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The Impact of Formal Institutions on Tourism Development: A Study on the Tourist Accommodation Sector in Sri Lanka

Poornika Kumari Seelagama

Research Scholar

Graduate School of Science and Engineering,

Saga University, Saga, Japan

Email: olive_crush@yahoo.com

This paper discusses the importance of the accommodation sector to the tourism industry in Sri Lanka, its current status, problems, issues and how this formal institution has marked an impression on foreign tourists visiting the country. The analysis indicates that there is a serious disparity in the geographical distribution of hotels. Also, this formal institution does not satisfactorily cater to different types of tourists such as Free and Independent Tourists (FITs); has issues with regard to pricing, regulation and monitoring of facilities and training of staff that may result in differential treatment to different guests led by prejudice or stereotyping.

[Key Words: *Institutions, Formal Institutions, Informal Institutions, Tourism, Accommodation Sector*]

Introduction

Travelling is not a recent phenomenon. Yet its importance as an institutionalized industry rose to prominence around the globe after the Second World War. In recognition of its significance, all destinations have taken steps to introduce various institutions to improve tourism and thereby increase the demand for tourism while at the same time reduce the negative impact of tourism on the destination.

The key institutional strategy that all destinations have invariably followed is the introduction of formal institutions. This includes the introduction of policies, rules, regulations with regard to catering to tourists' needs, and their executive bodies such as government and private organizations responsible for the tourism industry of a particular destination. As the tourism sector grew in complexity and importance, the responsibilities and scope of these formal institutions were divided, creating a number of subsidiary institutions responsible for smaller sectors within the tourism sector such as the accommodation subsector, tourist

transport subsector and tourist attractions subsector. It may not be an exaggeration to hold the accommodation subsector as the most important formal institutional subsector in the tourism industry as it is one of the first facilities that a tourist may search upon arrival. Performance of the accommodation subsector is a reflection of prices in the destination, which becomes the yardstick that tourists use to determine if the destination is expensive or cheap. Lodging facilities are also a reflection of the spirit of hospitality of the hosts and can be the key to encourage repeat tourists and potential first time visitors.

This study analyses in detail, the current status of the accommodation subsector in Sri Lanka and tourists' perception of institutions pertaining to the tourist accommodation subsector.

Methodology of the Study

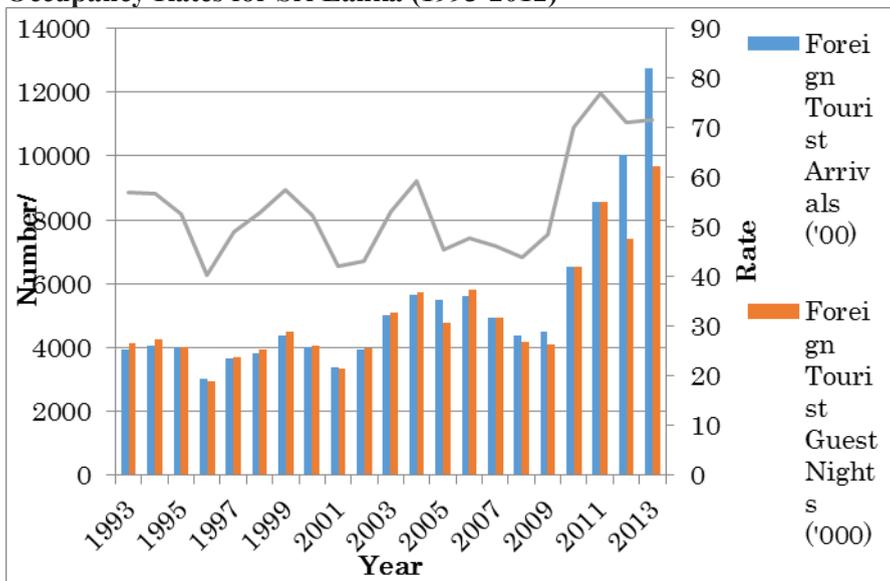
The study was conducted using a structured questionnaire designed to obtain information on tourists' perception with regard to the accommodation sector in Sri Lanka, as well as several hearing surveys with foreign tourists as well as key person's interviews with employees and employers in the accommodation sector. 132 foreign tourists responded to the questionnaire in five languages including English, French, German, Japanese and Chinese. Tourists' attitude and perception of the hotels and their services were measured on a Likert Scale. The questionnaire survey was followed by hearing surveys with 20 foreign tourists, which aimed to gather information of more qualitative nature, as well as more concrete and detailed information. The key persons interview included government bureaucrats from the Sri Lanka Tourism Development Authority; managers of hotels ranging from star class (one) to unclassified (three) and supplementary accommodation (one); a random selection of hotel workers that included a waiter, a barman, a housekeeping supervisor and a trainee receptionist and several other employees engaged in the tourism industry such as five tour guides (National Tourist Guide Lecturers (two), Site/ Area guides (three)), an Ayurvedic doctor working at a Spa in a tourist hotel, a tourist bus driver working for a leading tour operator, a ground hostess working for Sri Lankan Airlines promotions division, two policemen working at the Tourist Police in Kandy, the owner/ Director of a private tourism education institute, and an employee of a private Adventure Tourism Operator. Data collected from the questionnaires was analysed using the Statistical Package for Social Sciences, and corroborated by qualitative information gathered from hearing surveys and key-persons interviews.

