

The Rural Tourism as a Catalyst: A Deep Dive into the Synergy between Rural Tourism and Poverty Eradication

Ramanayaka

Sri Lanka Institute of Tourism and Hotel Management (SLITHM)
lathisha.rama@gmail.com

Abstract

This research critically examines the interplay between rural tourism and poverty alleviation in Sri Lanka, using an analytical framework based on secondary data analysis. By aggregating reports from institutions, the study employs empirical evidence and time-series data analyzed through econometric methodologies to explore this relationship. Pearson correlation and multiple regression analyses delineate the magnitude and directionality of the interconnection between the tourism sector and poverty reduction mechanisms. Correlation analysis evaluates interdependencies among variables, selecting significant ones for the regression model to enhance predictive capacity and minimize errors. Exhibit 3 presents Pearson correlation coefficients among these pivotal variables. The methodological framework is anchored in an empirical model derived from extensive literature review, positioning rural tourism development as the independent variable and poverty alleviation as the dependent variable. This model includes dimensions such as warfare impacts, economic growth trajectories, employment opportunities, and financial requisites for poverty mitigation, scrutinized through correlation and regression analyses. A key revelation is the multifaceted relationship between rural tourism and poverty alleviation, intricately linked with economic growth, political stability, and employment generation. While the direct linkage is modest, indirect connections through employment, infrastructure development, and political stability are significant. The research highlights these previously underexplored pathways, challenging conventional underestimations of socio-economic impacts of tourism. The findings advocate reconceptualizing rural tourism as an instrument for socio-economic transformation, addressing poverty challenges in rural contexts. The study critiques existing government poverty alleviation programmes, revealing gaps and inefficiencies. It argues for leveraging rural tourism within socio-economic frameworks, proposing a dual-strategy approach for policy implementation that emphasizes sustainable development and responsiveness to rural socio-cultural and environmental contexts. This research contributes to the discourse on sustainable rural development, positing rural tourism as a pivotal yet underutilized vector for socio-economic revitalization. The insights and recommendations extend beyond Sri Lanka, offering a blueprint for rural tourism-centered poverty alleviation strategies in the developing world.

Keywords: Correlation analysis, Correlation analysis, Correlation analysis, Correlation analysis

A. INTRODUCTION

Amidst the challenges facing the global economy, Sri Lanka is undergoing a period of significant transformation. Recent stability in the political landscape and the allure of its natural resources have sparked a renewed focus on tourism-driven economic development. This shift entails a move away from traditional poverty alleviation strategies reliant on subsidies towards income-generating alternatives.

Numerous studies, including those by Muhanna (2007), Yunis (2004), and Duim & Henkens (2007), have demonstrated the correlation between tourism and poverty reduction. While the concept of rural tourism and its potential for poverty alleviation is not novel, its integration into rural economies as a primary tool for poverty reduction is gaining traction, particularly in developing countries.

Despite its recognized potential, many developing nations still lack clear frameworks for integrating rural tourism into poverty alleviation strategies, leading to ongoing debates among researchers and policymakers. Rural tourism is increasingly viewed as a vital anti-poverty instrument due to its multiplier effects, as asserted by Ranasinghe and Deyshappriya (2010).

Various authors, including Muhanna (2007), Jamieson et al. (2004), Fernando and Arunika (2009), and Roe et al. (2004), underscore tourism's significance in the context of developing economies. Bista (2006) highlights the close relationship between tourism development and poverty eradication, while Holland et al. (2003) argue for the wide-ranging benefits that tourism can bring to rural areas. Rural tourism is increasingly championed as a viable solution for poverty eradication, with its potential to bring tangible benefits to rural communities and contribute to broader economic development efforts. Currently, tourism holds a prominent position as the foremost industry on a global scale, significantly influencing the global economy. However, the prevalence of mass tourism has prompted numerous developing nations and smaller economies to shift their focus towards rural tourism. The significance of rural tourism is emphasized by scholars such as Holland et al. (2003), who delineate several pivotal reasons. Firstly, rural tourism, as a facet of pro-poor tourism, fosters greater engagement of marginalized communities in the developmental trajectory. Secondly, it engenders wider-reaching benefits for rural locales and mitigates various issues associated with rural poverty, encompassing unemployment, regional disparities, and income reassignment.

