Chapter I
Introduction

Over the past six decades, tourism has experienced continued growth and diversification to become one of the largest and fastest growing economic sectors in the world. As per the estimates of the World Travel and Tourism Council (WTTC), in 2010 taking its direct and indirect contributions together - tourism contributed around 9.2 per cent of the global Gross Domestic Product (GDP). With significant rise in the number of tourist destinations and swelling of both inward and outward tourist inflows from countries, the tourism sector in many countries of the world has emerged as a key driver of economic growth.

As per WTTC estimates, in 2012, the direct contribution of travel and tourism to world GDP was USD 2056.6 billion (2.9 per cent of GDP). WTTC’s forecast was that tourism receipts would grow by 3.1 per cent to USD 2120.4 billion in 2013. These figures primarily reflect the economic activities generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuters’ services). These also include the activities of the restaurant and leisure industries directly supported by tourists. Taking these subsectors

together, tourism’s direct contribution to GDP is expected to grow by 4.4 per cent to USD 3249.2 billion (3.1 per cent of GDP) by 2023.\(^2\)

Tourism’s economic influence and opportunity was realized in the 1960’s by the developed countries like France, UK, USA and others who used tourism as part of an integrated growth strategy to fuel urban regeneration, develop transport systems, finance rural expansion and catalyze private involvement through employment and economic growth.\(^3\) As travel becomes cheaper and accessible, thanks to the direct impact of mass tourism, developing countries offered the prospects of exotic destinations and products to capture the fast expanding markets serviced by travel companies. However, this economic focus has rendered tourism-induced development devoid of environmental concerns,\(^4\) a core but unresolved issue over the years. Embedded in socially and environmentally inclusive approaches, tourism has a decisive role to play in developing economies than ever before. The implementing agencies in the given context are seen involved as catalysts in the process of promotion of sustainable practices in tourism destinations.

An overview of the Economic Benefits of Tourism is called for to understand the progressively greater thrusts placed in countries on tourism development. Tourism now directly and indirectly supports around 260 million jobs worldwide.\(^5\) The sector provided direct employment to around 98 million persons during 2011.

\(^3\) Mira Seth, ‘Tourism in India: Some Thrust Areas’, *Yojana*, August, 1996, pp7-8
Researchers have shown that tourism can be used as economic strategy since it could create jobs, bring more foreign exchange and promote development of other industries. All these economic effects are supposed to improve quality of life of the residents. Ritchie noted that in Alberta Canada, most of the respondents considered tourism as an important tool in creation and sustaining job positions. Liu and Var found that tourism could bring more investment to community and local business; while Wan asserted that residents have positive perceptions towards improved facilities.

<table>
<thead>
<tr>
<th>Table 1.1: International Tourism Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destination</td>
</tr>
<tr>
<td>World</td>
</tr>
<tr>
<td>High Income Countries</td>
</tr>
<tr>
<td>Developing Countries</td>
</tr>
</tbody>
</table>

Source: UNWTO (2008): Tourism Highlights, 2008;p34

The Third World Countries are actively pursuing tourism growth in their countries. These countries are particularly interested in international tourism, believing that it brings in numerous economic benefits including employment opportunities, small

---

business development and foreign exchange earnings. Such countries assume that earning capacity can be enhanced by attracting tourists who can afford luxury goods and services; despite the fact that this often leads to a country’s dependence on imported products, foreign investment and expatriate skills, and thereby results in repatriation of profits. However, it is also argued that, those financial benefits received from tourism development in the Third world countries rarely trickle down to grass root level to be of any significance to people. Brown questions the presumption of high spending tourists bring greatest benefits to such countries and instead, argues for budget tourism as a cover up in such a situation.

The bulk of the tourists’ travelling to Less Developed Countries (LDCs) resort to inclusive tours. Tour operators have revolutionized tourism since the 1960s through their successful packaging of transport, accommodation and additional services. As Lea points out, this has raised the potential volume of sales far above the independent’s services availed by tourists. The bargaining power of the tour operators with the suppliers of the tourism industry has been considerably enhanced. They can lower their costs by negotiating lower airfares and hotel accommodation prices due to their guarantee of block bookings. Ascher observed that the decade of seventies and eighties witnessed the situation whereby a few tour operators have

---

grown to the size of multinational companies which control large percentage of the
tourism market. The actual location of such companies put them at a strong initial
advantage. Such a situation put LDCs in a disadvantageous position as they cannot
control tourist influx from abroad.

