CHAPTER –I
INTRODUCTION

Tourism has been pivotal in social progress, as well as an important vehicle for widening the socio-economic and cultural contacts throughout human history. Tourism is one of the world’s largest and fastest growing industries in the world. A wide array of interests - entertainment, sports, religion, culture, adventure, health and business drives tourism. Travel and tourism is one of the biggest industries in the world in terms of gross output and value added, capital investment, employment generation and tax contributions.

Tourism is a major phenomenon of modern society, which has emerged as an economic activity of immense global importance. Perhaps, there is hardly any field of activity where so many people are involved directly or indirectly. It has found a niche for itself as an effective mechanism for generating employment, earning of revenue and foreign exchange, enhancing environment, preserving culture and tradition thereby facilitating overall development.

Kerala, “God’s Own Country” has emerged as the most acclaimed tourist destination in the country. Besides warm weather, backwaters, beaches, hill stations, waterfalls, wildlife sanctuaries, ayurveda, year round festivals and the diverse flora and fauna make Kerala a unique destination for tourists. Hence the State has to make use of all these in a profitable way by extending services to tourists.

Much of Kerala’s exotic appeal is centred in the highland area of the Western Ghats. Rising to an average height of 1520 metres the tropical forests of the Western Ghats house rich flora and fauna, loaming plantations of tea, coffee, rubber and fragrant cardamom. Kerala has been branded as one of the most wanted tourism destination in India on account
of proactive marketing and promotional measures. Now, Kerala is a partner state of the World Travel and Tourism Council (WTTC) which is accorded, based on the infrastructure facilities such as tourist accommodation, transport facilities, water and lighting system extended over by Kerala to tourists.

In order to facilitate the fast growth of tourism sector in Kerala, it is necessary to diversify our tourism products. The Western Ghats region of Kerala can be projected as an eco-tourism zone in the true sense. It is a concept promoting sustainability in tourism. That is, the needs of today’s visitor should not be met at the expenses of future generation. All these call for inputting capital for further development and growth of tourism industry in Kerala.

For the growth and development of the tourism sector, finance is very much needed. The available literature makes it clear that there are various financial support extended from various finance institutions and the Government. The role of Kerala Financial Corporation is considered very vital as it is the very backbone of the industrial development and growth of Kerala economy in general, and tourism sector in particular. This sector, along with other sectors, have a unique capacity of generating employment opportunities in villages for rural youth and women folk that constitute a large chunk of rural population. Of the various banks and financial institutions rendering financial support to the tourism sector in Kerala, the role of Kerala Financial Corporation is immense.

**REVIEW OF LITERATURE**

An extensive review of literature covering tourism industry was made for the present study. This included scholarly research studies, text books, journals, newspaper
reports, reports of the seminars and workshops, magazines, study reports of the working group and web sites of agencies involved in promotion of tourism industry and official publications of the Government. These are described below.

Menon (1991)\(^1\) conducted a study on Tourism Management and Administrative Problems in Kerala to bring out the basic issues involved in the field of tourism management and administrative hurdles in the process. The rich and vivid potential of Kerala was not adequately explored and managed with a concept. The study also highlighted that the organisational structure of tourism management lack integration. The study identified back water tourism, Ayurveda and village tourism as the unique tourism attractions in Kerala. The study recommended the establishment of a Tourism Board for the State. The study also observed that the resistance to privatization, administrative delay, excessive political interference, ineffectiveness of public sector disregard of public sentiments and public interests are the obstacles to tourism development.

Sudheer S.V. (1991)\(^2\) in his study on *Tourism in Kerala: Problems and Prospects*, observed that lack of proper planning and implementation was the major hindrance to the growth of tourism in Kerala and that the services provided by the private sector is superior to the service provided by the government sector. He identified the factors responsible for tourist attraction in Kerala is on account of natural beauty, good beaches, favourable climate and historical value and culture. The study found that the tastes of domestic tourists are slightly different from those of foreign tourists and recommended that domestic tourists may be given separate treatment. The study reported the services given by the private sector was perceived to be superior. The study also observed that there is a need of professionalisation of tourism department.
Matherson A. and Geoffrey W. (1992) in their study *Tourism -Economic Physical and Social Impacts* highlighted that the tourism has been recognised as an important sector in both developed and developing countries. This can be seen in the establishment of government departments of tourism, widespread encouragement and sponsorship of tourism developments, and the proliferation of small businesses and multinational corporations contributing to and deriving benefits from the tourism industry. There is a widespread optimism that tourism might be a powerful and beneficial agent for both economic and social change. Indeed, tourism has stimulated employment and investment, modified land use and economic structure and made a positive contribution to the balance of payments in many countries, throughout the world.

Ganesh C. (1993) in his study on *The Role of State Financial Corporations in Financing Small Industries* pointed out that Kerala State Financial Corporation has disbursed more amounts of loans and all the loans are of long term nature. The cost and terms of the loan from Kerala State Financial Corporation are found to be more attractive. Also obtaining loans from Kerala Financial Corporation is found to be a less difficult process. The study identifies various variables which helps to examine the role of KFC as the State Financial institution. Despite all these positive factors, it is observed that Kerala Financial Corporation has made less impact on the development of Small Scale Industries in Kerala.