The Impact of Formal Institutions on Tourism: A macro level study on the Accommodation Sector in Sri Lanka

The formal institution of the accommodation sub sector in Sri Lanka is mostly run by the private sector, except for a few accommodation facilities such as circuit bungalows run by the state. The role of the government in the accommodation subsector is largely limited to approving, licensing and classification of private sector initiated facilities, while monitoring remains a dead letter in black and white as the hearing survey revealed.

According to a hearing survey at the Research Department of the SLTDA, there were about 25,000 graded rooms providing accommodation for foreign and local guests by the year 2012. In fact the key informant interviews revealed that the Government Authorities recognize increasing the number of lodging facilities as an imperative to achieve the target of 2.5 million tourists by the year 2016. This argument is justified by the growing need for accommodation facilities in Sri Lanka owing to the growing numbers of tourists to the country. Three arguments could be furnished against this premise. As exemplified in Figure 1, statistics indicate that tourist arrivals to the country have hiked after the end of the civil war in 2009, which also has apparently led to a subsequent increase in Tourist Guest Nights and Occupancy Rates than during the thirty-year old war.

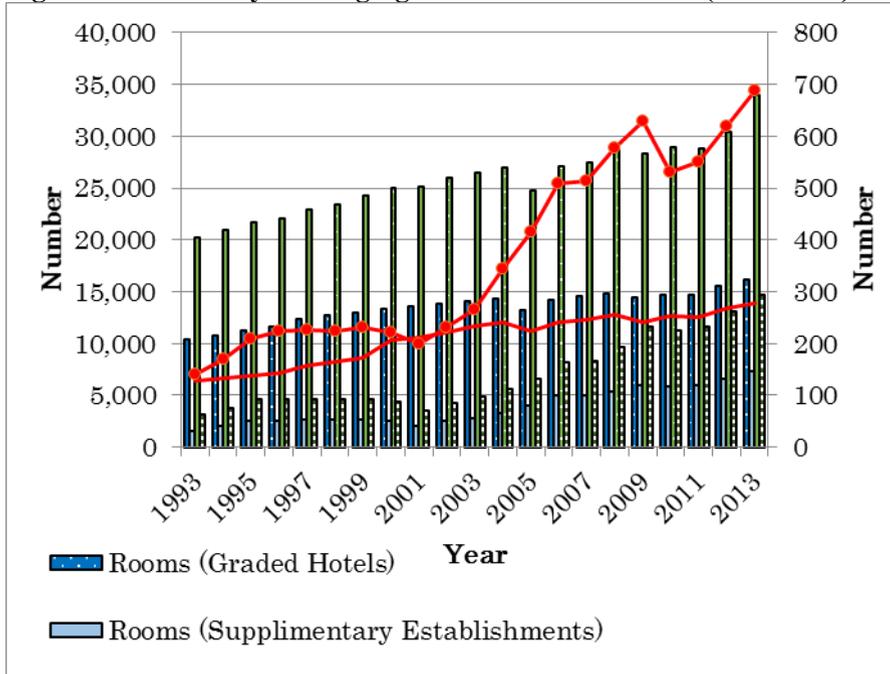
Figure 1 Foreign Tourist Arrivals, Foreign Tourist Guest Nights and Occupancy Rates for Sri Lanka (1993-2012)



Source: Annual Reports, Sri Lanka Tourism Development Authority (2000-2012)

Figure 2 shows the exact number of facilities, i.e. total number of units, rooms and beds available according to Graded Hotels (including 1-5 stars and the unclassified) and Supplementary Establishments (including guest houses/ rest houses, inns, home stay facilities and hostels) available for this increasing number of tourists through a period of twenty years.

Figure 2 Availability of Lodging Facilities in Sri Lanka (1993-2012)



