

Chapter 4

Tourism Related Economic Changes In Sikkim

The objective of this chapter is to measure the degree of economic changes brought about by tourism in Sikkim. In other words, an attempt has been made to measure the economic impact of tourism. Tourism is a full-fledged industry in Sikkim. After agriculture it provides the maximum employment to the people (Sikkim Human Development Report 2001). Apparently, people from all walks of life whether an old person or a housewife are in some way or the other related to the tourism industry. They are either managing a retail outlet or just keeping accounts of their business. The economic contribution of tourism will be manifold if unreported or indirect contributions are taken into account.

4.1 REPRESENTATIONS BY TOURISTS

Tourists are the central figure in this industry. It is for them to feel comfortable and relaxed that the success of the industry depends upon. Our survey (Annexure 1) also ascertained this fact. Most of the questions were directed towards their trip and the survey was kept deliberately small as the tourists often objected to long interviews, as they perceived it to be interference in their indulgence. Nevertheless essential data as the economic strata of the society they were interested on was also evoked. A subtle effort was made to find out the expenditure patterns of the tourist. Also, tourists are the ones who tend to give more vague answer as our pilot study showed. The survey thus had several questions, which were twisted to give the same answer. This was done to reinforce the integrity of the tourist.

Approximately 20% of the sample completed the questionnaire in the month of December 2005 to February 2006 and the remaining 80% were completed in during March – April 2006.

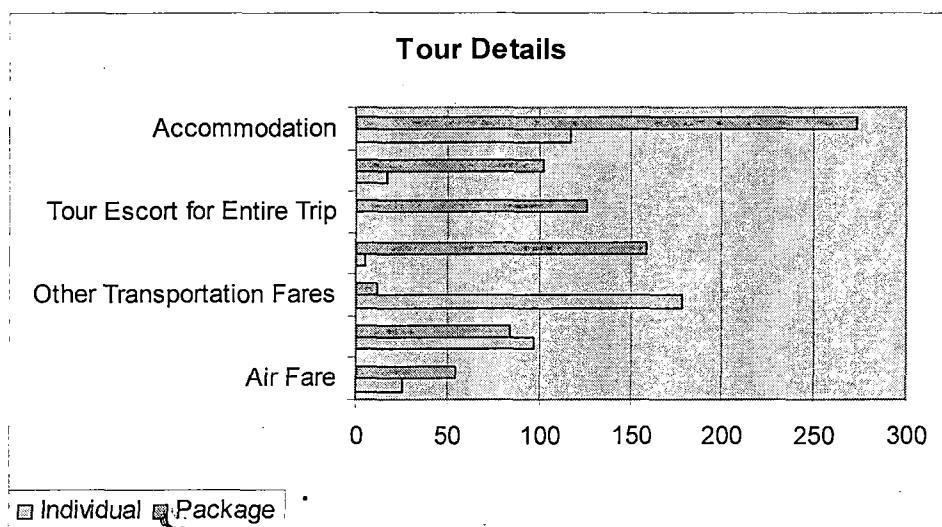
The researcher did an extensive survey on the entire four districts. Usually only group leaders, individuals, young couples etc were interviewed. Although approximately 550 questionnaires were administered, only 273 samples could be included in the study others being incomplete or contradictory.

The administered questionnaire consisted of 6 pages (see Annexure 1) including a small paragraph stating the general objectives of the study and requested the participants to complete the questionnaire. No personal information was solicited. The remaining pages of the questionnaire consisted of four sub headings namely Travel Planning, Travel Choice, Travel Opinion and Preference and Demographic.