Raji Lajipathi (1993) analyses tourism industry in detail. He elaborately evaluates the governmental and institutional role in tourism promotion and the problems of the development of tourism in India. He explains how to generate awareness among the public and highlights the importance of domestic tourism in India.
Raju Gregory (1994) in his study on Tourism in Cochin makes an attempt to study the tourism potential of Cochin, and concludes that there is enough scope for tourism attractions in Cochin area, if tapped well.

Vijayakumar B. (1995) in his study on Sustainable Development of Eco-Tourism in Kerala points out that ecotourism implies an enjoyment of nature’s beauty as well as understanding the culture and natural history of the environment. The main emphasis of his study is on the promotion of ecotourism in Kerala as it cares for the conservation of the ecotourism, while respecting the environment.

The Tourism Policy, 1995 of the Government of Kerala was framed with the main objective to give a clear direction and guidance for the various activities and programmes to be drawn up for the effective development of tourism, concentrating on the major sectors and infrastructure, tourism product, human resource and marketing.

According to Seaton and Bennet (1996) in the study Marketing Tourism Products – Concepts And Cases suggests that after determining the market trends, forecasting future targets and taking inventory of the destinations’ appeals, the next step for the destination marketer is formulating strategy and developing a marketing mix that implements it.

John and Chris (1996) of the University of Surrey, conducted a research study entitled Tourism Strategy Planning, Szolnok County, Hungary in which they observed in general, the tourism enterprises and attractions in the County were not properly used and also many destinations had made no effort for promotion.

Kamalakshy M.V. (1996) in her study on ‘Hotel Industry in Kerala with Special References to Tourism’ concluded that the majority of tourists opined that they are visiting Kerala for the first time and that too out of their curiosity. Tourist guidance
facilities, tourist information centers, transport facilities and various facilities in a hotel remain much below the average satisfaction of the tourists.

Singh (1997)\textsuperscript{12} observed that the Human Resources Development is crucial in ensuring effectiveness, quality and responsiveness in organisations to an ever changing and complex environment, on account of the fact that tourism primarily being a service industry in which the people - guests and hosts - who are in focus and whose concerns are important for the sustained development and scientific management of the industry and that employee training and development are fundamental to remaining competitive in global arena.

Joseph Antony G. (1997)\textsuperscript{13} in his study on ‘The Role of Kerala Tourism Development Corporation in the Promotion of Tourism’ highlighted how Kerala Tourism Development Corporation could contribute to the development of tourism in the State.

Ajith Kumar M.K. (1998)\textsuperscript{14} has conducted a study on the Psychographic and Demographic Profiles of Foreign Tourists Visiting Kerala with special reference to spending patterns and the study concluded that the demographic profile and life style characteristic of foreign tourists affect their spending patterns in India and Kerala.

Over the past decades, the impact of tourism has received increasing attention in discourses and studies on related development. The industry has tremendous capacity for generating growth in destination areas. On the other hand, its increasing impacts have led to a range of evident and potential problems and of the environmental, social, cultural, economic and political issues in destinations and systems, creating the need for alternative and more environment friendly and host friendly practices in development planning and policies. The demand for a more environmentally sensitive and sustainable practice in
tourism grew rapidly. The term and idea of sustainability was transferred to tourism from the ideology of sustainable development, following the publication of the Brundtland Commission’s Report, ‘Our Future’ in 2000\textsuperscript{15}.

Swarbrooke (2000)\textsuperscript{16} in the study ‘The Development and Management of Visitor Attractions’ explains that strategies are all about tourism attractions using the resources and variables they control (for example, the organisation and the product) in such a way that they achieve their goals and objectives.

Walpole and Godwin (2000)\textsuperscript{17} conducted a research study in University of Kent, titled ‘Pricing Policy of Tourism in Protected Areas: Lessons From Komodo National Park, Indonesia’ and developed a pricing policy to be adopted in protected ecotourism areas of Indonesia.

Chaudhary M. (2000)\textsuperscript{18} in his study on India’s Image as a Tourist Destination - A Perspective of Foreign Tourists with the basic objective of the determining pre and post trip perceptions of foreign tourists about India as a tourist destination. A survey of foreign tourists was undertaken to identify their expectations and to share their experiences. The study concluded that the foreign tourists under study perceived India as an inexpensive destination, with a good rail facility, while there was dissatisfaction on the quality of roads. The study also showed that India is perceived as rich in culture and heritage. The study suggests that India should use the attributes with positive perceptions to boost its image and that necessary improvements are to be planned in areas with negative perception, such as road infrastructure. The study found that there was no significant difference in expected and perceived satisfaction of British, German and Dutch tourists.
A study on the ‘Economic Benefits of the Tourism Sector in Kerala’ was conducted by M/s Tata Consultancy Services for the Department of Tourism, Government of Kerala in 2000\textsuperscript{19}. This report highlighted that major components of tourism industry in Kerala are hotel and restaurant, transportation, houseboat, health rejuvenation and tourism shopping. This report also observed that houseboat sector was found to have tremendous potential for growth, but there is felt need for more facilities. The study observed that the average duration of stay of tourists for ayurvedic treatment in ayurvedic hospitals in Kerala is 32.4 days and that the average group size of ayurvedic tourists is 2.5 persons. The study also highlights the need to provide more tourist facilities at ayurvedic tourism destinations, including shopping and entertainment facilities.