Consequently, there is a perceived potential for the development of rural tourism to serve as a catalyst for poverty alleviation within developing countries. However, in the context of Sri Lanka, there exists a scarcity of empirical data pertaining to rural tourism development and its efficacy in ameliorating poverty. Prevailing research in Sri Lanka has predominantly concentrated on mass tourism, largely disregarding the rural tourism sector. Scholars such as Ranasinghe and Deyshappriya (2010) contend that insufficient scholarly attention has been directed towards Sri Lanka's tourism sector. Moreover, Muhanna (2007) observes that the socioeconomic contributions of tourism to local communities are often underestimated, resulting in the neglect of rural tourism's potential as a tool for poverty alleviation.

Tourism has been deeply rooted in the history of Sri Lanka, as noted by Miththapala (2010). However, it is widely acknowledged that Sri Lanka formally entered the tourism industry during the 1960s, as documented by Miththapala (2010) and Ranasinghe & Deyshappriya (2010). Since then, tourism has played a pivotal role in the global tourism market. For instance, tourist arrivals surged from 28,272 in 1968 to 855,975 in 2011, as reported by the Sri Lanka Tourism Development Authority (2011). Similarly, official receipts from tourism skyrocketed from USD 10.5 million in 1968 to USD 91,926 million in 2011. Over the period from 1970 to 2011, direct employment in the tourism industry surged from 5,138 to 57,786, according to the Sri Lanka Tourism Development Authority (2011). However, the significance of the tourism industry in Sri Lanka has experienced fluctuations over the past decade due to internal and external factors such as global economic downturns and political

instability. Consequently, the relative contribution of the tourism sector to the Sri Lankan economy has also varied.

For example, between 2004 and 2007, the tourism industry was the fourth highest foreign exchange earner before dropping to sixth place in 2008 and fifth place in 2010, as reported by Fernando & Arunika (2009), Miththapala (2010), and the Sri Lanka Tourism Development Authority (2010, 2011). Although the rank slipped to sixth place again in 2011, the percentage contribution of tourism to foreign exchange earnings increased from 3.8% in 2010 to 4.3% in 2011, according to the Sri Lanka Tourism Development Authority (2011).

Since the implementation of the first tourism master plan in 1967, the government of Sri Lanka has initiated various tourism master plans and programs. These include the ten-year tourism master plan in 1992, the Visit Sri Lanka program in 2010, the Sancharaka Udawa programme in 2011, and the tourism strategy plan for 2011-2016.

Reputed publications such as the National Geographic Traveler Magazine (2012) and the World Travel Market Industry Report (2011) have highlighted Sri Lanka as one of the premier tourism destinations of the current era. Sri Lanka boasts diverse attractions, including picturesque mountains, pristine coastal areas, natural waterfalls, and wilderness regions rich in rural tourism resources. Additionally, Sri Lanka is home to eight UNESCO World Heritage Sites (Miththapala, 2010) and is renowned as one of the world's biodiversity hotspots (Miththapala, 2010). Presently, the tourism prospects of the country appear promising as it emerges from a prolonged period of civil conflict. The Ministry of Economic Development in Sri Lanka (2011, p. 4) asserts that, with its unique geographical features, diverse offerings, quality human resources, and newfound peace and stability, Sri Lanka is well-positioned to play a significant role in regional development as a rapidly emerging market economy in Asia. There is a notable absence of comprehensive literature concerning poverty alleviation through rural tourism in Sri Lanka. However, various studies have separately explored the realms of tourism and poverty.

Some researchers, like Ranasinghe and Deysappriya (2010), have underscored the importance of tourism in the economy by analyzing indicators such as GDP, tourism receipts, government expenditure, trade volume, gross domestic investment, and political stability. Conversely, others, such as Fernando and Arunika (2009), have focused on the negative consequences of tourism and its impact on poverty reduction, examining trends in employment, tourist arrivals, conflicts, and natural disasters.