The adverse environmental implications of tourism growth are frequently cited in
literature.¹⁸ Chakraborty¹⁹ argued that the construction boom in Sikkim and pattern
of construction in Gangtok and other urban centers have threaten the prospects of
transforming the State into eco-friendly destination and greenest place in India.

Tourism can generate the necessary revenue to protect and preserve biodiversity
and also can act as a force for environmental preservation especially in developing
countries. Game parks and nature preserves are centres of institutional strength and
act as focus for tourism development in rural areas. Tourism helps generate
resources to maintain these protected areas. As illustrated by Royal Chitwan
National Park in Nepal, the Masei Mara, Kenya and the Rain Forest in Costa Rica,
tourism not only can help to preserve the environment, but also have greater
potential to reach local and rural communities as compared to other sectors.²⁰

Example of tourism expansion that have ignored the local development are well
known. Tourism facilities are often built on pristine land without prior consultation
with local community. With the rise of mass tourism, the threat of destructions of

¹⁸ E. Cater, Sustainable Tourism in the Third World: Problems and Prospects, Discussion Paper
¹⁹ Anjan Chakraborty,' Tourism in Sikkim: Quest for Self Reliant Economy', NEHU Journal,
Vol.III, No.1, 2009, p89
fragile ecosystem and coastal regions, local culture and depletion of natural resources increases.21

I.1. THE IMPORTANCE OF TOURISM DEVELOPMENT IN SIKKIM:

Sikkim was annexed to the Union of India in 1975. The growth experience of the state since then has not been encouraging. Rudimentary agricultural practices, sick industries and over-dependence on tertiary sector, especially on public administration, have made this State dependent on centrally-sponsored schemes in each and every sphere of economic activity.

Table 1.2 shows Sectoral Contribution of GSDP of Sikkim during the period from 1980-81 to 2004-05:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>51.59</td>
<td>50.96</td>
<td>46.49</td>
<td>39.41</td>
<td>25.52</td>
<td>20.54</td>
</tr>
<tr>
<td>Secondary</td>
<td>18.11</td>
<td>16.46</td>
<td>12.97</td>
<td>18.80</td>
<td>19.73</td>
<td>30.22</td>
</tr>
<tr>
<td>Tertiary</td>
<td>30.30</td>
<td>32.58</td>
<td>40.54</td>
<td>41.79</td>
<td>54.75</td>
<td>49.24</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

QE: Quick Estimate.
Source: Govt. of Sikkim, Sikkim A Statistical Profile 2004-05, Directorate of Economics, Statistics, Monitoring and Evaluation (DESME), p24

The sectoral distribution of State income shows (Table 1.2) that the percentage shares of primary sector (agriculture and allied services) declined from 51.59 per cent to 20.54 per cent during the period of 1980-81 to 2004-05. The progress of secondary sector has shown rising trend since 1995-96 onwards while the tertiary

---

21 Ibid, p17
sector has not only increased its contribution during the period of 24 years but also replaced primary sector as main money spinner for the economy during the period. During 1980-81, the contribution of tertiary sector was 30.3 per cent which went up to 49.24 per cent during the period. Within the tertiary sector, subsectors like transport, banking, insurance, communication, public administration accounts for larger share in the GSDP.

Tourism in the given context provides an avenue to Sikkim to generate income and employment opportunities for its people and also generate revenues for the State treasury. In fact, the specific topographical and geographical features of the State have made it a natural tourist destination in the North East of India.

An important feature of tourism is that it is a labor intensive industry, a particularly attractive aspect in economies with a number of poorly educated or unskilled workers, a characteristic that applies to many rural areas. It thus helps reduce income inequality and poverty. Further, in the tourist peripheral destinations, with the direct consequence of restraining the propensity to immigrate and keeping the population in its own place.