Santhosh P. Thampy (2002)\textsuperscript{20} in his research study on ‘Ecotourism Marketing With Specific Reference to Kerala’, focused on eco-tourism market potential of Kerala and in assessing the facility development needs in Kerala. It was found that wild life and bird sanctuaries and unique geographical structures were the major factors attracting tourists to Kerala. The potential for trekking, boating, viewing wildlife, wild flowers and nature photography were identified and there is need to increase the facilities. The study found that there is enormous potential for development of ecotourism and suggested that measures are to be taken to increase ecotourism facilities available in the State.

The National Tourism Policy (2002)\textsuperscript{21} was prepared for positioning tourism as a major engine of economic growth and to harness its direct and multiplier effects on employment and poverty eradication in an environmentally sustained manner. The policy document has stated the major findings of SWOT analysis of tourism industry in India. Each state in India has its own attractions in abundance to facilitate tourism. But it is
necessary for each state to move forward with specific targets and programmes to help India realize its tourism potential to the maximum.

The Vision Document of the Department of Tourism, Government of Kerala, Tourism Vision 2025, (2002)\textsuperscript{22} has the following vision statement: To make Kerala the God’s own country, an up market high quality tourist destination through rational utilization of resources with the focus on integrated development of infrastructure, conserving and preserving the heritage and environment and enhancing productivity, income, creating opportunities, alleviating poverty, thereby making tourism the most important sector for the socio economic development and environment protection of the state.

V. J. Jacob (2002)\textsuperscript{23} in the Study entitled \textit{A Study on the Lending Policy and Recovery Performance of Kerala Financial Corporation} analyses the impact of KFC loan on borrowers in respect of income, profitability and employment. The changes made in the industrial scenario of the State as a result of KFC loans are also examined. The difficulties faced by borrowers in getting loans, recovery problems of KFC, utilization of loans, over dues and reasons for over dues are studied to examine the role of KFC as a financial intermediary.

Mitra and Chattopadhyaya (2003)\textsuperscript{24} in their study on \textit{Nature Based Tourism in Arunachal Pradesh} examined the nature of demand for tourism related services generated by selected tourists spots of Arunachal Pradesh and cost benefit analysis of nature based tourism in Arunachal Pradesh. The study concluded that the State has not fully exploited the tourism potential. The top five negative impacts as per study were solid waste accumulation, depletion of forests, depletion of wild life, sewage problems and traffic congestion. The study suggested that development of tourism should plan reduce these
negative impacts and it also stated that nature based tourism can provide strong economic incentive for preservation of natural resources in Arunachal Pradesh.

The Workshop on Tourism Product Development organised by Department of Tourism, Government of Kerala and Kerala Institute of Tourism and Travel Studies (2003) concluded that the growth of tourism in Kerala became possible not just because of the marketing strategy adopted by the State, but also because of the variety of products available that laid the foundation for making it a sought after destination. The workshop proceedings identify the major tourism products in the state as beaches, back waters, ayurveda, wildlife, hill stations and cuisine, and that the thrust areas presently looked into are for the development of village tourism, MICE (Meetings, Incentives, Conventions and Events) tourism, heritage tourism, eco-tourism and medical tourism.

Regi M. A. (2004), in the study entitled “Role of SIDBI in the Development of SSI Sector in Kerala”, analyses the role played by SIDBI as a financial institution. Various variables are identified and analysed to examine the role of SIDBI with respect to the nature and form of financing and the impact made by SIDBI as a financial intermediary. The form and structure and the socio-economic profile of the units financed by SIDBI are also analysed to bring out a clear picture of the study.

UNWTO Report (2004) about the sustainability principle refer to the environmental, economic and socio-cultural aspects of tourism development and suggests that a suitable balance must be established between these three dimensions to guarantee its long term sustainability. Sustainable tourism development requires the informed participation of all relevant stakeholders as well as strong political leadership to ensure wide participation and consensus building. Achieving sustainable tourism is a continuous process and it requires constant monitoring of impacts, introducing necessary preventive
and corrective measures wherever necessary. Sustainable tourism should also maintain a high level of tourist satisfaction and ensure a meaningful experience to the tourists, raising their awareness about environmental issues and promoting sustainable tourism practices among them.

Review of the accomplishments under the Plan of Action for Sustainable Tourism Development by United Nations Economic and Social Council, Economic and Social Commission for Asia and Pacific (ESCAP), 2005\textsuperscript{28} reports the achievements during 1998-2005 in the areas of human resources development, economic impact of tourism, environmental management of tourism, infrastructure development and investment for tourism sector, facilitation of travel and regional and sub regional co-operation in tourism development, in eighteen countries including India, China, Bangladesh, Pakistan, Nepal, Sri Lanka, Thailand and Singapore.

