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## **Breaking Barriers to Socio-Economic Development Proposing Thematic Tourism Cluster for Sri Lanka**

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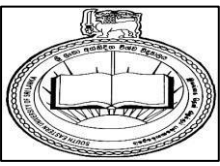
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### **ABSTRACT**

Tourism is one of the greatest global economic benefactors providing multiple economic gains through revenue generation and employment creation in various capacities. By nature, the sector is dynamic and sensitive to external environmental forces. Tourism is embedded with numerous sub- sectors, comprising travel, leisure, hospitality, entertainment, and events, and is multifaceted. *Clusters* have gained unnoticeable attention within tourism despite their popularity within other sectors of the economy. Paper attempts to propose a cluster map for Sri Lanka through a thematic clustering approach and suggests marketable thematic tourism clusters to minimize economic leakages from the economy. Clusters are geographic concentrations of interconnected partners with allied industries and associated establishments that compete and cooperate. The proposed cluster map would be exceedingly applicable to the perspective of a developing economy. The methodology consisted of qualitative data collection from tourism stakeholders while catering to value chain development and economic leakages within the cluster. Findings would be greatly constructive for tourism planners, Destination Management Organizations, marketers, and economic policymakers.

**Keywords:** *Cluster, Destination Management, Economic leakages, Thematic clustering, Tourism*



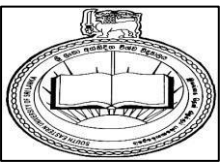
## 1. INTRODUCTION

Remarkably, Tourism counts as one of the most noticeable global economic sectors which is predicted to be a main provider of employment opportunities globally in various capacities. According to the WTO statistics, international tourism receipts grasped USD 1.4 trillion and export revenues including passenger transport are estimated for USD 1.6 trillion within the year 2023 (UNWTO,2023) with an estimated 975 million visitations within the period January to September-2023 (World Tourism Barometer, 2023). Tourism economic contribution was recorded as USD 3.3 trillion which is similar to 3% of the global GDP, which highlights the prominence within the global economy (UNWTO,2023). This trend grew as approximately 790 million tourists traveled internationally during the first seven months of 2024(UNWTO,2023) which resulted in growing demand factors across many global tourism markets. In the present scenario, tourism is becoming the premier part of post-conflict and post-pandemic Sri Lanka. Tourism by nature is a dynamic sector that is very sensitive to socio-economic and environmental factors. According to statistics, tourism arrivals in 2023 showed a significant increase of 106.6% when compared with the previous year (SLTDA, 2023) and this gradual upsurge continued in the year 2024. Moreover, total tourism arrivals were recorded as 1,487,303 within the year 2023 with an estimated revenue of 2,067.96 USD Million (SLTDA,2023). This trend was further continued in the year 2024 which highlighted the vital contribution to the local economy.

Despite its famine manufacturing sector, industrial clusters have accounted for relatively small attention within the tourism sector. Accordingly, Kim and Wicks (2010) pointed out that the concept of industry clusters and the notion of creating competitive advantage is not a novel approach whereas when firms in related industries are closely located, it will generate positive externalities and economies of scale, as the effect on productivity and then on economic development eventually follows. According to Porter (2001), industrial clusters (a) Increase the (static) productivity of constituent firms or industries, (b) Higher up their capacity for innovation leading to productivity growth and (c) Stimulating new business functions, as it supports more innovations and cluster boundary expansions. Furthermore, cluster participation, provides lower-cost access to specialized components, machinery, personnel, and business services, providing easier access than alternatives, easy access to information and knowledge, and enhancing their productivity by facilitating complementarities between cluster participants' actions. Moreover, the cluster itself is a fine-tuning of mutually dependent parties within a geographic proximate.

Consequently, the research gap has been clearly identified, as limited scholarly work caters to clustering as a strategy in developing countries, and, moreover, the empirical gap has been identified.

