SMEs and Sustainable Tourism - The Case of an Indian Himalayan Destination

Ravinder Nath Batta*
Government of Himachal Pradesh, India

Abstract. This paper examines the impacts of unplanned growth of tourism SMEs on civic infrastructure and the environment in Manali - a major tourist destination of Himachal Pradesh. Using an indicator's framework, the impacts of tourism on the economic, social, and environmental aspects are studied, and it is evident that SMEs working in isolation are damaging the environment at the destination. While the local community is paying the cost of tourism development in the form of degradation of environmental resources, commercialization of landscape, and congestion, the majority of the economic benefits are flowing to the expatriate, making tourism at the destination unsustainable. A Community Benefit Tourism Initiative (CBTI) model is proposed to achieve sustainable tourism development at the destination through public-private partnership.

Keywords. Indicators Framework; Public-Private participation; Sustainable Tourism

1. Introduction

The phenomenon of tourism is the tangible result of tourists using public resources like forests, lakes, and mountains and their related recreational activities like camping, trekking, and water sports, making the tourism supply a complex combination of natural resources, recreational sites, and tourism-reliant businesses. Such nature-based destinations allow access to natural amenities often provided as public goods for their non-priced attributes. In fact, their presence attaches hedonic values to the tourism units located in nature tourism destinations, differentiating them from similar structures in downtown areas (Batta, 2003). Tourism development offers a potentially sound development option in such destinations in view of increased leisure demand, perception of tourism as a clean industry, and other community related benefits.

With tourism products marketed in various forms (ranging from urban, culture-centric downtown destinations to more exotic forms like ecotourism, adventure tourism, rural tourism, and health tourism), tourism consumption has changed extensively in recent years, creating more segmented and specialized markets. It has made tourism development demand-driven for tailor made experiences mostly catered to by the Small and Medium Enterprises (SMEs). In view of their relatively low capital requirements, the supply of tourism products and services can easily be managed by SMEs in nature-based destinations, especially in remote areas offering income and employment opportunities. It is often argued (Fleischer and Pizam, 1997; Smith, 2006) that tourism promotion is synonymous with small business promotion, and the industry is heavily characterized by small, family-centered enterprises. A typical SME such as a bed and breakfast establishment is perceived as having low entry barriers, employing existing underutilized capital, and placing modest demand on the public resources. On the other hand, bigger hotel units and tourism facilities require substantial infrastructural support, such as water, roads, power, and civic amenities.

In the context of developing countries, SMEs are the lifeblood of the travel and tourism industry (Erkkila, 2004) and strongly influence the development of a region. Because they often regard each other as competitors and not as
colleagues requiring a lot of trust building and social capital, the result has been twin effects on the tourism industry. The first, in response to increasing tourist arrivals and the resultant demand for various services at the destinations, a large number of SMEs are emerging, most of which lack coordination and operate in isolation (Novelli, et al., 2006). Secondly, with the mushroom growth of enterprises, the common pool of resources (water, sewage treatment facilities, solid waste management, parking, and roads) at the destinations experience serious capacity strain, leading to problems often associated with unsustainable development. Unplanned development and operation of such enterprises with little or no infrastructural support affects the local environment.

In whatever form tourism is developed, infrastructure facilities for the tourism industry usually require significant tracts of land and building materials. Tourism development often takes place as a result of demand for tourism services to be supplied by the private sector. It is often rapid and unplanned, resulting in total transformation of the landscape in a very short time (Smith, 2006). Tourism services are supplied by the SMEs, resulting in huge growth of SMEs at the destinations (Michael, 2003). While some literature on SMEs and tourism is available (Michael, 2003; 2004; Seaton, 1996; Smeral, 1998), studies on successful experiments on cluster formations and institutional arrangements relating to SME development, operation, and destination development are relatively scarce. Few studies (Michael, 2003; Nordin, 2003; Tinsley and Lynch, 2001) address the implications of SME development in the hospitality and tourism industry in more depth. However, relating this framework to sustainable tourism development at the destination is an area that is still unexplored. This paper is an attempt in this direction. It examines the impacts of unplanned growth of tourism SMEs on civic infrastructure and the environment in Manali - a major tourist destination of Himachal Pradesh.

Using an indicator's framework, the impacts of tourism on the economic, social, and environmental aspects are studied, and it is seen that SMEs working in isolation are damaging the environment at the destination. While the local community is paying the cost of tourism development in the form of degradation of environmental resources, commercialization of landscape, and congestion, the majority of the economic benefits are flowing to the expatriates, making tourism at the destination unsustainable. A Community Benefit Tourism Initiative (CBTI) model is proposed to achieve sustainable tourism development at the destination through public-private partnership.