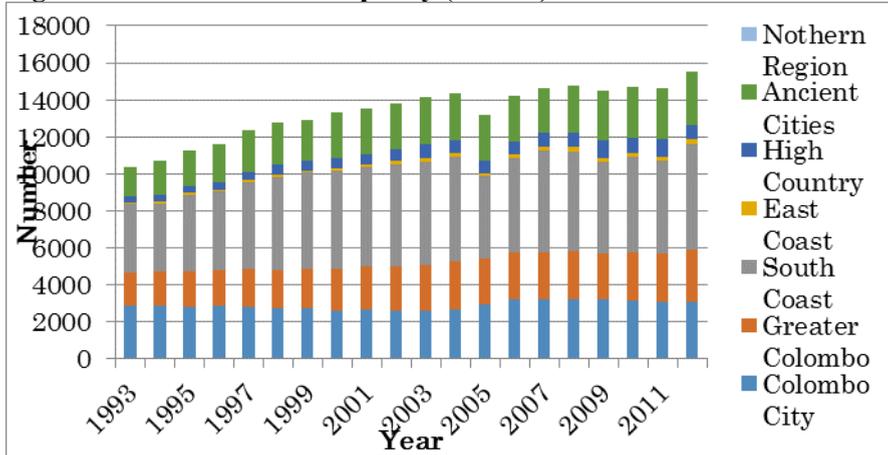
Source: Annual Reports, SLTDA (2000-2012)

A careful comparison of Figures 1 and 2 indicates an inconsistency that constructs the first argument. Despite the fact that tourist arrivals have increased consistently after 2009, the occupancy rate has in fact faltered considerably in 2012, recovering only marginally in 2013. This fall is visible in Foreign Tourist Guest Nights in 2012 as well. This is even more evident in a comparison of the monthly Foreign Guest Nights and room occupancy Rates of 2011 and 2012 (Seelagama 2014). Yet the number of accommodation facilities has been on a steady rise especially after the civil war in 2009. The fall in Foreign Guest Nights and occupancy rates against rising tourist arrivals could be attributed to erroneous calculation of visitors who arrive in the country for purposes other than tourism, such as members of the diaspora, Chinese aid workers and Maldivian businessmen that neither behave exactly as tourists i.e. they do not use tourist lodging facilities nor as a result bring revenue to the

country as tourists (Sirimanna 2013). These visitors are counted as repeat visitors if their affairs require them to return to Sri Lanka a number of times. Such a trend questions the need for more accommodation facilities in the country.

The second argument is that haphazard building of more hotels is not the answer to a crisis in the accommodation sector (if any) because lodging facilities in the country are already clustered in the urban or overcrowded mass tourist areas. This disparity in the dispersion of lodging facilities is evident from Figure 3. According to the figure, the total number of graded establishments has increased at a fairly steady rate except for a sharp dip in 2005 due to the destruction of accommodation facilities by the Tsunami in 2004. Yet most of these facilities are concentrated in the Colombo City, Greater Colombo City and Southern Coastal areas. A careful analysis of SLTDA statistics show that during the given span of time, graded hotel rooms in the Colombo area (Greater Colombo and Colombo City) accounted for more than 30 percent of all such facilities. More often than not, graded hotel rooms in the South Coast, Colombo City and Greater Colombo areas accounted for 75 percent of such facilities in the country.

Figure 3 Accommodation capacity (Rooms) in Graded Establishments



Source: Annual Reports, SLTDA (2000-2012)

To add insult to injury, new hotel projects approved after 2009 are again mostly clustered around the Colombo area (Wijedasa 2014). As observed in the micro level survey, some of the emerging tourist attraction areas on the other hand are lacking accommodation facilities to a worrisome extent that domiciles are converted to lodging facilities for

tourists during the peak seasons. This was observed in the Kalpitiya area which is an emerging destination for beach tourism.