### 1.1 Research Objectives



The objective of this paper has been conceptualized as follows;

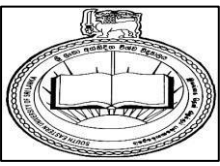
- Propose a working cluster map for Sri Lanka through thematic clustering approach
- Propose marketable thematic tourism clusters to minimize economic leakages from the economy

## **2. LITERATURE REVIEW**

The industrial cluster is a popularized global concept and an evolving process. According to the literature, in 1890, Alfred Marshall discussed the term “industrial districts”, as the group of related industries consisting of similar and supportive industries that are located in geographic proximity to each other and upbring economic benefits or agglomeration effects. Furthermore, Johnston (2003) focused on geographic concentrations in industries and trade. Literature provides diverse interconnected definitions for industrial clusters.

### **2.1 Defining the “Cluster” concept**

Clusters are geographic concentrations of interconnected establishments, specialized suppliers, service providers, firms in interrelated industries, and associated institutions (universities, standard agencies, and trade associations) in particular fields that compete but also cooperate. Such clusters are a striking feature of virtually every economy (Porter, 1990). Miller and Gibson (2005) stressed the rigorous evolution and the reassessment of the strategy on clusters is overdue, as it's practicable on tourism likewise other established industrial clusters and highlights the importance of the expand to encompass scenarios outside the classic cluster developed by Porter, as it could ascertain the emerging or immature tourism clusters. Further ‘spillover’ strengths and their importance in productivity and innovation, act as the determining factor on the boundaries, within the clusters. Cunha and Cunha (2005) provide a broad definition of a tourism cluster, as a group of companies and institutions bound up to a tourism product or group of products. Such firms and institutions are spatially concentrated and have vertical (within the tourism productive chain) and horizontal relationships (factor, jurisdiction, and information exchange between similar agents that offer products). Furthermore, Iordache et al., (2010) define clusters as a form of economic competitive organization, and agglomerations formed spontaneously within a defined geographical area, and the process of the concentration in both ways horizontally and vertically. Clusters are geographic concentrations of interconnected companies, with linkages to related organizations such as travel associations, government agencies, and research and educational institutions (Wares, 2008). Specifically, the tourism cluster depicts inter configuration including; a) tourist attractions b) a concentration of tourism service firms, accommodations, and transportation c) Supporting sectors d) suitable and low-cost infrastructures (health/sanitary, transportation) e) firms/ institutions showcase valuable qualifications, information, and financial capital f) intern agents g) government/other agencies/ regulatory bodies impact on tourism agglomerations (Cunha

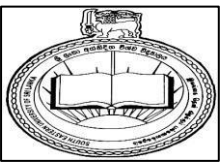


and Cunha,2005: Fernando, 2016). According the Johnston (2003) clusters take varying firms depending on their depth and sophistication, but most include end-product or service companies, suppliers of specialized inputs, components, machinery and services, financial institutions; and firms in related industries. Practically, clusters often include firms in downstream industries; producers of complementary products; specialized infrastructure providers, and government, universities, and standard-setting agencies

More specifically, cluster analysis is popular among regional economic development due to; a) easy explanations b) focusing on a direction, and c) alignment with political justification. According to Kim and Wicks (2010), there is often little competition among tourism cluster producers or at the firm level, because every firm produces complementary products and is considered as complementarities. Interestingly, the government have the ability to promote cluster-based development strategies, then facilitates as the mediator on collaborating between all actors/stakeholders and institutions and political context on regulations, imposing laws or cluster policies (Kim and Wicks ,2010). Within the regional economic view, the industry cluster is a regional concentration of competing, complementary, and interdependent institutions creating the region's wealth through exports (Johnston,2003). Moreover, the force is the synergy that impacts of combination of complementary know-how gained from various sources as drivers of cluster formation. Payback will augment the innovation, that arises from the collaborative learning on the collective knowledge process and exchange among every party, and the interaction/cooperation within the value chain participants.

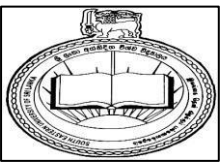
Clusters could be differentiated primarily into “trade-driven” or “knowledge-driven” basis where the trade-driven is based on enhancing business opportunities within the cluster. Comparably, the knowledge-driven cluster concept aligns with the opportunity to learn from different varieties of knowledge sources (Johnston,2003). In practice education and learning partners also link with this cluster value chain which ultimately provides the learning facility. The cluster could be identified as an informal economic union that generates new possibilities for raising competitiveness whereas the cluster partners work towards in defined geographical territory (Yuzbasioglu et al, 2011). Ultimately, geographical proximately has been highlighted and prioritized. Furthermore, cluster partners focus their priorities on rivals by catering towards innovations (innovative products/methods/processes) for internal and external markets. Interestingly, Nogales (2010) identified there is little attention has been paid to clusters in developing countries. This tendency highlighted the urgency to uplift the cluster concept within developing and/or emerging economies.