2. The Study Context

Notwithstanding the disagreement over a precise definition of sustainable tourism (ST) (Butler, 1991; Sharpley, 2000), the basic ideas and principles of sustainable development have been applied to tourism (Hunter and Green, 1995), and ST has been broadly defined as “tourism which is economically viable but does not destroy the resources on which the future of tourism will depend, notably the physical environment and the social fabric of the host community” (Swarbrooke, 1999:13). The focus of the sustainable tourism approach is on connecting with the needs of people and the use of natural and cultural resources in a way that safeguards the resources for the future (WCED, 1987). Protection of the environment, especially in a nature-based tourism destination, is the key element in the sustainable tourism strategy. A review of literature indicates (Erdogan and Baris, 2007; Mensah, 2005) that while large hotels (especially the international chains and star classified ones) are more likely to pay attention to the environmental protection to gain competitive edge, getting the SMEs to follow environmental protection programs is very difficult (Cummings, 1997; Kirk, 1998). Besides, having environmental concerns and following best environmental practices in day-to-day operations are two different things (Erdogan, 2003). Thus, it is important to study the environmental practices followed by SMEs.

One of the key challenges in SMEs and sustainable development is overcoming a lack of coordination among the SMEs at the destination. The problem of lack of coordination is often addressed through adopting a cluster...
approach (Novelli, et al., 2006). However, the usual cluster approach does not take into consideration the community concerns of tourism development, which are very important from the tourism sustainability point of view (Simmons, 1994). A community’s practical involvement in tourism has been appreciated by the researchers and practitioners as being of central importance ever since the publication of Murphy (1985) (Campbell, 1999; Mountain agenda, 1999; Ross and Wall, 1999; WTO, 2003). However, there has not been much clarity on how it should be achieved even though the debate centers on issues like typologies of participation, development and planning paradigms, role of stakeholders, and tourism initiative ownership structures (Ashley, 2000; Beeton, 2006; Ryan, 2002; Tosun, 2006).

There are three approaches to achieve sustainability in tourism (Saarinen, 2006): resource-based, activity-based, and community-based. While the resource-based approach is grounded in the notion that there is a physical limit to resource use, the activity-based approach relies on the belief that certain tourism activities have different kinds of limits on their growth or certain industry segments have different abilities to cope with impacts. Therefore, instead of the original resource utilized, the limits of growth are based on specific changing activities and products. However, in order to practice true sustainable tourism, the position of the industry should be re-evaluated (Saarinen, 2006). The community-based approach aims at powerful integration of industry into the social fabric to promote the improved wellbeing of the community.

A review of literature on tourism and the host community shows that while for some, community-based tourism revolves around the question of ownership, management, and control of tourism projects (Lea, 1988; Scheyvens, 1999; WWF, 2001), for others (Kontogeorgopoulos, 2005; Li, 2006; Simpson, 2008) it is not the central issue since it may not always be possible to ensure community ownership of tourism initiatives and in certain cases may even end up creating internal conflicts (Murphy, 2003; Weaver, 1998). What is considered more relevant is the role of all tourism stakeholders, such as industry, governments, and non-governmental organizations, in managing tourism in various forms that manage and address the need of communities in all situations. One such approach is the Community Benefit Tourism Initiative (CBTI), which relies on the transfer of benefits to a community regardless of location, instigation, size, level of wealth, involvement, ownership, or control (Simpson, 2008). Stakeholders focus on ensuring the delivery of benefits to the community while achieving sustainable tourism development.

Studies have concluded (Khan 1997; Krippendorf 1987; Britton 1983) that tourism, particularly in the context of developing countries, is characterized by factors like economic capital and control frequently stemming from outside sources, resulting in flight of capital as profits repatriated; lack of forward and backward linkages in the host economies; inability of the local economy to meet the needs of the tourism industry, arising out of different tastes and preferences of the visiting consumers; and the high skill requirements of the industry, resulting in employment opportunities going outside. Similar results have been found in studies conducted in Himachal Pradesh (Singh, 1989; Batta, 2006). Thus, the CBTI approach is most suited in the context of Himachal Pradesh. In the background of SMEs dominating the scene in the case of most tourism destinations, the study aims to discover the impacts of tourism development and SMEs’ role in the context of certain parameters as well as endeavors to develop a workable model of sustainable tourism development.

3. Study Methods

3.1 Research Setting

Spread over three square kilometers with a population of 5000, Manali is located in the famous Kullu - Manali circuit of Himachal Pradesh. About 20,000 people visit the town daily during the peak tourist season. Primarily attracting middle class leisure travelers as families and small groups, it is a popular tourist destination among the domestic travelers, with this segment constituting 96 percent of the total
arrivals (E&S, 2003). The main feeder markets for domestic tourists are north Indian states, particularly Delhi, Punjab, Haryana, and Uttar Pradesh, followed by Gujrat, Rajasthan, and Maharashtra. Foreign tourists are mostly from United Kingdom, Canada, USA, Australia, and New Zealand.

The area experiences significant seasonality in arrivals, with 80 percent of the international visitors arriving in May to October and 48 percent of domestic tourists visiting the area during April to June. Skiing and trekking are preferred adventure sports during winters. Mountain ranges surrounding Manali offer ideal ski runs and periods of snowfall to satisfy most enthusiasts. However, there are no organized ski slopes or runs at present, and skiing activities are largely unorganized and locally operated. Various trekking trails originate from various villages near Manali and lead to high mountains. These are organized through the travel agents locally and are very popular among national and international tourists.