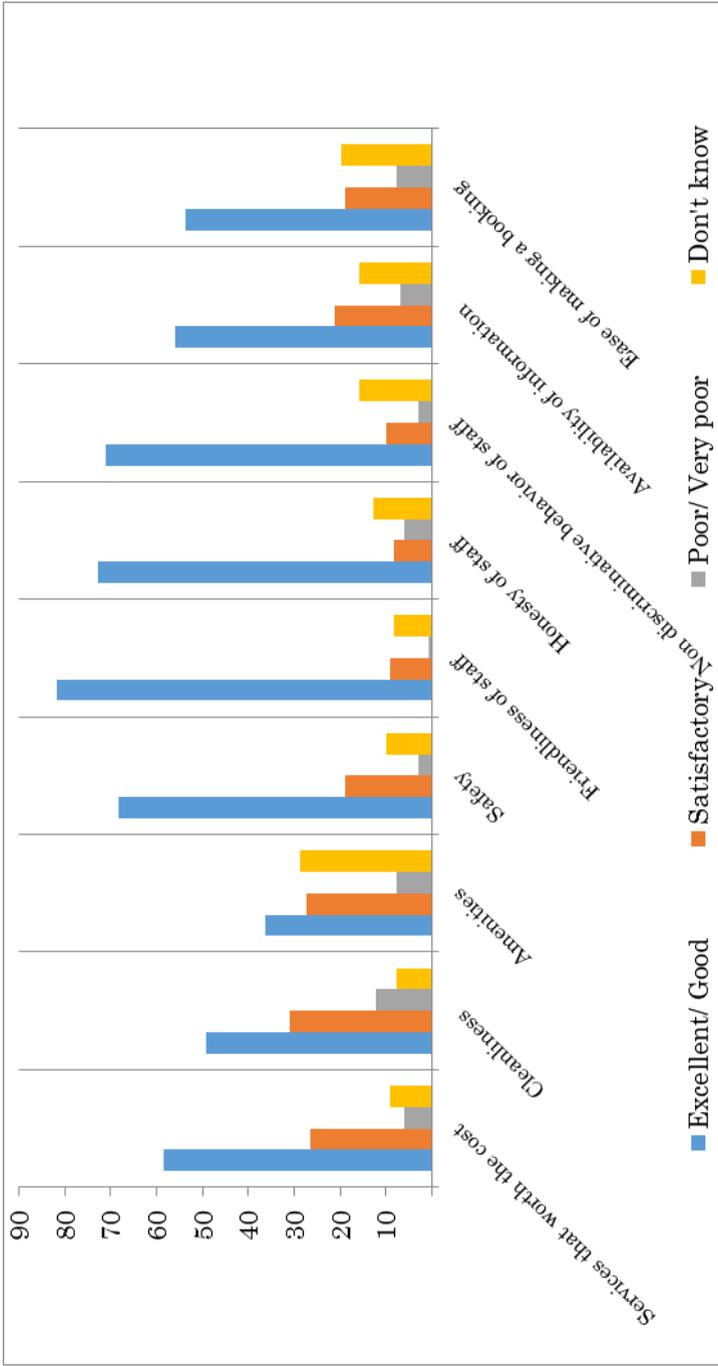
This trend leads to the discussion of the third argument. With more 'New Tourists' (Poon 1993) trotting around the globe, and the graded accommodation sector in Sri Lanka being expensive compared to her regional competitors, the country needs to pay more attention to the supplementary and the informal (unregistered) lodging facilities that New Tourists seem to patronize. This factor is explicit with another careful look at Figure 2, which elucidates that the growth of supplementary establishments has been much sharper after 2009 than that of graded establishments, signalling a greater demand for such facilities. It should be noted that the Figure represents only those facilities that are registered with the SLTDA. If unregistered facilities are included, not only would the informal sector account for a greater share of accommodation units, but it would also explain the dropped Tourist Guest Nights and occupancy rates in 2012 (Miththapala 2013) mentioned earlier.

Thus a macro level survey of existing data suggests that the issue Sri Lanka faces is not about the number of facilities, but about erroneous calculation of the number of tourists to the country; biased distribution of accommodation facilities and lack of regulation (including price regulation) of existing facilities.

The Impact of Formal Institutions on Tourism: The Results of the Survey on the Accommodation Sector in Sri Lanka

This study did not take into account the class of the hotel that respondents lodged in due to practical difficulties, as a majority of the respondents were not aware of the exact classification of the hotels; some could not remember the names of the hotels they stayed, while a significant number stayed in both graded and supplementary facilities yet they could comment on only one facility in the survey. Therefore the respondents chose to comment on hotels from a general point of view.

Figure 4 Traveller satisfactions with the accommodation subsector



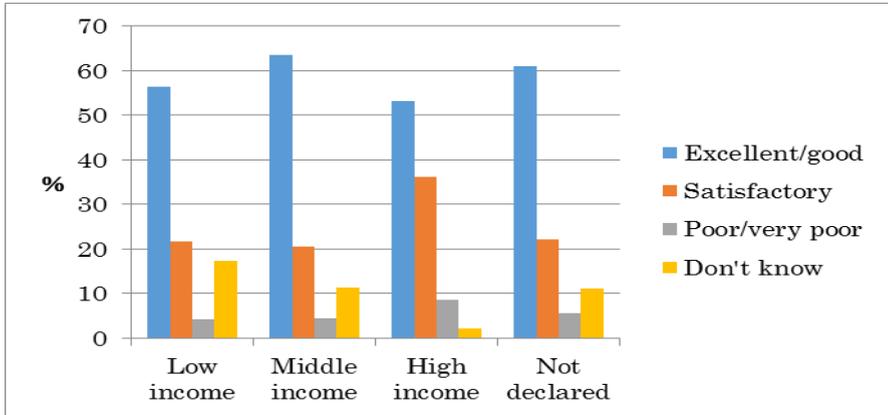
Source: Sample Survey (2013)

As Figure 4 exemplifies, responses have been excellent/ good in the case of all analytical categories. This signifies that the formal institutions pertaining to the accommodation subsector is developed enough to leave a departing tourist satisfied, which is crucial to motivate repeat tourists and other potential tourists in the future as hypothesized. Yet it is still important to delve into the characteristics of the minority who had found some features of the accommodation subsector unsatisfactory, as it would be important to recognize and redress groups of tourists who might be under-serviced by the formal institutions pertaining to the subsector in discussion.