In this context, this article aims to scrutinize the role of rural tourism in Sri Lanka as a strategy for poverty alleviation, focusing on the aforementioned key determinants of tourism's contribution to the local economy.

The research objectives were as follows;

i. To Investigate the Relationship Between Rural Tourism Development and Poverty Alleviation in Sri Lanka: This objective aims to explore the dynamics of the relationship between rural tourism and poverty reduction within the Sri Lankan context, utilizing empirical models such as correlation and multiple regression analysis.

ii. To Assess the Efficacy of Rural Tourism as a Tool for Poverty Alleviation: The objective is to evaluate the effectiveness of rural tourism in mitigating poverty in Sri Lanka by examining its impact on critical variables such as employment generation, economic growth, and political stability.

iii. To Identify Opportunities and Challenges in Integrating Rural Tourism into Poverty Alleviation Strategies: This objective seeks to identify both the potential benefits and obstacles associated with integrating rural tourism into poverty alleviation strategies in Sri Lanka, providing insights for policymakers and stakeholders.

Considering the limited empirical research conducted in Sri Lanka on the relationship between tourism and poverty, notable recurring variables include the impact of the level of poverty, as measured by the poverty headcount index, and tourism income, as reflected in the average receipts of tourists.

The nexus between rural tourism and poverty alleviation in Sri Lanka remains a subject of contention, with extant reports predominantly highlighting recent tourism trends while overlooking their implications for poverty alleviation endeavours. Consequently, there exists a substantive opportunity for further research to delve into and broaden the discourse on the role of rural tourism in mitigating poverty in Sri Lanka.

B. RESEARCH METHOD

This research utilized secondary data spanning the period from 1995 to 2011. The data sources included the Department of Census & Statistics, the Sri Lanka Tourism Development Authority, the Ministry of Finance & Planning, and the Central Bank of Sri Lanka. These secondary data were employed to explore the relationship and trends among rural tourism, poverty alleviation, and relevant factors. Correlation tests and multiple regression analyses were conducted to investigate the significance and challenges associated with rural tourism as a tool for poverty alleviation in Sri Lanka. The quantitative data were analyzed using SPSS and Excel, with results presented through equations, tables, and figures.

This research employed a quantitative approach, utilizing secondary data from 1995 to 2011 to comprehensively analyze the dynamics between rural tourism, poverty alleviation, and influencing factors in Sri Lanka. The data sources included credible institutions: the Department of Census & Statistics, the Sri Lanka Tourism Development Authority, the Ministry of Finance & Planning, and the Central Bank of Sri Lanka, which provided robust datasets essential for identifying long-term trends and relationships.

To assess the impact of rural tourism on poverty alleviation, the study implemented correlation tests to examine the strength and direction of relationships between variables. Multiple regression analyses were subsequently employed to investigate the predictive power of rural tourism activities on poverty levels, accounting for potential mediating and moderating factors. These statistical methods provided insight into the significance of rural tourism as a tool for poverty alleviation and highlighted associated challenges.

Data analysis was conducted using SPSS and Excel to ensure reliability and validity. The findings were systematically presented through regression equations, tables, and graphical figures, offering a clear visual representation of trends and statistical outcomes, thus enhancing interpretability and supporting evidence-based conclusions.

The Pragmatic Model, due to the variability of factors involved, there is no universally applicable model for assessing the impact of tourism on poverty alleviation. Various theoretical and empirical models, as well as content analysis, have been employed to study this relationship. Some researchers have utilized econometric models (Ranasinghe & Deyshappriya, 2010), while others have employed triangulated models (Leiper et al., 2008). This study adopts an empirical model based on a review of existing literature. The pragmatic model employed here focuses on the dependent variable of poverty alleviation and the independent variable of rural tourism development. The independent variable comprises factors such as the impact of war, economic growth, employment generation, and the cost of poverty alleviation. This model encompassed the most relevant variables concerning rural tourism development and poverty alleviation in Sri Lanka. The selected variables were examined through correlation and regression analyses in this research study.