## **2.2 Thematic clustering as a strata**



*Themes* could be categorized as strategic segments combined with diverse tourism segments as such agriculture, cultural heritage, special interest, adventure, eco, sports tourism, geotourism, etc. More importantly, should focus on the tourism theme rather than the geographical boundaries or political boundaries in the traditional way as a city/province or a country. The focus here is on ‘the strategic theme or specialized tourism strategic theme rather than a geographical bond. Nordin (2003) pointed out the thematic tourism clusters workable as a more functional concept, rather than a spatial phenomenon. The thematic tourism clustering depends on the collaboration of the value chain participants to form ‘packages’ and then to work in synergy to provide an inclusive experience to the market. Thematic tourism clustering is an innovative approach that links towards ‘tourism themes’ or ‘strategic themes’. This concept interlinks similar firms with their related and supporting firms/industries, within one cluster. Ultimately, provides value-generation to the destination as a whole through the process. Clustering is considered a tool for economic development, as it focuses on generating value for the economy from its linkages within it as well as supportive industrial clusters. The success of a cluster depends on the critical mass that is limited to a broad tourism cluster, despite several sets of thematic clusters. Practically, tourism products is the central of the cluster, as offerings could be a food festival, eco-trail, trekking or kind of activity, sporting event, etc. and the human resource factor is critical herein. Skilled human resources, continued skills development, infrastructure, and social development are also vital components providing a unique cultural environment but with amenities that are necessary to attract tourists to the cluster. In parallel with industry specification, there is a tendency for a single, homogeneous category to be identified as a “Third Wave” principle of practice (Miller and Gibson,2005). It leads to detailed classification of the sector that is non-standardized, often overlapping with each other and subject to expansion through new trends. As the subcategories/or themes as sun and sand, conventions/business travel, all-inclusive, free and Independent traveler (FIT), adventure/eco, culture and heritage, cruise ship, religious, health and SPA, wellness, rural and Agro, educational, industrial tourism, sex tourism, and further new more niches could be linked to the concept.

There was limited scholarly work related to the thematic tourism clusters. The potentiality of tapping into the global market is by specially focusing on the “themes” and specific issues intended to cut across these industrial and geographic clustering (Miller and Gibson,2005). Interestingly, cluster and networking are not similar concepts, even though clustering does have networks that bond each actor or make linkages. Even though clusters do have open membership rather than restricted membership within a network, neither contractual agreements on networks nor social values foster trust and encourage reciprocity. clusters make the demand on the firm level with related industrial capabilities that showcase cooperation, competition, and collective vision rather than individual goals (Nordin, 2003; Fernando, 2015). A tourism cluster should be a portfolio of different sectors of firms’ related and supportive industries, and the linkage between all parties should be secured. Within the developing economies ; (a) the revenues/ income per tourism increase over time, (b) benefits of tourism allow for sustainable use of natural/ other resources as the market develops, and (c) tourist revenue is distributed throughout the value-chain as with



manner commensurate on sustainability and growth and economic health in particular destination(Fernando and Long, 2012).