Tourism-induced social and cultural functions, such as interaction between hosts and guests and the development of infrastructure, recreation facilities and entertainment opportunities, may enhance quality of community living. The growth of tourism is, therefore, more than an increase in hotel rooms, number of

---

visitors and tourist expenditures; it has an effect on quality of life at the destination. In addition to the improvement of the living standard of populations in tourism areas, it can bring about significant improvement in their cultural standards as well.

Bhattacharjee’s and Ganguli’s study\(^\text{24}\) has highlighted the community initiatives in achieving sustainability through inclusive tourism practices among North Eastern States’ and West Bengal. The study concluded that the success stories of the community inclusive projects like Lava, Lataguri, Tinchuley or Manas prove that community empowerment through tourism initiatives is a practical and powerful way of sustaining economic and environmental well being of the fringe societies near national parks.

Tourism areas usually expand industrial and agricultural production base so as to meet the demands of increase in tourist influx including the activities of various service related industries like transportation, telecommunication, banking, travel agencies etc. A balanced and harmonic growth of tourist economy in relation to other sectors of economic activity and mainly the most basic sectors, agricultural and industrial economy, ensures the production of tourist products, which are necessary for the satisfaction of tourist needs or wishes.

Tourism contributes to income sector through its contribution to not only GDP but also to destinations’ aggregate income. The income from tourism appears to be distributed throughout a wider population stratum, enhancing the income of less

developed areas that rely heavily on tourism during tourism season. This constitutes a factor of primary importance towards strengthening the development of the periphery in developing countries like India.

While tourism provides considerable economic benefits to many countries, regions and communities, its rapid expansion, as mentioned earlier, can be responsible for adverse environmental and socio-cultural impacts including natural resource depletion and environmental degradation. The fact that most tourists choose to maintain their pattern of relatively high consumption (waste generation) levels in the places they visit can be a particularly serious concern for developing countries and the regions that lack sufficient or appropriate means for protecting their natural resources and local ecosystem from the pressure of mass tourism. The two environmental impacts of tourism are:25

Firstly, in addition to creating pressure on the prices and availability of resources consumed by local residents such as energy, food and basic raw materials—tourism poses direct threat to the natural resources like land, freshwater and marine resources. Without careful land use planning, rapid tourism development can intensify competition for land resources with other uses lead to rising land prices. Moreover, intensive tourism development can threaten natural landscape through deforestation, loss of wetlands and soil erosion.

Tourism industry also generates waste and pollution. Disposal of liquid and solid waste generated by tourism has been a particular problem for many developing

countries and regions that lack capacity to use these waste materials. Disposal of such untreated waste can contribute to reducing the ability of natural resources such as fresh water.

The tourism practices in mountain regions, small islands, coastal areas etc. are subjected to unsustainable ways of managing resources which can lead to closer of tourism activities in fragile locations.

1.2. STATEMENT OF THE PROBLEM:

Sikkim was a monarchical State and an Indian protectorate till it merged as the 22nd State of Indian Union on 16th May, 1975. The place was known mainly for monasteries, palaces and heritage sites.26 The State covers only 0.2 per cent of the India’s total land area, but it is home to roughly one third of the nation’s biodiversity,27 which includes hills ranging in altitudes from 200 metres to over 8000 metres, 4000 species of flowering plants, 600 species of birds, flora and fauna and some rare orchids.28 The State boosts of twenty eight mountain peaks, twenty one glaciers, 227 high altitude lakes, five hot springs and over 100 rivers and streams.29 Eight mountain passes bridges the gap between Sikkim and neighboring countries like Tibet, Bhutan and Nepal.