Manoharan Nair, K. and Sudhish. G. (2005)\textsuperscript{29} in their article “Tourism Marketing in Kerala – A SWOT Analysis” concluded that it is necessary to develop aviation tours (bird watching), health tourism, backwater tourism, plantation based tourism and tree houses (erumaadam), mountaineering and trekking and also to make use of the untapped vast resource potential of our State and convert the threats into opportunities and initiate steps to prevent the weaknesses to attain development and growth in tourism sector through a better tourism policy ensure further development and growth of tourism industry in Kerala.

The Kerala State Planning Board in its draft approach paper for Kerala’s 11th Plan (2006)\textsuperscript{30} observes that investment in tourism has to be stepped up and since investments depend upon the complementary development of physical infrastructure, the State government will have to step up its outlays in relevant areas.
According to a study conducted by the Ministry of Tourism, Government of India in 2006\textsuperscript{31}, the demand for manpower in hotels and restaurants sector far exceeds the supply. The study suggests that the supply of trained manpower is not even 40 per cent of the demand. The first direct impact of this demand supply mismatch is that the hospitality industry has to do with an unacceptable percentage of untrained manpower that affects quality of service offered to the tourists.

A study in 2007\textsuperscript{32} pointed out that the medical tourism industry earned global revenue of USD 20 billion in 2005 and the Asian market comprising India, Singapore, Thailand and Malaysia stood at approximately USD 2.5 billion in 2006. While the global market is predicted to double in size to USD 40 billion a year by 2010, it is estimated that the Asian market will generate in excess of USD 4.4 billion by 2012.

Vijayan (2008)\textsuperscript{33} in his study “Tourism Development and Involvement of Local People”, highlighted the major objectives of studying the attitude of local people in tourism centres of Kerala towards tourism development, to assess the impact of tourism in the economic and social life of destination population and to study the role of officials in bringing awareness to local people regarding the benefits of tourism. The study concluded that tourism officials had not succeeded in bringing the awareness of benefits of tourism to local people.

Sunanda V.S. (2008)\textsuperscript{34}, in her study entitled “Health Tourism in Kerala with Special Reference - An Evaluation”, analyses the perception of tourists on ayurvedic health care programmes available in various centres of Kerala and to ascertain the level of their satisfaction after actual experience.
Sabu K. Thankappan (2009)\textsuperscript{35} in this study Impacts of Tourism - A Case Study of Munnar examined in detail the impact of tourism in the economy of Kerala in general and Munnar in particular.

Thomas Tharion (2009)\textsuperscript{36} in his study on “Long Term Promotional Strategy for Tourism Industry in Kerala State” aims at in analyzing the present status of tourism industry in India, particularly in the state of Kerala, to assess the potential of tourism in the state and to examine the tourist’s perception and overall level of satisfaction towards tourist experiences in the State.

Sindhu R. Babu (2009)\textsuperscript{37} in her research study on “An IT Tool for Developing Ecotourism Projects in Kerala”, examined the factors that influence ICT in the Ecotourism Industry of Kerala, to review ecotourism and IT literature in order to identify both motivating and impeding factors that influences ICT in the ecotourism industry.

\textbf{STATEMENT OF THE PROBLEM}

The State of Kerala is industrially backward even though it ranks high in terms of literacy and high physical quality of life. Limited land area, high density of population and high cost of land paved the way for lack of industrialisation in this state which fuels the present position of unemployment. Again, Kerala remains as an industrially backward state as compared to other States in India basically because of the fact that our economy is not best suited for operating large scale industries on account of limited landed area and high density of population.

Though, the State of Kerala ranks high in terms of literacy, it faces the crucial problem of unemployment and underemployment. Therefore it is clear that the services sector is the most preferred path for alleviating the problem of unemployment and also for
generating income for economic development in Kerala. All these call for establishment of business which is best suited to our economy and think in terms of service industries like tourism. Now this sector generates income both in domestic and external fronts and provides employment opportunities to the people of Kerala.

In this scenario there is ample scope for developing tourism industry in Kerala based on the geographical strength which contributes to the economy of Kerala. This fact was realised by the Government and a lot has been done for its development. Geographical locations, scenic beauty, beaches and resorts, festivals, rituals, ethnic culture and ayurveda treatment are the strengths upon which the tourism sector flourishes in Kerala and Kerala is one of the best tourism brands in the world based on our geographical and scenic features.

Because of the tourism development initiatives taken by the Government, now this sector provides income both in domestic and external front and provides employment opportunities to the people of Kerala. Kerala, renowned as God’s Own Country, has long attracted holidaymakers from across the world and has emerged as one of the leading destinations in the world. Investments in tourism infrastructure fuels generation of employment as well as income in the economy of India in general and the economy of Kerala in particular. So the State has made concerted efforts to develop tourism in the State and has succeeded in gaining recognition as one of the top must see tourism destinations in India. But Kerala now faces stiff competition from within and outside India. At this juncture where there are signs of poor prospects of the manufacturing sector, and when agricultural and other traditional sectors confront severe threats, there is a need for development of tourism infrastructure and basic amenities. More planned efforts and initiatives from the part of the government to attract private investments in this
sector is the need of the hour. Infrastructure and superstructure development has to take place appropriately, without much delay so as to meet the demand and supply in the tourism sector. For meeting both the ends there is a need for developing this sector in accordance with the global standards of services and for this it needs financial support.