C. RESULTS AND ANALYSIS

Pearson correlation analysis examining the impact of tourism on poverty alleviation, The current interconnection among tourism variables can be explored through Pearson correlation analysis. In this research, the correlation examination serves two primary purposes. Firstly, it assesses the interdependencies among the variables. Secondly, it identifies the noteworthy variables for inclusion in the multiple regression model. These significant variables, integrated into the regression model, contribute to improving forecasting accuracy by minimizing errors.

Utilizing Tourism for Poverty Alleviation, The estimated correlation reveals a significant negative relationship (Pearson correlation of -0.824) between tourism income and rural poverty in Sri Lanka, as measured by the poverty headcount index. This correlation coefficient is statistically significant at the 0.01 level, underscoring the crucial role of tourism income in the process of poverty alleviation in the country. In contrast, the correlation between the level of rural poverty and the budget allocation for poverty alleviation programs, specifically the values of grants provided through the Samurdhi welfare program, is found to be insignificant. The correlation coefficient for this relationship is estimated to be -0.431, indicating that the Samurdhi program may not be an effective tool for breaking the cycle of poverty in Sri Lanka. Gunathilake (2009) argues that the Samurdhi program has several weaknesses, a contention supported by the findings of this research.

On one hand, there is a significant correlation of 0.930 between the level of rural poverty and the unemployment rate in Sri Lanka, at the 0.01 level. This coefficient indicates that poverty serves as a major impediment to securing employment opportunities. On the other hand, there exists a significant correlation of -0.742 between the unemployment rate and the average tourism income in Sri Lanka, also significant at the 0.01 level. This coefficient underscores the substantial impact of Sri Lankan tourism on addressing unemployment issues. In contrast, there is a weak correlation of -0.351 between economic growth and the unemployment rate. Over the past two decades, economic growth in Sri Lanka has failed to generate an adequate number of job opportunities for its citizens. Based on the aforementioned statistics, employment emerges as a crucial factor in poverty alleviation in Sri Lanka, with tourism playing a pivotal role in job creation.

Employment as a pivotal moment, On one hand, there is a significant correlation of 0.930 between the level of rural poverty and the unemployment rate in Sri Lanka, at the 0.01 significance level. This correlation highlights poverty as a major obstacle to obtaining employment opportunities. On the other hand, there is a notable correlation of -0.742 between the unemployment rate and the average tourism income in Sri Lanka, also significant at the 0.01 level. This correlation underscores the substantial impact of Sri Lankan tourism on addressing unemployment issues. Conversely, there is a weak correlation of -0.351 between economic growth and the unemployment rate. Over the past two decades, economic growth in Sri Lanka has failed to create enough job opportunities for its citizens. Based on the aforementioned statistics, employment emerges as a critical factor in poverty alleviation in Sri Lanka, with tourism playing a key role in job creation.

Tourism as a Strategy for Development, There is an insignificant correlation between the level of poverty and economic growth in Sri Lanka, recorded as -0.449. However, according to the Central Bank of Sri Lanka (2010), economic growth in the country has been largely propelled by the tourism industry. This assertion is corroborated by the findings of this study. As depicted in Table 3, the correlation between average tourism income and economic growth in Sri Lanka stands at 0.601, significant at the 0.05 level. This correlation underscores the crucial role of tourism in fostering economic development in Sri Lanka. Therefore, tourism can be regarded as a key strategy for centrally addressing poverty alleviation and promoting development.

Direct and Indirect Contribution, Rural tourism development in Sri Lanka is ideally positioned to alleviate rural poverty more effectively than subsidy programs, for the following reasons:

The rural tourism industry creates numerous job opportunities, both directly and indirectly; Impoverished individuals find employment in various tourism-related roles such as subcontractors, vendors, guides, drivers, and artisans; Rural tourism fosters increased involvement of impoverished communities in development policies; It harnesses rural resources, including natural and cultural assets; Rural tourism contributes to the development of rural infrastructure, such as roads, water supply systems, electricity, and communication networks; It reduces the need for subsidies and enhances the country's GDP.