All of the 506 hotels located in Manali are within the category of small and medium enterprises (with investment less than Rs. 10 Crore). Much of the industry depends on high volume and relatively low cost package holidays. Over the past two decades there has been a phenomenal rise in the number of tourism units in the area, and with other related facilities also coming up in the area as a result of the rising tourist demand, the whole economy is tourism dominated.

### 3.2 Research Process

Indicators have been used for a long time as a tool with which more information can be obtained about different fields like health, weather, economic welfare, and social issues. As the use of indicators has become widespread, their uses have been expanded to include broad technical indicators (e.g., economic, social, environmental, and tourism indicators). Data indicators, headline indicators, and indices are common terms in monitoring and reporting.

Data is the most basic component of indicator work. Most data cannot be used to effectively interpret change in the state of the environment, the economy, or the social aspects of society. Indicators can be superior to data in several ways (Segnestam, 2000): they provide decision-makers and other target groups with enough knowledge to formulate initial responses, and decisions and are more easily interpreted than complex data, which can simplify communication. If two or more indicators are aggregated, an index is created. Finally, indicators or indices can be meant to function as a headline, a messenger. These types of few, well-selected, easily understandable, and communicative indicators are commonly called headline indicators.

The first step in indicator development is framework. Indicator framework provides the means to structure sets of indicators in a manner that facilitates their interpretation. Indicators are usually needed for many aspects of a problem or issue, and the framework selected ensures that all of those aspects have been taken into account (Segnestam, 2000). Different analytical levels require different frameworks depending on the detail of analysis and the structure and purpose of monitoring. These are classified into three broad categories: project-based framework; national-level framework, also called pressure-state response framework; and frameworks based off of environmental themes.

Based on the review of literature on indicator frameworks (Segnestam, 2000; Choi and Sirakaya, 2006) and earlier studies done on the Manali area (Singh, 1989; Redecon, 2005; HSV, 2006), an indicator framework suitable for the study area was developed. Table 1 presents themes and indicators on which data was collected.
### Table 1:

**Indicator Framework Used for the Study**

<table>
<thead>
<tr>
<th>Major Areas</th>
<th>Headline Indicators</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Income &amp; Employment generation</td>
<td>- Percentage of leakage from the economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Intersectoral linkages</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Employment Growth in tourism</td>
</tr>
<tr>
<td></td>
<td>Capital formation</td>
<td>- Percentage of locals employed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Percentage of foreign ownership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Profits reinvested in community</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Availability of local credit to businesses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Repeat visitors</td>
</tr>
<tr>
<td>Ecological</td>
<td>Loss of renewable resources</td>
<td>- Amount of erosion on the natural sites</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Number of contaminated sites</td>
</tr>
<tr>
<td></td>
<td>Assessment of environmental impacts of tourism</td>
<td>- Continuous of EIA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Natural environmental accounting and life cycle analysis</td>
</tr>
<tr>
<td></td>
<td>Resource recycling</td>
<td>- Renewable resources used</td>
</tr>
<tr>
<td>Social</td>
<td>Host community and stakeholders participation</td>
<td>- Host community participation in tourism</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Attitude towards tourism development</td>
</tr>
<tr>
<td></td>
<td>Community Health and safety</td>
<td>- Stress in visitor-host relationship</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Litter/pollution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Overcrowding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Congestion</td>
</tr>
<tr>
<td>Political</td>
<td>Local oriented control policy</td>
<td>- Legal Compliance</td>
</tr>
<tr>
<td></td>
<td>Political participation</td>
<td>- Local environmental NGO</td>
</tr>
<tr>
<td></td>
<td>Local planning policy</td>
<td>- Public-private partnership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Availability of local water pollution and waste management policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Tourism related master plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Availability and level of land zoning policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Existence of sustainable tourism plan</td>
</tr>
</tbody>
</table>

Data on the above indicators was collected from the secondary sources: findings of earlier studies; government publications; and data maintained by the tourism, Municipal Committee, and other offices located in Manali. Primary data on certain economic and environmental parameters was collected from a select group of hotels, travel agents, and shop keepers. In all, 89 interviews were conducted on accommodation owners, shop keepers, travel agents, associations of various travel segments, and the local administration. In the hotel segment, of the total 506 establishments, 72 were covered. The sample selection was done by placing all establishments into three size categories: budget (1-14 rooms), small (15-39 rooms), and medium (40 or more). Using a random sampling method, 15-20 percent of samples from each category were randomly selected. A sample size of 5 travel agencies and 6 shops was taken randomly out of the list maintained by the local tourism office.

The survey instrument used for the study dealt with several issues, including regular employment, managerial employment and establishment ownership, origin of staff, occupancy levels, average repeat visitors, staff turnover, and sourcing of purchases. The section on environmental practices contained questions on disposal of waste, reuse/recycle policy, treatment of waste water, and contribution of the unit to the local environment. Presidents of the
hotel association, gift shop association, and travel agents association were quizzed on their perceptions about problems facing the tourism industry, budding entrepreneurs, their mutual coordination mechanisms, the extent of their participation in the tourism planning and development, their willingness to pay for environmental conservation, and their suggestions on future development strategies and willingness to contribute to environmental management at the destination. The local development officers were also questioned on the participation of the stakeholders in the tourism development and the current mechanism of soliciting their suggestions.