Table 4.1 – Structure of Tour Details

Tour details	Individual	Package
Air Fare	26	54
Rental Vehicle	97	84
Other Transportation Fares	178	12
Food	05	159
Tour Escort for Entire Trip	01	126
Commercial Guided Tour	17	102
Accommodation	117	273

Figure 4.1



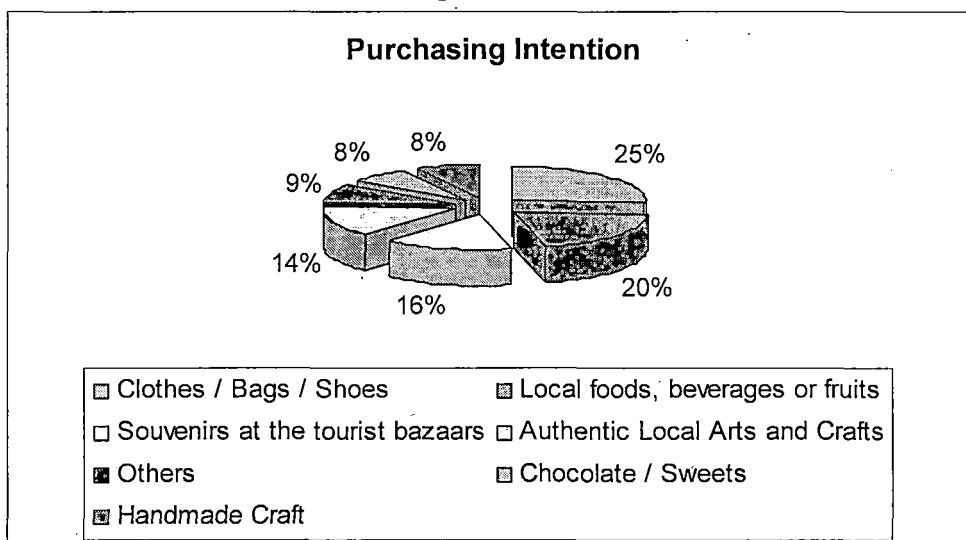
The above table elaborates the fact that a package tour as per one's interpretation includes mostly accommodation, guided tour and food. Neither airfares nor pick-ups from the nearest railway station or airports are included in package tours. Distance between Gangtok and the

nearest airport and railway station is 120 k.m and 114 k.m respectively. This journey by road is annoying as it is both uncomfortable and expensive. The taxi drivers charge manifold than the actual fare. Tourists before beginning or the end of their trip are left with negative feelings. Tour package must include both pick up and drop in to the respective point of departure. The tour operator must be enterprising to make out this sort of problems.

Table 4.2 – Purchasing Intention of Tourist

Marketing Intention	n	%
Clothes / Bags / Shoes	71	25.9
Local foods, beverages or fruits	55	20
Souvenirs at the tourist bazaars	43	15.54
Authentic Local Arts and Crafts	38	14.09
Others	24	9.09
Chocolate / Sweets	21	7.72
Handmade Craft	21	7.72
Total	273	100

Figure 4.2



Tourists are the people, who are not only interested in visiting new places and knowing newer culture, meeting people, etc in short unwinding themselves in a new environment. This does have a direct impact in the economy of tourist destination but also there are some indirect impacts. The tourists also want to create memories for themselves and in the process

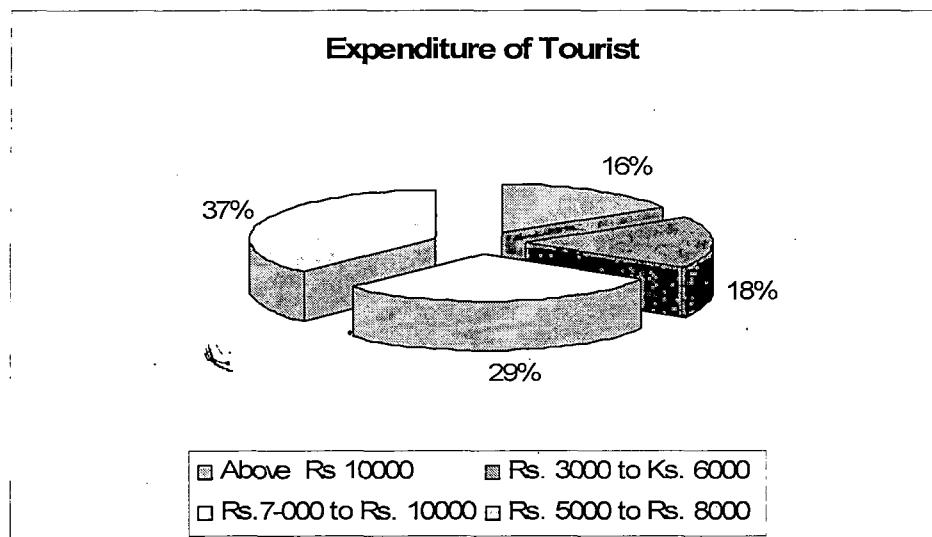
make some purchases for themselves and their families. This indirect impact could be felt by the growth of shopping centres. These shops cater to the requirement of tourist. The researcher through his survey could easily point out that leather; rexin products were popular with the tourist.

