to receive aid or donations from foreign countries like

Russia and Germany based on personal contacts to manage family expenses. Further, the foreign donors supported the education expenses of the children by sending an average of Rs. 15,000 per month. Only 15% of the respondents said that they managed the economic crisis themselves without getting outside support.

Loss of employment of family members can be divided into two facets, permanent loss and temporary loss, according to the findings. Forty-eight percent of the respondents had lost their jobs temporarily and another 25% had experienced a permanent loss. Seventy-three percent of the respondents have turned to alternative jobs. The tendency to leave the tourism industry and turn to other sources of income can be observed in Figure 03.

A significant proportion of transport facility providers (81%), tourist guides (60%), accommodation providers, and caterers have switched to alternative jobs temporarily. A permanent move from the tourism industry can be observed with an average of 20.4 % in all employment sectors while a permanent shift to other occupations was claimed by accommodation providers and caterers. Hoteliers who engaged in direct and permanent occupations related to tourism have shown a lesser tendency to move from their employment than the other four sectors.



**Fig. 04:** Types of current occupation of people after leaving the tourism industry

Source: Surveyed data, 2023



It was revealed that respondents who left tourism-related employment either temporarily or permanently had engaged in various other jobs. Accordingly, the present occupation of the respondents is shown in Figure 04. The highest share of people (33%) who left the tourism industry have engaged in trade activities including homemade food, natural flower plants, handicrafts, etc. As a result of the COVID-19 adaptations, people used to convert their businesses into online-based business activities. While 16 % of the respondents have already left the country seeking foreign employment, a similar percentage of family members are engaging in domestic labour work. Another group of people have left for other regions to make their living through agricultural activities.

The findings revealed that the current economic crisis has considerably deteriorated the social life of the respondents' families, including food security and nutrition, children's education, transportation needs, children's health, and the needs of the elderly community. The social impacts of the above-mentioned circumstances on the respondents' families are shown in Figure 05.

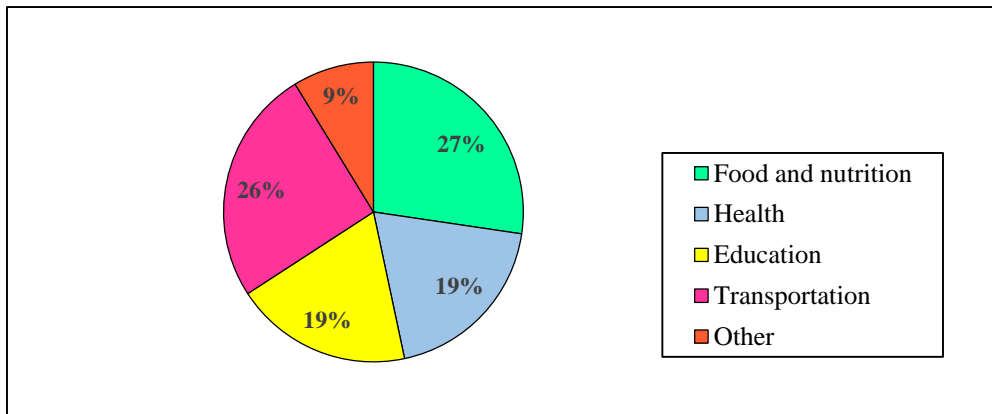


Figure 05: Social aspects affected by families involved in the tourism industry  
Source: Surveyed data, 2023

The economic crisis has affected the food security and nutrition level of the families involved in the tourism industry. The price hike of food and other

commodities during this period made it more difficult for the respondents to adhere to their regular food consumption pattern. More than 45% of households used to have homegrown vegetables and they could not purchase other food items such as fish or meat to maintain a healthy life. The economic crisis has greatly affected the transportation sector with fuel shortages, long queues for fuel, fraudulent acts in fuel distribution, fuel price hikes, etc. Nutrition problems, the high cost of living, and the shortage of medicines have led to an increase in physical and mental health issues in the community. The problem was more serious for elderly people. Uncertainty about the future has been a common issue for children and the youth.

With the loss of income, people are obligated to cut down the family expenses, including expenses for children's education. Along with the economic crisis, there has been a decline in the number of students enrolled in online and physical tuition classes, both in primary education and secondary education. Nearly 43% of children have given up attending tutoring classes. It was found that around 08% of young school-age children, especially boys, had dropped out of school and found employment as a consequence of the loss of family income. The possibility of various crimes and illegal activities was also increasing, as revealed by the respondents. The economic crisis has affected social gatherings and cultural festivals as well. All additional expenses such as family gatherings (including family weddings) and religious and cultural festivals had to be postponed or canceled due to the loss of revenue sources.

The overall impact of the current economic crisis was summarized in a SWOT table (Table 01). Accordingly, the economic crisis has brought a few short-term positive impacts (Strengths and Opportunities) while bringing many long term and short-term negative effects (Weaknesses and Threats) to the community.

Respondents were asked about the present living standard after the economic crisis. Accordingly, 21% have stated that they are completely unhappy

and 50% of them are unhappy with the present living standard. Nearly 20% of parents do not wish their children to continue their livelihood depending on the tourism industry. It would be a future challenge for the tourism industry in this region. In addition, the high rates of hotels and homestays and the unavailability of recreational activities for tourists (surfing, diving, etc.) were identified as the future challenges of the tourism industry in the region. The respondents expressed their dissatisfaction with relevant authorities for not being responsible for addressing these issues. Consequently, the tourism industry in the Dope GND in Bentota DSD is gradually decaying and the lives of these families have become economically and socially vulnerable.

		Positive			Negative
Internal	<b>Strengths</b>		<b>Weaknesses</b>		
	1	Turning to alternative income sources	1	Depending on indirect income sources	
	2	Home gardening for food supply		related to tourism	
	3	Getting used to online business activities	2	Leaving tourism-related jobs	
External	<b>Opportunities</b>		<b>Threats</b>		
	1	Creating other sources of income	1	Loss of employment	
	2	Foreign employment opportunities	2	Loss of income	
	3	Receiving aid and donations	3	Food insecurity	
			4	Problems in children's education	
			5	Price increase in commodities	
			6	Shortage of medicine	
			7	Problems in mental wellbeing	
			8	Fuel shortage and price hike	
			9	Inability to cover the loss of income	
		10	Ignoring social and cultural gatherings		

Table 01: SWOT analysis of the impact of the economic crisis

## **Conclusion**

It could be identified that there was a strong relationship between the current economic crisis and families engaged in tourism-related activities in the study area in terms of employment, family income, and social life. The families engaged in the tourism industry were negatively affected by the economic crisis through the loss of employment and sources of income. They are shifting to alternative jobs including foreign employment, trade, labour work, farming, etc. Most importantly 25% of the respondents have permanently given up the source of income, tourism-related activities, that they rely on for many years. The economic crisis has brought adverse impacts to these families with food insecurity, health related issues, and issues related to children's education etc. If the government authorities and/or private entrepreneurs implement suitable strategies to attract tourists and domestic visitors to this area, these adverse impacts could be reversed. It is recommended to identify the potentials and resources of this area and implement programs that can enhance the tourism industry. Further, efforts should be made to develop the tourism industry by providing assistance to new avenues in the tourism industry, providing relevant technical knowledge, and encouraging collaboration from the private sector. Moreover, efforts should be made to attract more tourists while maintaining political stability and keeping peace and harmony in the country.

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