Figure 1: Indicator Framework

4. Findings

4.1 Economic

There is a large number of SMEs operating in the area catering to the tourists in various ways. A large majority is small transport operators supplying taxis and auto rikshaws.

There has been a sharp rise in hotels in the area after 1990, mainly due to the rise in tourist traffic as a result of law and order problems in Jammu and Kashmir, the nearest competitor of Himachal Pradesh in the Himalayas. However, after 2000 the growth trend slowed down due to the scarcity of land and the sharp rise in land prices at Manali.

Table 2
Inventory of Enterprises in Manali

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels</td>
<td>506</td>
</tr>
<tr>
<td>Travel Agencies</td>
<td>37</td>
</tr>
<tr>
<td>Tour operators</td>
<td>19</td>
</tr>
<tr>
<td>Adventure Travel Operators</td>
<td>11</td>
</tr>
<tr>
<td>Souvenir Shops</td>
<td>108</td>
</tr>
<tr>
<td>Taxi/ Auto Operators</td>
<td>3176</td>
</tr>
</tbody>
</table>

Table 3
Growth of Hotels in Manali

<table>
<thead>
<tr>
<th>Years</th>
<th>Number</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>187</td>
<td>13</td>
</tr>
<tr>
<td>1995</td>
<td>240</td>
<td>28</td>
</tr>
<tr>
<td>2000</td>
<td>296</td>
<td>23</td>
</tr>
<tr>
<td>2005</td>
<td>343</td>
<td>16</td>
</tr>
<tr>
<td>2007</td>
<td>359</td>
<td>0.4</td>
</tr>
<tr>
<td>2010</td>
<td>431</td>
<td>20</td>
</tr>
<tr>
<td>2014</td>
<td>506</td>
<td>18</td>
</tr>
</tbody>
</table>

In terms of demand for tourism in Manali, the leisure segment dominates with 96 percent of tourists visiting the destination for leisure. Over 80 percent of the tourists are budget tourists with an average stay of three nights. The conference market in Manali is still at its infancy. It is comprised primarily of conferences and dealer meets catering to the domestic markets, mostly from north India. Although room rates are usually discounted, hotels benefit from catering and other services. Peak conference demand occurs in the months of August through November, which is the off-season. The average length of stay during conferences is three days with an average room requirement of 25-30 rooms. The average annual occupancy among hotels in Manali is the highest among medium hotels and the lowest among the budget hotels (Figure 2). This is because the majority of budget and small hotels depend upon drops in tourists and are not able to market their rooms and get direct bookings from various supply regions (Figure 3).
Results of the study reveal that leakage from the local economy is too heavy. All the grocery items, packed edibles, milk and poultry products, linen, and raw food stuff are imported from places in the neighboring states, and only some vegetables and a limited quantity of milk is locally available. Almost 80 percent of the expenditures made by the hotel units, especially the small and medium units, is spent outside the local economy. The souvenir shops are also stacked with items imported from outside the local economy. There also appears to be some tension between local tour operators, taxi operators, and hoteliers. SMEs in the tourist transport sector, like bus and taxi operators, are often engaged in conflict with passengers. Most hoteliers treat this problem as a serious threat to their business. Discussions with the local authorities reveal that they are not able to get the taxi operators to install fare meters due to the pressure of the taxi union.

Going by the data on new hotel units coming up in the area, employment in the tourism sector is growing at the rate of 7.5 percent per annum. However, there are serious issues in terms of availability of employment opportunities to locals. Analysis shows that budget units employed 100 percent local staff while the small units employed 63 percent and 81 percent managerial and lower staff locally. The medium hotels employed only 8 percent of the managerial staff and 68 percent lower staff locally. The percentage of local employment fell with an increase in size of the establishment, perhaps in view of the enhanced skill requirements of manpower with more rooms and other services added to the hotels.

Even though there are a number of banks and other financial institutions operating in the area, most hoteliers felt that they are not able to access finances due to lengthy procedures and high interest rates. Compared to the only 9 percent rate of interest paid by large companies, SMEs are made to pay 11 percent after also offering land and other fixed assets as collateral to the banks. Owners even have to pay stamp duty and registration fees on mortgages to the local authorities, which further escalates the cost of credit for SMEs.