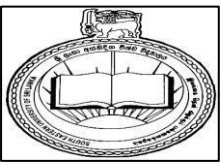
As the cluster approach embraces economic integration while addressing the cluster's value chain, focusing on long-run realities and requirements, it is identified as one of the most impressive strategic forces to enhance regional economic development. The particular value assets within the sector include both natural resources (diverse natural resource endowments) and human resources as hospitality, thus the bottom-line approach with evolving strategies will be way forwarding, specially for developing country arena. This should be highlighted by destination marketing. Furthermore, tourism itself is a fragmented cluster at any stage of development the clustering process, is suited to its qualities, as by stating the domestic market stakeholders could learn highly participatory processes in novel ways such as public/ private training programs, finance or marketing endeavors (Gollub et al.,2003). Fascinatingly, clustering is a non-planned phenomenon, as it creates linkages between firms, through buyer-supplier relationships, education/research or training initiatives, joint marketing, or lobbying within geographical or thematic focus. Although it acts as a group the actors are competing with each other in certain respects cooperatively. This cooperative and collaborative behavior might provide much appreciation for the developing economy specially by uplifting the socio-economic goals. Herein the other sector's inputs also meet the quality demanded by the tourism cluster, resulting in the development of all linkages and clusters as a whole in an economy, which will ultimately raise the living standard of residents of the destination.

### **3. METHODOLOGY**

The paper attempts to propose a cluster map through thematic tourism clustering in Sri Lanka. Therein, based on the literature, cluster mapping was conceptualized. Apart from that, qualitative data were collected from diverse tourism stakeholders within the destination to identify value chain processes and economic leakages within the cluster. Stakeholder consultation was conducted through all major tourism destinations within Sri Lanka, transcribed and a cluster map will be developed with thematic clusters.

### **4. RESULTS AND DISCUSSION**

A tourism cluster could be identified as a geographic concentration of interconnected firms and institutions, such as suppliers, services, educational providers, research institutions, competitors, and government; through tourism activities, as its asset of less differentiated attractions concentrated in a limited geographical area. Provides a quality hospitality service and tourism activities to end-users, political and social cohesion through coordination, and value addition through related and supportive industry linkages(Crouch and Ritchie, 1999, Kim and Dwyer, 2003). In the present context, clustering will enhance its objectives through cooperativeness and



linkages among diverse stakeholders. Herein two major implications were identified through clustering the tourism sector in Sri Lanka, an emerging tourism destination.

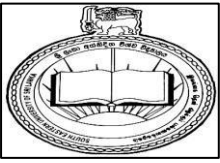
#### **4.1 Reduce tourism leakages**

Clusters provide an agglomeration of similar firms and related/supported institutions on mutual boundaries, hence the competitive advantage within the cluster will be boosted. Within developing countries, tourism leakages are a foremost dispute while hindering the tourism gains to the destination. In the Sri Lankan context, these leakages are in the form of imported produce, profit shares for multinational hotel chains, airlines or tour operators, and agent services. Therefore, the cluster provides a common platform for the firms to search domestic-level inputs within the cluster which eventually minimizes the leakages from the economy.

#### **4.2 Supporting industry cluster linkages**

The existence of an authoritative tourism cluster led to the forming of linkages with other supporting industries as a network of domestic or regional economies. Within the Sri Lankan tourism cluster, supporting industries such as agriculture, fisheries, floriculture, and plantation sector could be identified. Within this framework, a single vegetable farmer will become a part of a tourism cluster while injecting tourism gains to every layer within the same cluster while the farming community gets a secure market. Government and other institutional investments in tourism superstructure and general infrastructure; local transportation, and communication will ultimately enhance the quality standards while keeping up the destination image. Herein as its developing country arena, clustering will eventually enhance the quality of life of the residents in terms of income disparity, equality, access to education, ICT development, health and sanitary, local transportation, scientific amendments, employment generation, and ultimately socio-economic development within Sri Lanka.