Finance is a key factor for production, distribution and development. It is therefore aptly described as the life-blood of industrial activities. Inadequate or untimely availability of finance may bring hardships to the depending units in particular and the process of industrialization in general. In tourism industry also this aspect holds good. Thus in the process of the growth and development of tourism industry, the role of financial institutions is highly relevant. Development of this sector requires huge financial commitments as tourism has to be planned from an international perspective. The business units under tourism industry in Kerala require financial support for meeting short term and long term requirements.

In Kerala, except the banks that function at national level and which are guided by national policies, financial assistance is provided by State sponsored financing agencies like Kerala Tourism Development Finance Corporation, Kerala State Industries Development Corporation, Kerala Financial Corporation (KFC) and others. Department of Tourism has identified Kerala Financial Corporation as one of the prime finance providers of tourism in the State.\(^{38}\) Being the oldest state financial institution, Kerala Financial Corporation should be at the forefront in creating awareness among the public about the infinite opportunities in tourism and for providing schemes for financial assistance to the genuine tourism entrepreneurs. Among the various institutions extending financial support to the tourism sector in Kerala, the role of State Financial Corporation is significant.
Hence, the present study is to look into the role of Kerala Financial Corporation in the development of tourism sector in Kerala.

SIGNIFICANCE OF STUDY

Tourism has now become one of the world’s largest and fastest growing industries. The international tourist arrivals have grown at an average rate of 4.1 percent. This outstanding performance can be attributed to the various factors like rising levels of disposable income, improvement in transportation and introduction of low cost airline service, easier access to destinations by tourists from traditional source markets. Now the tourism industry developed new products such as cultural tourism, adventure tourism, medical tourism, ayurveda tourism and eco tourism. In the export front, it is one of the prominent sources of export earnings to our country and employment generation directly and indirectly and it contributes a lot to the development of the economy of Kerala.

Kerala has high potential for tourism growth. Government of Kerala has taken several initiatives for the sustainable tourism development in the state and has succeeded in getting several awards and other recognitions for being one of the leading tourism destinations in India. Kerala is one of the earliest states in India to announce industry status for tourism with various incentives and subsidies to attract investment. This itself shows the importance of tourism sector in the economy of Kerala on account of the gaining importance of this sector. On account of the importance of this sector main lending institutions like the Kerala Financial Corporation, Travel Financial Corporation of India and Kerala State Industrial Development Corporation have come forward in funding the tourism projects. These efforts were aimed at creating an investment friendly atmosphere for tourism in the state. The State has also adopted many proactive measures to stimulate investment in tourism industry like a system for fast track clearance of
tourism projects, subsidies, technical guidance, marketing assistance and support in availing loans. So also they direct certain institutions at the state level to finance tourism industries for its development and growth. In this scenario more initiatives are needed in the state of Kerala to create a more investor friendly climate and attract private investment with respect to the tourism sector. Along with attracting new entrepreneurs in this field, there is a need for protecting and safeguarding the interests of the existing tourism units by remedying the problems. Of the various problems, finance and its availability are most crucial. In this respect one of the state financial institutions providing financial support to tourism sector in Kerala is Kerala Financial Corporation.

Among the various institutions extending financial support to the tourism sector in Kerala, the role of State Financial Corporation is significant. The Department of Tourism has placed Kerala Financial Corporation as one of the leading finance providers of tourism in the State. KFC was established in order to encourage, promote and aid the industrialization of Kerala by providing long term loans to industrial units, to start new units and also to expand or diversify and to modernize the existing units. Being the state financial institution, Kerala Financial Corporation should be at the forefront in creating awareness among the public about the infinite opportunities in tourism and providing schemes for financial assistance to the genuine tourism entrepreneurs.

Kerala Financial Corporation, posing itself as the state financial institution, has a great role in shaping and extending support for the development of tourism industry in Kerala. The present study analyses the role of KFC as a financial institution in several folds viz., the role as the financial intermediary, as a catalytic agent, as a creator of money, as a promoter and as a counselor with respect to tourism units in Kerala. The present study is mainly an assessment of the role of KFC in fostering tourism industry. It tries to
analyse the nature and form of financing of KFC and the impact made by KFC loans on borrowers in respect of income, employment and profitability. The changes made in the industrial scenario of the State as a result of loans given by KFC are examined. Also, the problems and the difficulties experienced by tourism borrowers in availing loans, utilization of loans by the borrowers and also the extent of support rendered by KFC to the growth of tourism units through their financial schemes and assistance are also enquired into in this study.

It is seen from the review of literature that studies on tourism industry was conducted by several researchers but the study on the role of financial institutions in the development of tourism industry in Kerala is rare. So far no study has been conducted to understand the role of Kerala Financial Corporation in the development of tourism sector in Kerala. The present study is conducted to fill up these lacunae. Hence, the need for examining the role played by the Kerala Financial Corporation in the development of tourism in Kerala is unique in its kind and the study is significant.