---

27 Govt. of Sikkim, Preparatory Study on Integrated Project for Sustainable Development of Forest Resources in Sikkim, Final Report, Forest, Environment and Wildlife Management Department (FEWMD), Gangtok., 2009, p-9
28 Govt. of Sikkim, Sikkim: Genuine Commitment and Unique Achievement, Department of Information and Public Relations, Govt. of Sikkim, 2001, p-53
29 Govt. of Sikkim, Sikkim Statistical profile, 2004-05, Department of Economics, Statistics, Monitoring and Evaluation (DESME), p5
The State is situated amidst the Eastern Himalayas at the North latitude of 27 to 28 degrees and East longitude between 88 to 89 degrees. It is the least populous State in India and the second smallest State in terms of areas after Goa\(^{30}\). Despite its tiny size, Sikkim is geographically diverse owing to its location at the Himalayan foothills. Terrain ranges from 244 metres at Melli to 8598 metres at Mount Kanchendzonga, the world's third highest peak are located in the State, straddling its North border with Nepal. Sikkim is extending approximately 114 km from North to South and 64 km from East to West. The State is encircled by vast stretches of Tibetan Plateau in the North, the Chumbi Valley of Tibet and the Kingdom of Bhutan to the East, Darjeeling (West Bengal) to the South and the Kingdom of Nepal to the West. The total geographical area of the State is 7096 sq km. Of the total geographical area, about 30 per cent has permanent snow covered by glaciers and steep rocks. The Teesta River is the main river of the State which originates as Chhombu River from glacial Khangchung Lake at the elevation of 5280 metre in the North-West corner of the State.\(^{31}\)

People of Sikkim are engaged in different economic activities; prominent among these are agriculture, horticulture, forestry, tourism and cottage type industrial activities. Approximately, 11 per cent of the total geographical area in the State is under agriculture.\(^{32}\) Agriculture is generally of the subsistent type and investment in this sector has remained inadequate resulting decline in production. In the industrial

---

\(^{30}\) ibid, p-5
\(^{32}\) Govt. of Sikkim, *Sikkim: Genuine Commitment and Unique Achievement*, Department of Information and Public Relations, 2001, p-56.
front also Sikkim is lagging behind most States’ of Indian Union. It is having a few industrial units likes the Sikkim Time Corporation (SITCO) at Gangtok, the Sikkim Jewels Ltd. at Tadong, the Temi Tea Estate at Temi Tarku, among others. Most of these industrial units, of course, are either sick or potentially sick. In fact, the industrial sector in Sikkim so far could neither any worthwhile revenue for the government nor could provide any sizeable employment opportunity for the local population.33

The specific geographical and economic landscapes of Sikkim, as narrated above, combined with State’s cultural heritage have brought the tourism industry in Sikkim to prominence. Given the industry’s growth potential in Sikkim and also its observed ability to generate employment and income for people in such peripheral regions, the Government of Sikkim has been according high priority to tourism promotion and development. To facilitate the growth of tourism industry in the State, the first Master Plan for Tourism (1997-2011) was commissioned conducted by Tata Economic Consultancy Services. This follows “20 Years Perspective Plan for Sustainable Tourism Development in the State of Sikkim”34 and also Master Plan for Development of Trekking in Sikkim (2003) conducted by Indian National Trust for Art and Cultural Heritage (INTACH). In 2010, first ever Tourism Policy was adopted by the Government of Sikkim followed by draft Ecotourism Policy in 2011; and also according tourism as infrastructure industry status in the State.

33Ibid p-57.
Thanks to these policy initiatives at both Central and State governmental levels, the tourism industry in Sikkim could register in the recent past impressive growth rates. The Department of Tourism, Govt. of India recognized that effort and awarded Sikkim with the National Award for the Best Tourism Performing State in the North East for five consecutive years during the period 1998-99 to 2002-03. In the year 2006-07, the State of Sikkim has bagged the award for the Best State for Tourism related programs along with Madhya Pradesh.

The Tenth Five Year Plan documents (2002-07) and the Industrial Policy of the Sikkim have identified tourism as the major thrust area in pursuing long term development strategy of the State\(^{35}\). The plan document envisage that multiplier impact of tourism with immense potential for employment generation in a regionally balanced manner would make tourism, the leading industry in the State, to play a prominent role for industrial development of the State.