It is noteworthy that more Japanese tourists are likely to find accommodation facilities not worthy of the money had paid. A majority of 37.5 Japanese tourists have rated this category as poor or very poor, followed by French and Dutch (25 percent each). It is interesting that Japanese tourists find most of the features poor/ very poor compared to other nationalities. Japanese respondents make up the majority of those who had rated as poor/ very poor, the overall cleanliness of accommodation facilities (25 percent), hotel amenities (40 percent), safety of the hotel environment (50 percent), friendliness of the hotel staff (100 percent) and non-discriminative attitude of the hotel staff (50 percent), a pattern which will be discussed in due course. However, a general preamble in this regard can be made that Japanese tourist accommodation facilities are superior in all of the aforementioned spheres which may lead Japanese travellers to compare their experience in Sri Lanka with that of their home country. Many sources have also noted the Japanese preference for familiarity (Surman, 2009:193-195), which may lead them to perceive unfamiliarity as poor conditions. On the other hand, international tourism is rather a new phenomenon to Japanese travellers than to European or Western tourists who have been travelling to diverse countries and cultures for centuries.

It is also significant that high income earners (who are also the high spenders) have a greater chance of finding the overall services of hotels unworthy of what they had paid. As Figure 5 exemplifies, even though a majority of respondents of all income categories have a greater tendency to rate this feature excellent or good, there is a slightly greater chance for more higher-income earners to rate it poor/ very poor, and lesser chance for them to rate it excellent/ good. This tendency is corroborated by the hearing survey in which it was emphasized that, though expensive hotels are better off than the inexpensive, they are not without serious defects. For example, it was mentioned by two National Tourist Guide Lecturers, the Chairman of a private tourism educational institute and several hotel managers that some of the leading star class and unclassified hotels are not worthy of the upgraded status they had acquired recently. In other words, the quality of their services was never upgraded to satisfy the high spending clientele.

Figure 5 Tourists’ rating of overall hotel services being worthy of the cost incurred



Source: Sample survey (2013).

A similar pattern could be discerned in a cross analysis of tourists’ perception of cleanliness of hotels and income. There is a greater tendency for high income earners to find the overall cleanliness of the hotels inadequate. A staggering 50 percent of those

Who had rated hotel cleanliness as poor or very poor are high income earners. Further analyses establish that a majority of those who have rated hotel cleanliness as poor include FITs (75 percent). Cleanliness is the feature that received the highest percentage of ‘poor/ very poor’ ratings by all respondents, which was 12.1 percent, indicating that formal institutions of hotels in Sri Lanka will have to pay more attention to ensuring overall cleanliness. It was also discovered that FITs tend to seek lodging in cheaper accommodation facilities where cleanliness is not ensured as much as in more expensive facilities. Hence the higher percentage of FITs rating cleanliness as poor/ very poor.

It is interesting to note that 28.8 percent of the respondents chose not to rate hotel amenities mostly because they had not used the facilities. However, 36.4 percent thought they were excellent/ good and 27.3 percent found them satisfactory. Yet 7.6 percent rated hotel amenities as poor or very poor. Japan topped the list by making 40 percent of those who thought hotel amenities were poor, followed by Netherlands (20 percent). Hearing surveys highlighted that Japanese tourists are comfortable in surroundings that are closer to their familiar environment. For example, the Japanese tourists who responded to the hearing survey were displeased with the fact that most hotels in Sri Lanka were not equipped with amenities such as hot bath tubs or *ofuro*. Further cross analyses indicate that young and middle aged tourists between the age group 26-45 are

likely to find hotel amenities poor, while those older than 46 are more likely not have used such facilities, or rate them as excellent/ good or satisfactory.