SCOPE OF THE STUDY

The present study makes an in depth study on the role of Kerala Financial Corporation in the development of tourism in Kerala. In this, the study basically examines the nature and form of assistance rendered by Kerala Financial Corporation in comparison with other institutions. The study tries to identify the problems and prospects of borrowers of tourism finance in Kerala, with special reference to Kerala Financial Corporation. The study also look into the impact made by KFC on tourism sector of Kerala.

The study will enable the State Government, Kerala Financial Corporation, Department of Tourism and other financial institutions to understand the assistance
rendered and the problems faced by the borrowers in obtaining and utilizing of tourism finance in Kerala. The feedback received from them will help to improve the nature and form of assistance and also to overcome the problems faced by the borrowers of tourism finance in Kerala with special emphasis to KFC. Also it will help these institutions to devise plans and formulate policies to promote and strengthen the tourism in Kerala which will eventually result in the development of tourism sector in Kerala. Hence the study is useful and relevant to all the stakeholders of tourism sector in Kerala.

OBJECTIVES OF THE STUDY

The present study has the following objectives:

1. To look into the nature and form of assistance given by KFC and other financial institutions to the tourism finance borrowers in Kerala.

2. To identify the form and structure of the tourism units aided by KFC and other financial institutions in Kerala.

3. To study the socio-economic background of tourism entrepreneurs who are financed by KFC and other financial institutions in Kerala.

4. To study the various factors influencing the tourism entrepreneurs to obtain loans from KFC and others.

5. To examine the role of KFC in the development of tourism sector in Kerala.

6. To identify the problems faced by the entrepreneurs of tourism in obtaining financial assistance from KFC and other institutions in Kerala.

7. To assess the impact made by KFC in the development of tourism sector in Kerala.
HYPOTHESES OF THE STUDY

The study formulated the following hypotheses:

1. There exists no difference between KFC and non KFC aided tourism units in the type of revenue generated.

2. There is no difficulty in obtaining loans from KFC.

3. There exists no difference in the nature of difficulties faced by the borrowers of KFC and others.

4. There is no difference in the annual income of tourism units assisted by KFC and other agencies.

5. There is no difference in the form and structure of tourism units of KFC and other agencies.

6. There is no difference between KFC and non KFC in the disbursement of long term loans.

7. There is no difference between KFC and non KFC in the amount of loans disbursed.

8. There is no difference between KFC and non KFC aided tourism units in the income before and after availing loans.

9. There is no difference in the variation in the amount of loans applied and sanctioned between KFC and non KFC units.

10. KFC has not made any impact in the development of tourism sector in Kerala.
PERIOD OF STUDY

The survey for the study was carried out during 2009-2010. Those units who availed financial support within a period of 10 years between 2000-2010 from Kerala Financial Corporation and other financial institutions are taken into account.

METHODOLOGY

The study is both explorative and descriptive in nature. Exploratory research was done to get a better understanding of the tourism unit and tourism products of Kerala and various aspects related to financing tourism units in Kerala. At the stage data was mostly collected through the observations, discussions and from published material. Extensive literature survey was carried out to identify relevant variables to be included in the descriptive study.

SOURCES OF DATA COLLECTION

The data for the present study has been collected from both secondary and primary sources.

Secondary Data

Secondary data have been collected from the following sources, viz.

- Annual reports of KFC and various publications of KFC.
- Published reports of Directorate of Tourism, Government of Kerala, Ministry of Tourism, Government of India, District Industries Centres and District Tourism Promotion Councils.
- Plan documents of both Central and State government.
Primary Data

Primary data required for the study was collected through survey of the tourism entrepreneurs in Kerala using a structured interview schedule. Also relevant information was collected through holding discussions with various officials of KFC, other financial institutions and Department of Tourism, experts in tourism and academicians.

SAMPLE DESIGN

Random sampling method was used for the selection of sample units for the study. The entire data was classified based on region-wise distribution as depicted in Table 1.2 which is developed on the basis of the official records furnished by the Directorate of Tourism, Government of Kerala. Also standard statistical methods were suitably followed for formulating the sample size.

Selection of Sample Districts

The population of the study is the entire tourism units in Kerala. There are 3997 tourism units spread all over Kerala. In the first stage, the State of Kerala is divided into
three regions, namely southern, central and northern. Then three districts are identified from these three regions by selecting one district each from each region based on the location of the number of tourism units. The district having the maximum number of units in each region is chosen for the study. The district-wise and region-wise location of units in Kerala are given in Tables 1.1, 1.2 and 1.3.

For the purpose of the study the Kerala state is divided into three regions viz., south, central and north. In the southern region, Thiruvananthapuram district is identified as sample district which comprises 654 units (47.77 per cent) out of a total of 1369 units in southern region. In the central region, Ernakulam is identified as sample district which has 698 units (43 per cent) out of the total of 1624 units in central region. In the northern region, Malappuram district is identified as sample district with 209 units (25 per cent) out of a total of 1004 units in northern region.