Capital formation due to tourism is an important aspect for the host population. In terms of ownership of hotel properties, local control varies with the size of the hotel. While all the 37 hotels in the budget segment are owned by the locals, only 63 percent of hotels in the small size category and 34 percent of hotels in the medium hotels category are owned by the local people. Locals control the tour and taxi operators segment. Regarding contributions to the local community by reinvesting profits in the social infrastructure, the position is quite disappointing. Even though most hotel owners feel that hoteliers should invest something to enhance the carrying capacity of the civic infrastructure at the destination, little has been done so far in this regard. Most hoteliers attribute this problem to a lack of a coordinating agency.
4.2 Ecological

The landscape of Manali has been seriously affected due to construction of hotels and other commercial buildings in the area. The disturbance in the soil strata due to heavy construction activities has been so devastating that Manali witnessed one of the worst landslides in recent history. Development activities have not even spared the river bed. There are about 19 hotels constructed on the bed of river Beas. Contamination of the landscape with solid waste and untreated discharge by the hotel units is another problem facing the local community. There are at least 6 sites where waste is disposed of in the open, causing an environmental hazard and visual pollution.

In addition to the damage caused to the physical environment, there are serious concerns in terms of air and water pollution caused by vehicular movement and poor sanitation practices. The major concern in terms of air pollution is unsafe levels of PM$_{2.5}$. HPPCB (2014) notes that increases in the values of PM$_{2.5}$ is a matter of concern. There is no exclusive study on air pollution in the state. However, Greenstone et al., (2015) estimates for India (including Himachal Pradesh) find that 660 million people in India (54.5% population) live in regions that do not meet the 40 μg/m$^3$ National Ambient Air Quality Standard (NAAQS), and 262 million people live in regions with levels twice this standard. They further observe that “nearly every Indian (99.5% population) lives in an area with PM$_{2.5}$ pollution above WHO’s 10 μg/m$^3$ guideline” (Greenstone et al., 2015: 42). Manali town also falls within the category of 40-60 μg/m$^3$. Owing to the large scale influx of vehicles carrying tourists from other states almost throughout the year, the air quality is substantially compromised. HPPCB (2014) attributes this increase in the values of PM$_{2.5}$ to the increased vehicular pollution. The loss of quality of life due to increases in air pollution is estimated to be an average 3.2 years (Greenstone et al., 2015). The level of the air pollution has led to protracted litigation against the state to check vehicular traffic and not to allow old and polluting vehicles. Recently, the National Green Tribunal has directed the state to ply only CNG buses along the Manali – Rohtang area and has restrained the entry of other vehicles. Similarly, the water pollution caused due to poor sanitary practices like open defecation, unscientific disposal of sewage water into the open drain, and littering has led to frequent outbreaks of jaundice and diarrhea.

The environmental concerns of the SMEs have been studied in two parts: environmental management practices followed and willingness to adopt environmental management programs in day-to-day operations. The performance of the SMEs on the above two counts is given in the tables below.

Table 4

Environmental Management Practices among SMEs (percentage of establishments)

<table>
<thead>
<tr>
<th>Environmental practices followed</th>
<th>Hotels</th>
<th>Travel Agencies</th>
<th>Transport Operators</th>
<th>Adventure Travel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>bud.</td>
<td>small</td>
<td>medium</td>
<td></td>
</tr>
<tr>
<td>Having its own environmental policy</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Dedicated staff for environmental management</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Recycling waste</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Having captive incinerator</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Installed energy saving devices</td>
<td>0</td>
<td>13</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Water harvesting structures</td>
<td>0</td>
<td>21</td>
<td>48</td>
<td>0</td>
</tr>
<tr>
<td>Purchasing recycled material</td>
<td>0</td>
<td>21</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Solar energy devices installed</td>
<td>12</td>
<td>16</td>
<td>23</td>
<td>0</td>
</tr>
</tbody>
</table>
Table 5
Willingness of SMEs to adopt Environmental Management Programs

<table>
<thead>
<tr>
<th></th>
<th>Hotels</th>
<th>Travel Agencies</th>
<th>Transport Operators</th>
<th>Adventure Travel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>bud.</td>
<td>small</td>
<td>medium</td>
<td></td>
</tr>
<tr>
<td>Trained staff on environmental</td>
<td>0</td>
<td>0</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willingness to pay for</td>
<td>7</td>
<td>34</td>
<td>56</td>
<td>41</td>
</tr>
<tr>
<td>environmental management at</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the destination</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willingness to adopt</td>
<td>45</td>
<td>63</td>
<td>89</td>
<td>90</td>
</tr>
<tr>
<td>environmental protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>practices</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As is clear from the above, in terms of environmental management practices, the position of SMEs in Manali is very bad. Not a single enterprise in the budget and small hotels category has its own environmental policy, and among the medium ones, only 2 percent have such a policy. Only 10 percent of the medium hotels have staff dedicated for environmental management, while 26 percent of the adventure travel agencies have such staff in position. None has any captive incinerator, and none is recycling waste generated by them. Only 21 percent of medium hotels have installed energy saving devices. However, their position in terms of water harvesting is better in view of the shortage of water during the summers, which is the peak tourist season. Solar energy devices are also becoming popular as a result of the rise in electricity tariffs every year.

However, their position with regard to contributing to environmental management is satisfactory. The best response comes from adventure tour operators where 78 percent of enterprises are willing to contribute. This is so since most of the adventure travel agencies get their business from foreign clients among whom environmental consciousness is very high. The response in the hotel SMEs is not very encouraging. None of the medium hotels are willing to contribute to environmental protection. Likewise, in terms of willingness to adopt better environmental practices, the position of adventure travel agencies is much better compared to hotels.