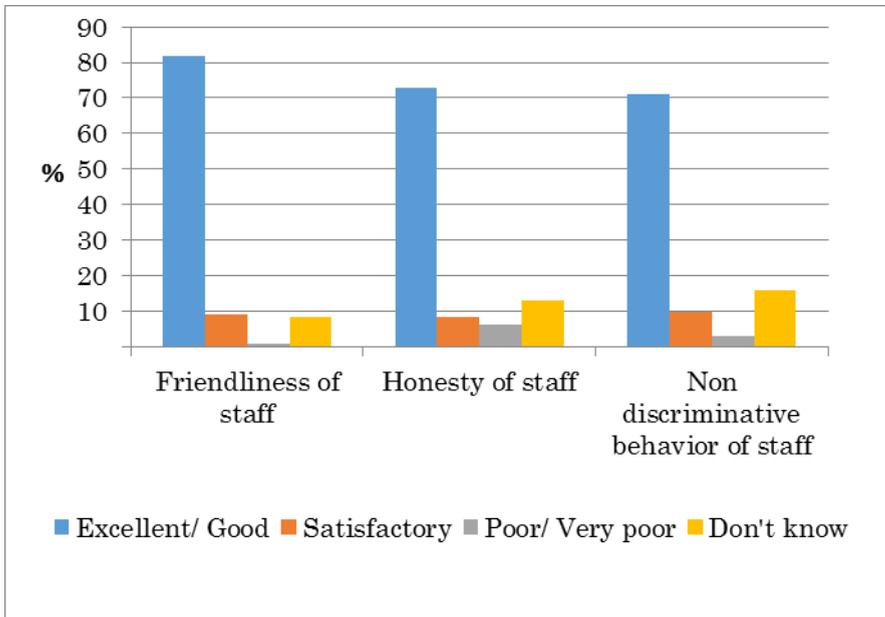
More Japanese tend to think of the hotel environment as unsafe (50 percent of those who rated it poor/ very poor) because the Sri Lankan formal institutions have not paid as much attention as a hotel in Japan might to ensure the safety of their guests. For example, an average hotel in Sri Lanka is unlikely to have double locks on windows, and door locks are unlikely to be secured with combination or computerized lock systems like in the most ordinary business hotel in Japan, which may lead Japanese tourists to interpret Sri Lankan hotels as unsafe. Statistics show that it is not exclusively an East Asian concern, since a considerable percentage of the category that rated safety of the hotel environment as poor were also Germans and French (25 percent each). A very interesting finding is that more female respondents find the safety of the hotel environment unsafe than male respondents. More than three-fourths of those who said safety at the hotels was poor/ very poor were women, while their likelihood of rating it satisfactory, good or excellent declines notably. Hearing surveys with female tourists revealed a number of events that in which their safety and privacy had been violated inside the hotel premises where the perpetrators were discovered to be either the hotel staff or other guests. However it was acknowledged that in all cases the hotel management had taken necessary steps to redress the victim and suitably punish or warn the violators.

Apart from ensuring guests' safety inside the hotel buildings and premises, neither the state nor the respective hotels (except in the case of a few) have made safety arrangements for beach goers. The few hotels observed in Galle and Hikkaduwa areas that were concerned about the safety of their guests on the beach had dangerous and rough-sea areas demarcated with red flags. It is noteworthy that such hotels were graded or expensive type of hotels that might consider concerns over the safety of a guest as a reflection of their hospitality. However unfortunately, all of the other hotel owners/ management with which hearing surveys were conducted commented that the safety of their guests on the beach is not their responsibility and not within their purview to control. When enquired if there is any community arrangement at least to erect sign boards/ red flags announcing danger zones, they responded that there is no such arrangement that they were aware of. In effect beach goers will have to go so at their own risk, and the formal institutions have turned a blind eye towards this need. One reason for the inactivity of hotels (private sector) in this regard could be due to the reason that beaches are public areas that do not belong to any individual proprietors. Hence it is recognized as more of a government responsibility to initiate such safety measures.

Three very important factors that determine the quality of the service of a hotel are friendliness, honesty and non-discriminative behaviour of the staff. Not only do they define the quality of the formal institution, but they also point to the nature of training that is in effect in that particular formal institution. As figure 6 indicates, all of these characteristics were rated excellent/ good by a

majority of tourists (friendliness (81.8 percent); honesty (72.7 percent); non-discriminative behaviour (71.2)). Cordiality of hotel staff was in fact the feature rated least unsatisfactory with only 0.8 percent of the sample rating it as such, reiterating that the formal institutions have trained their human resources to live up to the polar belief that Sri Lanka is a friendly country. On the other hand, it is noteworthy that cordiality of hotel staff is the feature in formal institutions tested in this study that had received the highest percentage of excellent/ good ratings.

Figure 6 Tourists’ perception of cordiality, honesty and non-discriminative behaviour of hotel staff



Source: Sample survey (2013).

It is important to note that, most of the local hotel staff interviewed were laden with stereotypical and prejudicial ideas about East Asian tourists, which may lead them to treat ‘white’ tourists with preference. Preferential treatment of the white tourist could be traced back to the impact of colonial influence which remains in the form of residual white complex, which other races may arguably interpret as discrimination against them. Unfortunately, the white tourists in Sri Lanka do more to reinstate such stereotypes or prejudice. For example, some hotel workers described Chinese tourists as loud, clamorous and disorderly, which in so many occasions has been a matter of officially lodged complaints by white guests. This association is considerably widespread to the extent that the guesthouse owner with which a hearing survey was conducted confessed that she would not admit backpackers into her guesthouse