In contrast, subsidy programs do not facilitate poverty alleviation; they merely provide temporary assistance for survival. On the other hand, rural tourism enables impoverished individuals to both escape poverty and sustain themselves, directly and indirectly.

Regression Analysis for the Contribution of Tourism Development in Poverty Eradication, Regression serves as a valuable tool for quantifying multifaceted relationships, providing insights into both the magnitude and direction of these relationships. In order to examine the association between poverty and tourism, the following multiple regression model is employed:

$$P-LRP=6.779-0.012\times ATI-0.126\times EG+2.474\times UR+0.206\times LWEDUM$$

Here, the level of rural poverty (P-LRP), represented by the rural poverty headcount index, serves as the dependent variable. The explanatory variables include average tourism income (ATI), economic growth (EG), unemployment rate (UR), and the level of war effect (LWE-DUM).

Upon conducting the regression analysis, the values obtained for R and R square are 0.952 and 0.906, respectively. With regard to the coefficient of determination, R square ($R^2 = 0.906$), it is observed that the exogenous variables collectively account for 90.6% of the total variation in the level of rural poverty. This high R square value indicates that the linear multiple regression model described above is statistically significant for assessing the relationship between rural tourism and poverty alleviation in Sri Lanka.

D. CONCLUSION

When investigating correlation and regression, it becomes evident that rural poverty in Sri Lanka correlates with unemployment, diminished economic growth, and political instability. However, since the cessation of armed conflict in May 2009, Sri Lanka has experienced a return to political stability. Consequently, the country requires effective solutions for poverty eradication, with a focus on generating employment opportunities and fostering economic development, particularly in rural areas.

In the Sri Lankan context, rural tourism emerges as a promising solution for poverty alleviation. Analysis of available data has revealed a significant relationship between tourism and key variables such as employment and economic growth. Thus, poverty alleviation strategies in Sri Lanka should prioritize the utilization of rural resources, as these resources stimulate the rural tourism industry. Consequently, the rural tourism sector in Sri Lanka has the potential to play a pivotal role in the poverty alleviation process, offering mutual benefits for both local communities and the rural economy.

Moreover, various empirical studies, including those by Yunis (2004), Duim and Henkens (2007), and Muhanna (2007), underscore the importance of rural tourism as a tool for poverty alleviation. Rural tourism leverages existing resources such as beaches, forests, heritage sites, and ruins located in rural areas, all of which are abundant in Sri Lanka. Furthermore, rural tourism is recognized as a labor-

intensive industry compared to others, aligning with Sri Lanka's need for labor-centric development strategies as a middle-income developing nation.

Despite a recorded rural poverty headcount index of 9.4% among the rural population living below the poverty line, the Samurdhi program reached 32.65% of families in 2010, according to the Central Bank of Sri Lanka. In the same year, 1.6 million families benefited from the Samurdhi program, out of a total of 4.9 million households reported by the Department of Census & Statistics in Sri Lanka in 2011.

This discrepancy between the population below the poverty line and the number of subsidized families highlights the persistent issue of poverty and the need for additional income sources to lift people out of poverty. In this context, rural tourism can play a vital role.

Sri Lanka effectively utilizes its abundant natural resources for various purposes. This study proposes that these attributes can be leveraged to combat poverty. It advocates for the adoption of tourism policies that promote the utilization of rural resources, thereby facilitating poverty alleviation. This endeavor requires collaboration among stakeholders in the tourism sector, including the government and private entities.

The involvement of impoverished communities is crucial to mitigate the negative impacts associated with rural tourism, stemming from their lack of experience in poverty alleviation through this industry. Sri Lanka requires clear guidance to address challenges arising from rural tourism effectively. We recommend combining attributes and addressing pertinent issues to uplift impoverished communities through rural tourism. In this regard, Sri Lanka must reconsider its approach to rural tourism development and poverty alleviation, emphasizing the need for further research in this area.

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