---

### Table 1.3 List of Awards Received by Sikkim during 1998-2008

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>Year</th>
<th>Name of Awards</th>
<th>Awarder</th>
<th>Awardees</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>1998-99</td>
<td><strong>Best Tourism Performing State in the North East.</strong></td>
<td>Ministry of Tourism, Govt. of India.</td>
<td>Tourism Department, Govt. of Sikkim.</td>
</tr>
<tr>
<td>02</td>
<td>1999-2000</td>
<td><strong>Do</strong></td>
<td>Do</td>
<td>Do</td>
</tr>
<tr>
<td>03</td>
<td>2000-01</td>
<td><strong>Do</strong></td>
<td>Do</td>
<td>Do</td>
</tr>
<tr>
<td>04</td>
<td>2001-02</td>
<td><strong>Do</strong></td>
<td>Do</td>
<td>Do</td>
</tr>
<tr>
<td>05</td>
<td>2002-03</td>
<td><strong>Do</strong></td>
<td>Do</td>
<td>Do</td>
</tr>
<tr>
<td>06</td>
<td>2005</td>
<td><strong>Best Eco-Tourism Destination</strong></td>
<td>Hospitality India</td>
<td>Tourism Department, Govt. of Sikkim.</td>
</tr>
<tr>
<td>07</td>
<td>2005-06</td>
<td><strong>Best Tourism Performing State in the North East.</strong></td>
<td>Ministry of Tourism, Govt. of India.</td>
<td>Tourism Department, Govt. of Sikkim.</td>
</tr>
<tr>
<td>08</td>
<td>2006-07</td>
<td><strong>Best State for Tourism Related Programs along with Madhya Pradesh.</strong></td>
<td>Ministry of Tourism, Govt. of India.</td>
<td>Jointly Tourism Department, Govt. of Sikkim &amp; Madhya Pradesh</td>
</tr>
<tr>
<td>09</td>
<td>2007</td>
<td><strong>Most Picturesque Destination.</strong></td>
<td>Today’s Traveler Platinum Award.</td>
<td>Tourism Department, Govt. of Sikkim.</td>
</tr>
<tr>
<td>10</td>
<td>2008</td>
<td><strong>Best Example of Community Based Tourism.</strong></td>
<td>CNBC AAWAZ</td>
<td>Hee-Bermick Tourism Department &amp; Heritage Conservation Society</td>
</tr>
<tr>
<td>11</td>
<td>2008</td>
<td><strong>Emerging Tourism State-25th September, 2008.</strong></td>
<td>Today’s Traveler Platinum Award.</td>
<td>Tourism Department, Govt. of Sikkim.</td>
</tr>
<tr>
<td>12</td>
<td>2008</td>
<td><strong>BEST TOURISM STATE-Best State for Adventure Tourism.</strong></td>
<td>Safari India Natural Tourism Awards.</td>
<td>Do</td>
</tr>
<tr>
<td>13</td>
<td>2008</td>
<td><strong>National Tourism Award 2007-08-Best State/Union Territory Tourism Related Program, 24th February, 09.</strong></td>
<td>Ministry of Tourism, Govt. of India.</td>
<td>Do</td>
</tr>
<tr>
<td>14</td>
<td>2008</td>
<td><strong>Sikkim a Best Adventure Tourism Destination-13th March, 2009.</strong></td>
<td>Pacific Asia Travel Writers Association (PATWA), International Awards at ITB Berlin</td>
<td>Do</td>
</tr>
</tbody>
</table>

Source: Tourism Annual Reports 2008-09, Department of Tourism, Govt. of Sikkim, p11.

The policy statement has also accorded top priority for investment in hotels, resorts, spa, amusement parks and ropeway etc. In recent times, tourism has been declared
as infrastructure industry in the State and is given top priority for its development in Sikkim.\textsuperscript{36}

In fact, tourism industry over the years has emerged as one of the major revenue and surplus generating segments of Sikkim’s economy. Of course, much of the industries true potential remains unexplored as yet. At present the tourists’ interest in Sikkim remain focused to primarily few tourist locations which include Gangtok, Tsomgo Lake, Nathu-la Border, Lachung, Yumthang, Pelling, Ravangla, Namchi and Yuksom. The concentration of tourists to these few tourists’ locations has resulted in excessive urban congestion in the chosen centres of tourists-visits raising thereby questions relating to sustainability of tourism growth. While on the one hand, there is need to develop newer destinations and thus diversify ranges of offerings for actualizing the potential of tourism growth; on the other hand, there is an immediate need to accord due attention and weight to the sustainability aspects of tourism industry’s operation. Further, the prime emphasis of Sikkim tourism has been so far on holidaying, sightseeing and pilgrimage tourism. In order to facilitate balanced growth of the industry, the emerging but relatively less focused market segments like mountain tourism; sports (i.e. adventure) tourism and ecotourism need to be duly promoted.