Bags are a favourite of the middle-aged tourist and shoes are quite popular with the younger tourist. Tourist wanted to purchase or had intention of purchasing shawls in the name of clothes. Also cardigans and pullover consisted of other purchases. The survey also pointed lesser fascination for brand than previously perceived. Local spirits and food followed by souvenirs and gifts were popular with tourists. The Village crafts were not very high on the wish list of tourist. This came as a surprise as the government were stressing on to the local handicrafts or the things that depicted the local culture.

Table 4.3 – Expenditure of Tourist per Head

Expenditure of Tourist	n	%
Above Rs. 10000	45	16.36
Rs. 3000 to Ks. 6000	48	17.72
Rs. 7-000 to Rs. 10000	78	28.63
Rs. 5000 to Rs. 8000	102	37.27
Total	273	100

Figure 4.3



Talking of expenditure incurred by the tourists most of the respondents were of the opinion that they have not kept track of their expenditure, only on persistent queries the table number 4.3 was formulated. The table might not give an accurate picture but will provide resourceful insight towards the profile of tourist and the impact they make while visiting a place. The researcher had framed this question in the survey (Annexure 1) classifying low-income tourist, middle-income tourist, upper income tourist and high-end tourist. The answer or the options were also not watertight as there is some overlapping with one another. As can be seen - it is the middle-income group which ventures into Sikkim more often than any other group. Also one can clearly state that the state attracts tourists from all walks of life, as the high-end tourist and low-income tourist are almost neck-to-neck when it comes to presence. One gets a clear picture that no segment can be ignored as the entire segment has sizeable presence.

4.2 REPRESENTATIONS OF RESIDENTS

The local populations are the backbone of this study. They are the peoples who must have felt changes more often than anybody else due to spread of tourism. The survey (Annexure 3) was done to ascertain this fact. Most of the questions were directed in such a way so as to ascertain the changes that have taken place in the community or the society they live. The economy of Sikkim and the means of livelihood of the people or the changes thereof as perceived by the residents were recorded. Also the quality of life, living standard and basic infrastructural facilities were studied.

The people participated voluntarily in the survey and agreed to complete the questionnaire when approached by the researcher. Approximately 60% of the sample completed the questionnaire in the month of December 2005 to February 2006 and the remaining 40% were completed during March – April 2006.

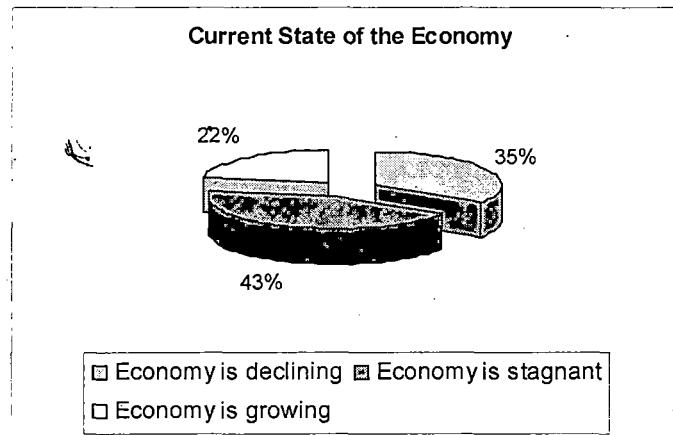
Entire four districts have been covered by the survey. A combination of random and to certain extent convenience sampling was done to select the respondents. Usually only one person per household was interviewed, the researcher deliberately took responses only from

persons who have attained the age of 25 years. Although approximately 550 questionnaires were administered, only 220 samples were included in the study as the others had to be rejected due to one reason or other. The administered questionnaire consisted of 10 pages (see Annexure I) including a small paragraph stating the general objectives of the study and requested the participants to complete the questionnaire. No personal information was solicited. The remaining pages of the questionnaire consisted of four sub heading namely General; Community; Demographics; and Employment.