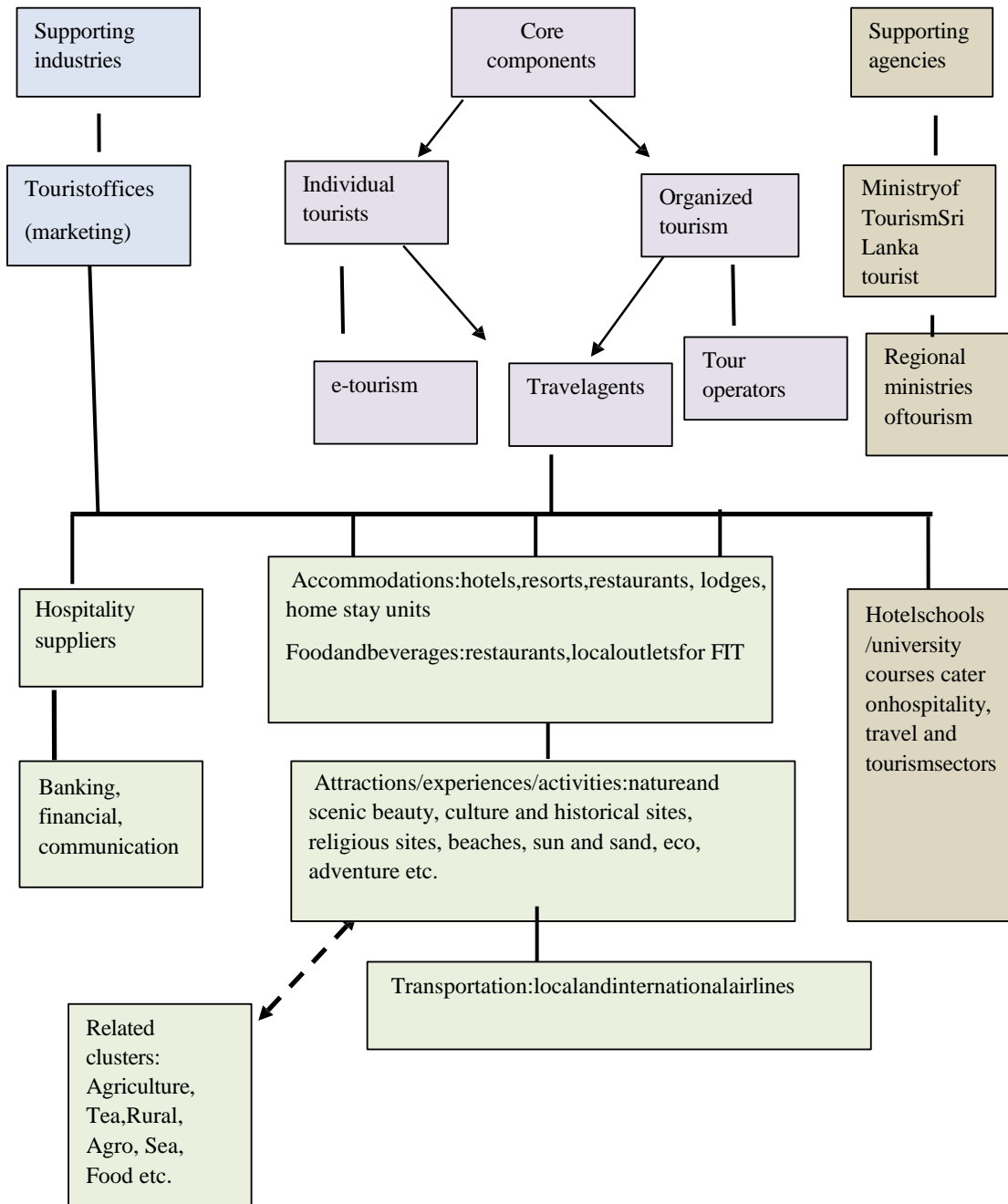
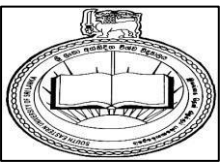
Cluster development or initiatives in the developing country is much less, as it is greatly focused in developed countries. It is of utmost importance to look beyond marketing and short-term business horizons, to make the platform of local industries on future progress, through investments and sustained upgrading. Although the tourism cluster, combination of travel and hospitality, and vast variety of related and supporting services need to provide 'tourism produce/ experience' to the visitor. Clustering the Sri Lankan tourism sector is also a complex activity; as such it's geographically not a large destination. Hence provincial-wise or city-centered tourism clustering by the sense does not mean much due to the multi-cultural diversity. Iordache et al. (2010) propose an identification method to select tourist areas that are relevant in creating a tourist cluster through, physical proximity/ geographical concentration, high concentration of SMEs' and inter-firm networks in several interconnected industries. Particular regions should be dominated by tourism 'activity' or economic activity, and the relationships between firms should be competitive.



Iordache et al.,(2010) further pointed out that the capacity of association and relationships should maintain an environment of mutual trust, then it reduce the transaction costs and increase competitive advantage in each form of agglomeration.