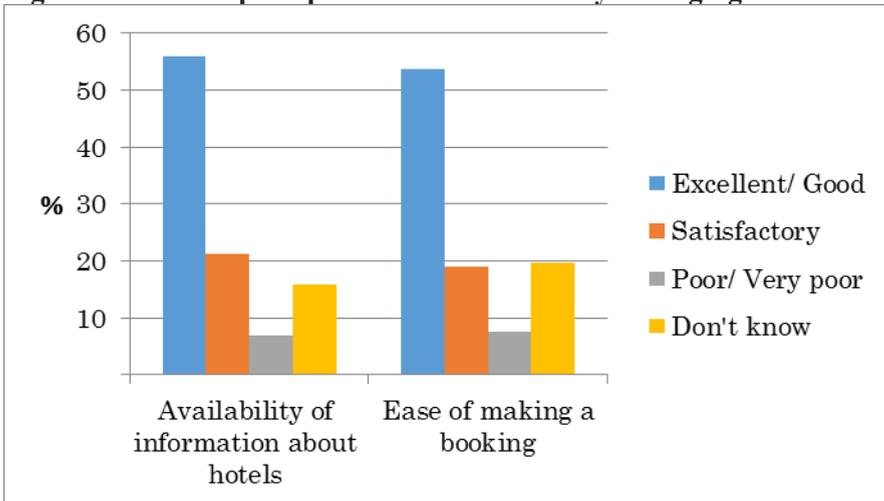
and is wary about Chinese tourists. This type of stereotypical thinking and prejudice is harmful to the tourism industry in Sri Lanka that is currently experiencing a considerable increase of East Asian, especially Chinese tourists. It is important to note that Sri Lankan formal institutions had not recognized different types of tourists and that their behaviour primarily stems from their culture. Differences in behaviour and nature of travelling also depend on tourists' purpose of visit, which could be an intricate expression of their cultures. Understanding this nature of travelling is important for formal institutions to serve different types of tourists better.

Even though honesty of hotel staff was rated excellent/ good or satisfactory by a clear majority of respondents, the minority of respondents who rated it poor/ very poor (of which a majority were Western European and East Asian (37.5 percent), and East European (25 percent)) admitted to have had problems with billing that indicated honesty compromised. In the eyes of a tourist, lack of transparency in billing and some hotel staff such as bellboys expecting tips for their incumbent services such as carrying luggage from the guest's room to the main exit were acts of dishonesty. This situation calls for attention on employee wages and training in formal institutions. While the formal institutional structure does not approve of 'asking' for extra tips for standard duties that are part of an employee's role, the study revealed that it is surreptitiously pursued by some hotel workers of even well-known and expensive type of hotels. Hotel managers who participated in the hearing survey substantiated the fact that hotel workers earn a meagre salary which is offset only by the commissions and tips they receive. Under such conditions, demanding a tip is prohibited, but accepting an unbidden tip is a norm in Sri Lanka. The high employee turnover in the hotel sector in Sri Lanka that is attributable to poor wages is in fact the biggest challenge that hotel managers acknowledged. The management of all hotels except the guesthouse owner declared that most employees complete their internship in a Sri Lankan hotel that gives them enough work experience to seek greener pastures in the Middle East. Consequently, Sri Lankan hotels are constantly left with batches of fresh recruits and interns with poor wages, making hospitality training a challenge. On the other hand, while graded and unclassified type of hotels are concerned about training their staff in hospitality, where they usually have a trainer/supervisor for trainees and the management takes guest feedbacks seriously; small/ inexpensive and supplementary type of hotels care less about professional cordiality, transparency and non-discriminative behaviour of their staff towards the guests. For example, observations and hearing surveys at a guest house showed that the four employees spoke very little English, and the only qualification they had was that they had been loyal caretakers for more than a decade and knew traditional recipes. Yet it is noteworthy that a double room in the guest house cost only LKR 2500 (less than USD 25), and the guests rationally overlooked smudgy clothes and even negligence of the workers. As one British tourist claimed 'I cannot expect to be treated like a prince when I

paid like a pauper. But they gave me the best service for my money’s worth. Yes, the waiter wore dirty shirts, spoke very little English and was a little lax too. But let’s not forget that my room cost only Rs. 2500 and it was a guesthouse, not a hotel; so the service was that of a good guesthouse’ (A FIT from England)

Two important factors when discussing formal institutions pertaining to the accommodation subsector are availability of information about lodging facilities and ease of making a booking. Availability of facilities per se could be inadequate when accessibility is limited. Thus availability of information and ease of making a booking determine the level of accessibility that the accommodation subsector in Sri Lanka commands. According to Figure 7, it is interesting to note that 56.1 percent and 53.8 percent of the sample found information about lodging facilities and ease of making a booking as excellent/good while 21.2 percent and 18.9 percent respectively, found them satisfactory.

Figure 7 Tourists’ perception about accessibility to lodging facilities

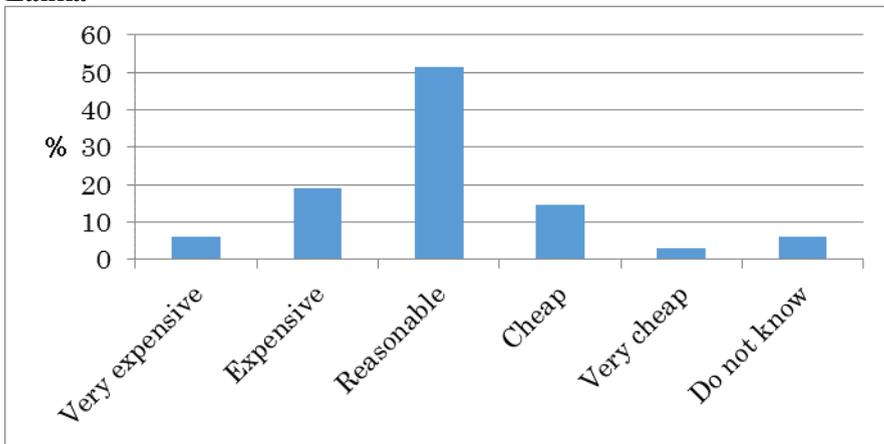


Source: Sample survey (2013).