In terms of environmental concerns, the worst placed are the tour operators. They are neither following any environmental management practice nor are they willing to pay or adopt new practices. How these individuals could be motivated is an opportunity for further study, as they happen to be the major polluters of air quality in Himachal Pradesh (Batta, 2008). When asked about the mode of implementation of the environmental management programs, most people felt that there should be a dedicated agency to coordinate and oversee the implementation of the programs and that there should be regular workshops and training sessions to educate the enterprises and their staff.

4.3 Social
Transportation problems are the main issue in the social agenda. Traffic problems have been aggravated due to factors like mixed traffic patterns, incorrect utilization of urban infrastructure, and distorted distribution of land use in addition to tremendous tourist traffic. The improper geometric design of roads, poor surface conditions, constraints of parking, and abutting encroachment have reduced the capacity of travel speed substantially (Redecon, 2005). The level of service has virtually come to a stop-and-go condition, resulting in increased travel times, fuel costs, and vehicular emissions. The negligible public transport system and informal road network system have promoted intermediate public transport systems (auto-rickshaws and taxis) and personalized transport modes.

In terms of the health and safety of the local community, problems are really serious. Manali experiences one of the worst problems of crowding and congestion during the peak
tourist season (Redecon, 2005). The average daily traffic volume is 7562 vehicles, which is equivalent to 11240 PCUs, with 99 percent of these vehicles being fast moving vehicles. The problem of congestion is compounded by the lack of parking facilities in the town. Both sides of the main road are being used for idle parking, reducing the available road width. The Mall experiences the highest parking accumulation with about 700 to 800 vehicles parked on the road every day. With such a large floating population, the pedestrian movement also becomes a problem due to the lack of road space.

4.4 Political

There are problems of compliance in environmental law and the tourist trade act. On average, 60 cases of violations of the tourist trade act are detected by the local authorities every year. There is no local environmental NGO working in the area currently even though some Delhi-based NGOs have visited and studied the area many times. There is no local water pollution and waste policy nor has use of the tourism-related master plan ever been thought of. While a master plan was prepared by Town and Country Planning in 1971, it has never been adhered to strictly, as many structures have come up in the area earmarked for common facilities. No sustainable tourism master plan has ever been prepared, and the tourism department has hired consultants to develop plans for development of certain tourist facilities only.

From the analysis above, it is clear that in order to make tourism in Manali sustainable, interventions have to focus on infrastructure upgrades (roads, parking, water supply, sanitation, sewage, etc.), coordination among SMEs and stakeholders, community concerns in development, skill development, solid waste management, and regulation. As government resources may be insufficient to cater to this requirement, it is appropriate to follow the public-private partnership mode.

5. Community Benefit Tourism Initiative Model

First and foremost, the need of the area is to have a coordinating agency that acts as a platform for synergizing the activities of firms in different sectors as well as different government agencies. Though the Manali Development Council was set up in 2004 with powers to raise money through entry tax, the Council has remained a dormant agency concerned with generating money without any dedicated staff and a whole time head. As a result, even though the agency has been able to collect more than US $9.5 million (as of end June 2014), it has not taken up any major development project in the area so far. It has representatives from different segments (local industry, transport associations, representatives of the local community, and government officials) as its members, who could become a big force to mobilize support and ideas. Only recently has the Council held some meetings with the stakeholders to consider new projects like construction of a bus stand and a multistoried marketing complex with a car parking facility and a cultural theatre. The Council could potentially become a Community Benefit Tourism Initiative for the Manali area. Since the concerns to be addressed are multi-dimensional, a triple SSS model of sustainable development with public-private partnership (Figure 4) is proposed.

The strategy for implementation has to rely on consultation; coordination and information exchange; capacity building; evaluation and monitoring; and transparency. One of the basic reasons for leakage of income and employment opportunities is a lack of coordination among the SMEs and a lack of skills among the locals. Similarly, the infrastructural bottlenecks also arise because of a lack of coordination among the development agencies and a lack of consultation with the experts in different areas. The Council has to undertake monitoring and evaluation projects to identify the problems and effective interventions. Besides, the working of the Council has to be transparent with free flow of information to all the stakeholders. How all this could be implemented is discussed below.
Service-centric Development

Manali is a tourist destination with a concentration of SMEs catering to the needs of the tourists. Therefore, the tourism development strategy has to focus on measures to enrich the quality of service at the destination, which in turn could result in higher occupancy levels and increased off-season business. This could be done by enriching the product by adding new activities that could be undertaken by the local community. The approach has to focus on strengthening the institutional base for holistic planning, upgrading infrastructure, enhancing the skill level of the locals, and disseminating information.