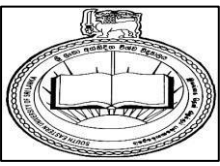
Sri Lanka as a developing country would be a better match with the given criteria within the cluster. Herein, the author proposes the thematic cluster model to Sri Lanka (figure 1) through stakeholder consultation within the destination.





**Figure 1: Thematic Tourism cluster map for Sri Lanka**

**Source: Author developed**



### **4.3 Marketable Thematic tourism clusters to minimize Economic Leakages**

As a strategic segment following themes would be proposed to Sri Lanka which would be linked with the thematic cluster mapping.

(a) Nature-based tourism thematic cluster: As an island comparably small in a geographical area, this clustering technique would be much emphasized and the cooperation and linkage with supporting industries are vital. Sri Lanka is inherited with a vast natural resource endowment, where a set of new niche markets would be linked as eco, adventure, tea, geotourism, Spice, marine, sun and sand, (one of the most prominent markets), and gastronomy tourism markets

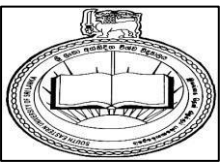
(b) Community-based tourism thematic cluster: collaboration of rural and agro-tourism with more activity-based and experience-oriented. Cultural heritage tourism also has its links with community-based clusters which highlight the sense reflects the 'people'.

(c) Cultural heritage and religious tourism thematic cluster: cater to cultural activities, historical and religious or spiritual tourism by sub-sector to some other areas.

It's apparent in the Sri Lankan context, that the geographical boundary could imposed in these thematic clusters, but the common factors on firms and supported industry and linkages will provide value chain benefits to the economy. Consequently, this model would be focused on gaining the socio-economic development to destinations, specially by minimizing the economic leakages through the cluster model. These directions might be vital to economic policy development by targeting the development goals within each of the destinations.

## **5. CONCLUSION**

Sri Lanka is an island that inherits dissimilar diversities of tourism opportunities compact within a small space and a vast multiplicity of natural resource endowments. Thematic clustering is a strategy to cluster the destination rather than geographically to reduce economic leakages. It could be sorted out as a market framework that is competitive, with the existence of social capital, way forwarding competition to be based on cooperation, differentiation, and innovation. This paper attempts to propose a thematic cluster map for Sri Lanka through stakeholder consultation. The proposed cluster map would be a guideline for tourism policymakers and planners to develop a thematic-based cluster as a novel avenue. This would be a marketable approach while reducing the economic leakages from the country as well as enhancing the quality of the lives of the residents. The paper concludes by proposing marketable three thematic clusters to be formed within Sri Lanka; (a) Nature-based tourism thematic cluster, (b) Community-based tourism thematic cluster, and (c) Cultural heritage and religious tourism thematic cluster, which would focus on economic value creation and sustainability. The findings would be highly relevant and



valuable for the Destination Management Organizations (DMOs), Policy developers, economic planners, and Tourism policy executioners in Sri Lanka and the Developing country perspective.

## 6. LIMITATION OF THIS STUDY

This study focuses on identifying the thematic cluster map as a novel approach as well as proposed marketable thematic clusters through tourism stakeholder consultation. Basically supply side within the market is only considered, whereas the Demand side stakeholder groups might be incorporated.

## 7. FUTURE RESEARCH AVENUES

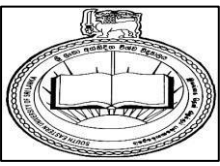
Since this study has few drawbacks researchers allow future researchers to carry out further research studies focusing on both the Demand-side and Supply-side stakeholder groups. Furthermore, nature-based tourism clusters were much highlighted, signals more extensive research work would be conducted by focusing on Nature-based tourism such as Adventure, Ecotourism, Geotourism, and marine-based clusters.

## 8. ACKNOWLEDGMENT

This scholarly work is a part of the research project on “Harmonizing the Environment through Geotourism Niche Market in Sri Lanka: Paradigm for Socio-Economic Sustainability” funded by Gamani Corea Foundation (GCF) -2024. Authors are pleased to acknowledge the funding facilities from GCF Research Grant number 05

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