SELECTION OF THE SAMPLE UNITS

Random sampling technique is used for the selection of respondents. 10 per cent from each of the region making a total of 400 units are taken for the study. The units were chosen randomly from each region i.e., 137 units (10 per cent of 1369 units in southern region) from Thiruvananthapuram district, 163 units (10 per cent of 1624 units in central region) from Ernakulam district and 104 units (10 per cent of 1004 units in northern region) from Malappuram district. This sample comprises of tourism units financed by Kerala Financial Corporation (KFC group) and also units financed by other financial institutions (non KFC group).

In aggregate, a total sample of 400 units is chosen for the study. This is equal to 10 per cent of the total number of 3,997 tourism units spread all over in Kerala by way of sole trader, partnership, public sector, private sector and public limited company. It is also
equal to 10 per cent of the sole trader units (256 units), partnership units (96 units), private limited units (25 units), public sector units (17 units) and public company units (6 units). The details of the district-wise and ownership-wise number of tourism units in Kerala is presented in Table 1.1. Also the region-wise distribution of tourism units is given in Table 1.2 and the details of the selection of units for the study is given in Table 1.3.

Table 1.1

District-wise and Ownership-wise Location of Units in Kerala

<table>
<thead>
<tr>
<th>District</th>
<th>Proprietary Concerns</th>
<th>Partnership Concerns</th>
<th>Private Ltd</th>
<th>Public Sector</th>
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<tr>
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<td>698</td>
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<tr>
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<td>17</td>
<td>1</td>
<td>369</td>
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<tr>
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<td>209</td>
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<td>Kozhikode</td>
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<td>957</td>
<td>251</td>
<td>173</td>
<td>58</td>
<td>3997</td>
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</table>

Source: Provisional Report, Department of Tourism, Government of Kerala
Table 1.2
Region-wise Distribution of Tourism Units in Kerala

<table>
<thead>
<tr>
<th>Southern Region</th>
<th>No. of Units</th>
<th>Central Region</th>
<th>Number of Units</th>
<th>Northern Region</th>
<th>No.of Units</th>
<th>Total Tourism Units in Kerala</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thiruvananthapuram</td>
<td>654</td>
<td>Kottayam</td>
<td>272</td>
<td>Malappuram</td>
<td>209</td>
<td></td>
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<tr>
<td>Kollam</td>
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<td>Idukki</td>
<td>285</td>
<td>Palghat</td>
<td>196</td>
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<tr>
<td>Pathanamthitta</td>
<td>77</td>
<td>Ernakulam</td>
<td>698</td>
<td>Kozhikode</td>
<td>169</td>
<td></td>
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<tr>
<td>Alapuzha</td>
<td>476</td>
<td>Trissur</td>
<td>369</td>
<td>Wynad</td>
<td>166</td>
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<td>Kannur</td>
<td>173</td>
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<td></td>
<td></td>
<td></td>
<td>Kasaragod</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1369</td>
<td></td>
<td>1624</td>
<td>1004</td>
<td>3997</td>
<td>400</td>
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<tr>
<td>10% of the Units Selected</td>
<td>136.9 (137)</td>
<td></td>
<td>163</td>
<td>104</td>
<td>(399.7) 400</td>
<td></td>
</tr>
</tbody>
</table>

Source: Provisional Report, Department of Tourism, Government of Kerala

Table 1.3
Sample Selection of Three Districts from the Three Regions

<table>
<thead>
<tr>
<th>Regions</th>
<th>Total</th>
<th>Sample District</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern</td>
<td>1369</td>
<td>Thiruvananthapuram</td>
<td>137</td>
</tr>
<tr>
<td>Central</td>
<td>1624</td>
<td>Ernakulam</td>
<td>163</td>
</tr>
<tr>
<td>Northern</td>
<td>1004</td>
<td>Malappuram</td>
<td>100</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3997</td>
<td></td>
<td>400</td>
</tr>
</tbody>
</table>
DATA COLLECTION TOOLS

Primary data was collected with the help of an interview schedule. The interview schedule was administered to borrowers of tourism finance in Kerala.

A pilot study was conducted by interviewing 50 respondents in Thiruvananthapuram district. Both primary and secondary data were collected for the study. The interview schedule was finally designed in consultation with the experts in tourism, officials of KFC, academicians and tourism entrepreneurs.

The responses of pilot study were collected and entered into the Statistical Package for the Social Sciences (SPSS) software version 17.0 data analysis system. A Cronbach’s alpha coefficient was computed to determine the internal consistency (reliability) of the instrument. Cronbach’s alpha is to provide evidence of the reliability of the instrument and to identify the reliability of the instrument (Smith, 2006). The Cronbach’s alpha coefficient obtained for the identified items in the pilot study was equal to 0.7. This recommends the reliability of the instrument.

An expert panel was formed to establish the validity of the interview schedule items. In addition to determining the validity, the expert panel was requested to judge the instrument for wording, format and clarity. Primary data was collected with the aid of the interview schedule after pretesting.

The administered interview schedule is furnished in the Appendix - I.