The Council needs to consider a wide range of infrastructure options to overcome the current problems. For example, a ban on construction on both banks of the river Beas has to be considered to protect it from further damage. Within the town, areas need to be designated for residential and commercial use and the maximum flore-area ratio must be properly prescribed and strictly enforced to restrict multi-storied structures. Having dedicated built-in parking may need to be made compulsory for all commercial establishments, including hotels. Besides, norms on design and material of buildings need to be prescribed in conformity with the local architecture to save its façade from further damage from concrete structures (earlier studies by Singh, 1989 and Redecon, 2005 have observed that the construction activity in Manali has turned it into a concrete jungle).

One of the major reasons for the short stay of tourists in the area is the lack of recreational facilities to engage tourists for a longer time (Redecon, 2005; HSV, 2006). Even though Manali has enough potential to develop low impact outdoor activities, like trekking and Himalayan cycling, and local culture-based entertainment facilities, more needs to be done to harness this potential. One very strong probability is setting up a cultural theatre at the site of the present bus stand. The Council could develop a cultural theatre/shopping complex on a Build Own Operate and Transfer (BOOT) basis. It could emerge as a place for showcasing the local culture and handloom and handicraft products. Skiing, trekking, and rafting are other activities with great potential in the area that need to be promoted.
Transportation management requires a coordinated strategy with the state department of transport. The new policy initiatives in this area have to aim at reducing the number of old polluting autorickshaws, introducing mass rapid transport systems, developing more parking slots, and regulating the flow of vehicles by constructing bypasses and putting a stop to traffic to the Mall area. Sites for construction of car parking and a new bus stand have to be identified, and the Council could then start developing designs and posing the projects on public-private partnership mode.

Developing a sound system of solid waste management is an immediate need. The twin problems in terms of solid waste management are disposal of solid waste and littering of the landscape by tourists. Possibilities of setting up a compost site need to be explored with the help of the stakeholders, and their willingness to contribute to environmental conservation needs to be given a practical shape by developing appropriate mechanisms. Even though the government has imposed a ban on the use of plastic as a packing material, more needs to be done to publicize the negative effects of the use of plastics and other non-biodegradable materials. To this end, the Council needs to undertake extensive programs to educate tourists, locals, and businesses.

No improvement in the quality of service can be expected unless appropriate programs for training people at the cutting edge are designed. For example training waiters, taxi drivers, and trekking guides is essential from the point of view of service delivery and tourist safety. The location of the Western Himalayan Mountaineering Institute at Manali could be a great help. The institute has suitable infrastructure for training and specializes in adventure sports only. Assistance from the Hotel Management Institute at Kufri in Shimla could be used for training cooks, waiters, and drivers.

Dissemination of information among tourists and local SMEs is essential for getting their cooperation in management of tourism at the destination. The Council could make use of the available information centers of the tourism department and the wildlife wing of the forest department with software assistance from the Council budget and the state government. Information on the environmental strengths of the area and the potential threats could also be disseminated to the tourists as well as the local stakeholders.

Supportive Development

The Council needs to play a pivotal role in removing coordination failures. It could provide a platform for the official agencies to prepare a holistic plan by pooling resources and businesses to cooperate with their counterparts in agriculture, retail trade, handicrafts, tourism services, and transportation. It is only through coordination that the Council could get major infrastructural projects like a Manali bypass road and improvement in Van Vihar executed through the Public Works and Forest Departments. The coordination among the businesses will generate improved quality of services and business development services that are particularly helpful in checking environmental pollution and degradation.

One of the most important components of supportive development is community centric tourism development. One possible way to do so is to start a tourism revenue sharing scheme (TRS). TRSs aim to deliver economic benefits to the community by spending a portion of tourism revenue on building infrastructure for the community, such as schools, health clinics, roads and promoting positive attitudes among the community by educating the community (Simpson, 2008). TRS has been particularly successful in some African countries (Adams and Infield, 2003; Ormsby and Mannle, 2006). With surplus money at its disposal, the Council could undertake works that strengthen community infrastructure and enhance the income generating capacity of the community at large. While doing so, it should adopt transparent procedures to inform the stakeholders about the generation and use of funds.

Concern for Safety of the visitors and the locals is an important issue. There have been some instances of tourists having accidents or getting trapped in high hills during trekking expeditions. For the locals as well, concerns about pollution, congestion, soil erosion, and cultural
shock due to foreign visitors are increasing day by day. The Council needs to prepare a disaster management plan for tourists as well as the local community. This plan needs to coordinate with the District Administration to chalk out a contingency plan.

**Sustainable Development**

To achieve economic sustainability through maximizing the retention of benefits, the measures that need to be taken are twofold: coordination among SMEs to promote local products and imparting skills to locals to occupy positions in businesses. The Council could provide a platform to the local businesses to explore possibilities of doing business among themselves to prevent imports from outside. The presence of farmers and representatives from all trade associations could make things happen. Programs to train the local youth in hospitality related trades need to be started, and support from the local hospitality industry is required to ensure employment.

Another component of sustainable development is reinforcing the social fabric and culture. Apart from being a nature tourism based destination, Manali is also known for its rich cultural heritage. With the goal of promoting local culture, the Council could, with the help of the local administration and the tourism department, organize summer and winter carnivals where local cultural clubs are given the opportunity to perform. Enterprises selling local handloom and handicraft items need to be given priority in allocation of shops in the marketing complexes built by the Council. A cultural theatre could provide a year round platform for the local cultural clubs to perform.