Cross tabulation of tourists’ mother tongue and availability of information shows that a majority of tourists from UK and Germany (14.9 percent each) found information sources excellent/ good and of those who rated information poor/ very poor, 22.2 percent each were from Japan and China. This phenomenon shows not only the unavailability information in their languages, but also the inadequacy of promotional activities by the formal institutions. Hearing surveys with tourists established that in most areas in Sri Lanka, informal sources of information are more influential than organized or published information. This was applicable more to the supplementary accommodation type patronized by low-budget tourists where touts, tour guides, and three-wheeler (tuk-tuk taxi) drivers guided tourists to lodging facilities, which they usually did for a commission for themselves by the facility. Despite the fact only 10 percent of FITs claim that it is not easy to book a hotel in Sri

Lanka (though it is a greater percentage than that of group tourists), their number represents 80 percent of the total number that had found booking hotels difficult. It was suggested during hearing surveys with tourists that even though booking accommodation is now made fabulously easy with just a keystroke, it is important to organize formal sources to disseminate information and make bookings especially for the benefit of impulsive, adventurous people who may not travel with a stringent schedule or plan. The absence of this feature in the formal institutional setup of the accommodation sector has made booking hotels for FITs more difficult and has forced them to rely on informal links as mentioned earlier.

Figure 8 Tourists' perception of the cost of accommodation facilities in Sri Lanka



Source: Sample survey (2103).

Figure 8 exemplifies that 51.5 percent of respondents had found accommodation facilities in Sri Lanka reasonable; cheap (14.4) or even very cheap (3 percent), which adds up to almost 70 percent of the sample. This phenomenon is surprisingly contrary to the belief held by officers/ management of the formal institutions. Several key informants such as Hotel Managers and National Tourist Guide Lecturers pointed to the fact that Sri Lanka is one of the most expensive destinations in South Asia in terms of cost of accommodation. The Managing Director of a leading unclassified hotel in Kandy recognized that, with room rates experiencing a hike by 200 percent than during the war, Sri Lanka is the most expensive country in South Asia next only to Maldives, in the sense that across the same star classes, Sri Lankan hotels would be much more expensive, yet have fewer facilities or garner less quality than many other countries. National Tourist Guide Lecturers were also of the opinion that classification of Sri Lankan hotels should be seriously reconsidered. One of the serious drawbacks of this formal institution pointed out by them is the fact that there is no standard price structure for star class hotels (or any other category for that matter).

Cross analyses of the accommodation cost factor shows that a majority of the regions concerned are likely to find the cost of Sri Lankan accommodation vacillating between 'reasonable' and 'expensive'. Cross tabulation of the cost factor against income also reveals similar results with the notable tendency for a larger percentage of middle income earners to rate it cheap/ very cheap (60.9 percent) and high income earners to rate it expensive/ very expensive (31.9 percent).

Conclusion

The popular belief held by Sri Lankan tourism authorities is that the biggest formal institutional challenge facing tourism in Sri Lanka today is the lack of accommodation facilities. Authorities also attribute the tremendous price hike and price anomalies of the accommodation sector to a lack of supply to match the increasing demand. Hence the government is encouraging the private sector to invest on tourist accommodation to achieve arbitrary goals set by formal institutional mechanisms such as tourism development strategies and plans. However the micro level survey in this study observed that rather than a lack of accommodation facilities, a lack of quality hotels plagues the industry. For example, the study indicated that features such as a service that is worth the money; cleanliness; safety and security; information about accommodation facilities; and consistent and fair pricing should be ensured to inculcate quality into this sector. Even though hospitality of hotel staff was the best rated feature in the study, biased attitudes such as preferential treatment of the white tourists; prejudice about Asian tourists and stereotyping of types of tourists such as FITs impaired the quality of the hospitality industry.

The macro level study noted that formal institutions pertaining to the tourism industry in the country also need to take into account that there is a severe urban and beach biased mushrooming of lodging units. This problem is aggravated by an ironic negligence of supplementary lodging facilities which are actually rising in demand as a response to over-pricing of graded and registered hotels as well as due to global increase of 'New Tourists'. It is evident that little attention has been paid to imperatives such as formal training of hotel staff, which is important to bring about a quality service that is the ultimate result of a changed and favourable attitude towards tourism and tourists.

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