Indeed, a cursory glance over the data relating to tourism growth in Sikkim has given us the following impressions:

\textsuperscript{36} Govt. of Sikkim, \textit{Annual Report 2010-11}, Department of Tourism, 2011, p-1
a) that, the growth of tourism in Sikkim in recent years, although seemingly impressive, has been somewhat haphazard and unbalanced;

b) that, the full potential of tourism growth in Sikkim has not yet been actualized; and

c) that, while formulating any program for tourism promotion in Sikkim, the environmental and long term sustainability implications of tourism growth need to be rightly assessed.

The rationale of this study is therefore lies in the quest to provide a greater understanding of the concept of sustainable tourism and its application in the tourism industry in Sikkim. At any rate, the felt need for undertaking an in-depth study of the pattern and pace of tourism growth of the tourism sector in Sikkim from the perspective of sustainability of tourism growth has prompted us to go for the present study.

1.3. OBJECTIVES OF THE STUDY:

The present study aimed at accomplishing the following objectives:

i) To examine, from the perspective of sustainable tourism, the trend and the pattern of growth of tourism industry in Sikkim during the period 1991-2007;

ii) To examine the status of various constituents of tourism sector in Sikkim and assess how far conditions could be created in the State for promoting growth of the tourism industry along sustainable lines;
iii) To examine the pattern of community participation in Sikkim’s tourism industry; and

iv) To suggest the priority areas of action for facilitating sustainable growth of the tourism industry in Sikkim.

1.4. SCOPE AND LIMITATIONS:

The broad purpose of our enquiry is to understand the trend and pattern of tourism industry in Sikkim. The geographic coverage of the study extends over all the four districts of Sikkim i.e. East Sikkim (head quarter at Gangtok), West Sikkim (head quarter at Gyalshing), South Sikkim (head quarter at Namchi) and North Sikkim (head quarter at Mangan). Each district is having its own unique features and tourism spots which make it imperative for us to study all the four districts.

The study covers the period from 1991 to 2007. Mention has been made that Sikkim was annexed to Indian Union on 16th May, 1975. Initially during the period following annexation Sikkim was a restricted place for visitors and tourism as an industry was never considered seriously. As a tourist destination, Sikkim started gaining popularity among tourists since the eighties. The process gained momentum particularly since the nineties following gradual relaxation of entry norms to Sikkim. Considering this, our study focuses especially on the pattern and pace of growth of tourism industry in Sikkim during post liberalization period i.e. from 1991 to 2007.

Limitations: The main purpose of our enquiry is to undertake an in-depth examination of the trend and pattern of growth of the tourism industry in Sikkim
and assess the magnitude of the threats that are posed by the specific pattern of
growth on sustainability of tourism itself. For measuring growth at aggregate level,
we have relied mainly on the data published by the Government of Sikkim and
other government bodies. The accuracy of the findings therefore would depend on
the reliability of the available secondary data. Further, a substantial part of
information pertaining to the survey were being collected directly from tourists and
the local people in Sikkim. Therefore, the normal limitations of a sample enquiry
would apply.

1.5. CHAPTER-DESIGN:

This study is organized in six chapters.

Chapter 1 introduces the research and specifies the objectives of the enquiry;

Chapter II delineates the conceptual framework and the methodology of the study.

Chapter III examines the pace and pattern of growth of tourism industry in Sikkim.

Chapter IV examines how far congenial tourism conditions could be created in
Sikkim for promoting the sustainable growth of the tourism industry.

Keeping in view the fact that community participation in tourism industry is
globally recognized as the essential precondition for sustainable tourism growth,
Chapter V examines the status of community participation in Sikkim’s tourism
industry.

Finally, Chapter VI presents a summary of findings and lists few relevant areas
where actions on a priority basis are called for, for ensuring future growth of
tourism industry in Sikkim along sustainable lines.