Reducing waste disposal by the enterprises as well as tourists is a major challenge. It is therefore essential to promote the concept of *reduce, recycle, and reuse* through moral suasion and workshop sessions by the experts. Much waste production is avoidable, and reducing waste production can save businesses a lot of money. It is therefore worthwhile for tourism operators to monitor the amount of waste they are producing and the kinds of waste they are producing then review the reasons for its production and consider how to prevent or reduce it. This process is known as “waste auditing” (Nepal, 2008). The principal ways of dealing with the waste are to track, reduce, reuse, and recycle the waste.

Reducing energy consumption among tourism ventures is another area of significance, especially in view of its climate change implications (WTO, 1993; UN, 2002). Gossling (2002) estimates that tourism related global energy consumption is about 14,000 PJ, of which the share from the transport sector is 94 percent, accommodation sector is 3.5 percent, and the rest is consumed by the activity sector. Studies have shown (Becken et al., 2003; Gossling et al., 2005) that energy efficiency increases with the length of stay. The Council needs to develop special information packages for the tourism enterprises and the local community on ways to reduce energy consumption. Special workshop sessions and information campaigns for the target ventures would help a great deal.

6. Conclusion

From the impact scenario projected above, problems can be summarized per the table below (Table 6).

Manali presents a typical scenario of low investment and an enterprise economy arising due to lack of access to credit coupled with the high cost of finance and low social returns. This vicious cycle of growth (Figure 5) thrives on exploitation of natural and human capital and generates an economy that is characterized by low productivity and high natural resource content and is therefore low on resilience.

As has been noted above, the documentation procedures and requirement for collateral act as a major deterrent for SMEs accessing credit. High rates of interest coupled with mortgage charges payable to the government prohibit the service providers from growing, resulting in outside purchases by the hotels. Furthermore, the high cost of credit does not allow hotels to increase the size of their business and incur marketing costs to overcome the seasonality of demand.
These financially stressed enterprises are also not in a position to spend money on capital formation and environmental management. On the other hand, the root causes of the ecological, social, and political problems are lack of planning, inadequate infrastructure, and inability of tourism planners and industry to elicit community participation. Problems of lack of planning and infrastructure arise due to coordination failures with the tourism department promoting tourism in the area. Other government agencies fail to match their outputs to the increased requirements caused due to ever-growing SMEs and the floating population in the area. This lack of a holistic approach to planning is also responsible for poor local retention of benefits, information asymmetries, and low social returns.

Environmental concerns due to tourism development are really serious, and a concerted effort has to be made to make the enterprises follow best environmental practices. One of the leading obstacles to transforming environmental awareness into business practice is the assumed cost of environmental protection. It is argued (Erdogan and Baris, 2007) that tourism enterprises are only interested in adopting energy saving and solid waste management practices if it is cost saving for them. However, with increasing environmental consciousness among tourists (Erdogan and Baris, 2007), it is becoming a business necessity as is seen in the case of adventure travel operators operating in Manali. Before taking any initiative, particular attention has to be paid to the need for a coordinating agency. Fortunately, the Manali Development Council, which is getting substantial support from the green tax, could assume this role and, with the help of the stakeholders, become a community benefit tourism initiative. Becoming a CBTI is a useful option in developing countries in view of the low enterprise economies in the remote mountain localities.
To compete effectively, destinations have to deliver wonderful experiences and excellent value to visitors. The business of tourism is complex and fragmented, and from the time that visitors arrive in the destination until they leave, the quality of their experience is affected by many services and experiences, including a range of public and private services, community interactions, environment, and hospitality. Delivering excellent value will depend on many organizations working together in unity. Sustainable destination management calls for a coalition of these different interests to work towards a common goal to ensure the viability and integrity of their destination now and for the future (WTO, 2008). The Tourism Development Council has to assume that role and become a CBTI. The Council should not only lead on marketing, but it must also be a strategic leader in destination development. This role requires it to drive and coordinate destination management activities within the framework of a coherent strategy.

References


Batta, R.N. (2008), Economics of the Road Transport. New Delhi: Gyan Books


Britton, S.G (1983), Tourism and Underdevelopment in Fiji. In Development studies center Monograph no. 31, Canberra: The Australian National University


HPPCB (2014), *Annual Administrative Report*. Shimla: Himachal Pradesh Pollution Control Board


Michael, E.J. (2004), Tourism micro clusters from principle to practice. *Tourism state of the art II- conference proceedings*, Scottish Hotel School, University of Strathclyde, Glasgow, June 2004


Nepal, S. (2008), ”Tourism induced rural energy consumption in the Annapurna region of Nepal”, *Tourism Management*, 29:89-100

Nordin, S (2003), *Tourism Clustering and Innovation-path to economic growth and development*. Oestersund, Sweden: European Tourism research Institute, Mid-Sweden University


WTO (2003), *Climate Change and Tourism*. In proceedings of first international conference on climate change and tourism. Madrid: WTO