Tools and Method of Analysis

The collected data was tabulated and organized segment-wise and category-wise. The Statistical Package for the Social Sciences version 17.0 (SPSS 17.0) was utilized for
analyzing the data. The data so classified are analysed and interpreted suitably by using statistical tools like Percentage Analysis, Weighted Average, Chi Square test, Analysis of Variance (ANOVA), Kendall Tau-b, T-test, F-test, Pearson(r), Spearman rho, etc.

VARIABLES IDENTIFIED AND USED IN THE STUDY

The variables for the study were identified from studies included in the literature review and also from the discussion with tourism experts, officials of KFC and other financial institutions, academicians and tourism entrepreneurs. Earlier studies on tourism, Kerala Financial Corporation and other financial institutions were considered for the careful selection of variables. These variables were suitably used in the interview schedule for the study.

a. Role of KFC in the development of tourism industries in Kerala:

The Kerala Financial Corporation play an important role in developing the Tourism Industry on par with others industries in Kerala. The role is analysed by taking the roles performed by a financial institution viz., as a financial intermediary; as a catalytic agent, as a creator of money, as a promoter and as a counselor. The variables taken for evaluating the said roles of KFC are:

1. Amount of loans disbursed
2. Type of loans disbursed
3. Purpose of loans
4. Stages of financing
5. Interest rate of loans
6. Cost of borrowings
7. Type of expenses incurred in cost of borrowings
8. Training rendered by the agency
9. Hand holding support of the agency
10. Guidance and assistance in implementing the projects
11. Guidance and support in monitoring of the projects
12. Source of information
13. Financial assistance to new entrepreneurs of tourism
14. Financial support for modernization/expansion of units
15. Schemes for additional facilities/diversification of units
16. Takeover of loan facility
17. Schemes for conducting fairs and exhibitions
18. Schemes for infrastructural development
19. Scheme for development of women entrepreneurs
20. Co-operation and support of officials
21. Reward for prompt payments
22. Convenient repayment schedule
23. Premature closing
24. Approach of agency at times of default

25. Inspection of the units

b. For assessing the form and structure of KFC aided units and the socio-economic profile of entrepreneurs:

1. Location of the unit

2. Size of the business

3. Nature and category of business

4. Nature of tourism units financed by KFC and other institutions

   a. Accommodation

   b. Travel and tours

   c. Wayside amenity centres

   d. Wellness centres

   e. Souvenir shops

5. Types of revenue generated

   a. Domestic

   b. Foreign

6. Profile of entrepreneurs:

   a. Sex
b. Age

c. Education

d. Experience

e. Category

f. Training

g. Income level

c. Nature and form of assistance of KFC

1. Type of loans

2. Purpose of loans

3. Cost of borrowings

4. Quantity of loans disbursed

5. Gestation period of loans

6. Repayment schedule

7. Disparity in the amount applied & sanctioned

8. Time lag between application and sanction

9. Time lag between sanction and disbursement

10. Cooperation of the officials

11. Default in making payments
12. Difficulty experienced in obtaining the loans.

d. For assessing the impact made

1. Income earned

2. Employment generation

3. Sales turnover

4. Profitability

5. Number of working days increased.

LIMITATIONS OF THE STUDY

The study suffers from the following limitations:

The survey was conducted only in three districts to keep it in manageable limits. The findings of the study are based on the information and opinions of the respondents which might have its own limitations. The attempted objectivity has naturally been restricted by the extent of respondent’s readiness to give the real or factual information. All possible efforts have been made to elicit authentic information.

SCHEME OF THE STUDY

The study is divided into the following five chapters:

Chapter I: Introduction

This chapter gives a brief introduction of the study, review of literature, statement of the problem, significance of the study, scope of the study, objectives and methodology
of the study. It also outlines the hypothesis, sample design, sources of data collection and tools for data collection, tools of data analysis, period of study and limitations of the study.

Chapter II: Tourism industry and Kerala Financial Corporation – an overview:

This chapter presents an overview of tourism industry in the world, India and Kerala and the role of financial institutions in the development of tourism industry and profile of the Kerala Financial Corporation. This is presented in three sections.

Chapter III: Analysis of the form, structure and socio-economic profile of KFC aided and other agency aided units in Kerala:

This chapter deals with the analysis of the socio-economic profile of entrepreneurs of the tourism sector in Kerala. It also deals with the form and structure of units assisted by the Kerala Financial Corporation. This chapter identifies the factors influencing the tourism finance borrowers of tourism units which are financed by KFC and other institutions, in availing loans from the financial institutions.

Chapter IV: Analysis of the role and impact made by KFC in the development of tourism industry in Kerala

This chapter outlines the role of KFC in the development of tourism industry in Kerala, the problems encountered by tourism entrepreneurs in obtaining and utilizing finance and the impact made by KFC in the tourism industry in Kerala.

Chapter V: Summary of findings, conclusions and suggestions

This chapter gives information about the findings of the analysis carried out in the previous chapters, conclusions and suggestions for improving the performance of KFC for the development of tourism sector in Kerala.
REFERENCES