Table 4.4 - The Current State of the Economy and Economic Development in Sikkim as Perceived by Residents

Perception	n	%
Economy is declining	76	34.5
Economy is stagnant	96	43.6
Economy is growing	48	21.8
Total	220	100

Figure 4.4



Out of a total of 220 residents interviewed for the survey, 35 percent feel that the economy is declining, 22 percent feel that the economy is growing and to 43 percent residents the economy is stagnant. This indicates that in the residents' perception not much of a change is taking place as far as economy is concerned or the changes are very slow. It appeared that

many of the respondents did not give a favourable response because they didn't like to give a happy picture about themselves to strange people. In reality however things appear to have definitely improved as indicated by the mobile phones used by the huge number of residents.

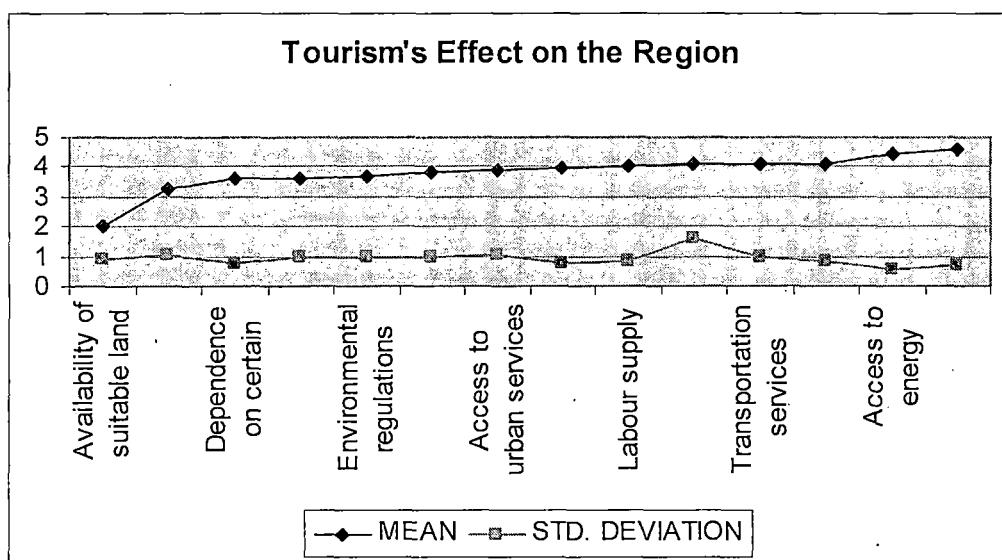
Table 4.5 - Residents' Mean Response to Tourism's Effect on the Region *

Variable	Mean	Std. dev.
Availability of suitable land	2.04	0.89
Zoning	3.23	1.03
Dependence on certain industries	3.59	0.76
Intergovernmental relations	3.62	0.97
Environmental regulations and standards	3.69	0.98
Sikkim govt. procedures	3.83	0.94
Access to urban services	3.89	1.07
Community govt. procedures	3.96	0.75
Labour supply	4.01	0.82
Land use planning	4.09	1.60
Transportation services	4.12	0.96
Availability of raw materials	4.13	0.80
Access to energy supplies	4.45	0.56
Tax structure	4.56	0.67

* Response range ranked from 1 to 5

- 1 = Significantly worsen
- 2 = Worsen somewhat
- 3 = Not make any difference
- 4 = Improve somewhat
- 5 = Significantly improve

Figure 4.5



The participants were requested to indicate their views on the effects of tourism in the region based on variables like availability of land, zoning, labour, supply, transportation, raw materials and others.

They felt that:

The availability of suitable land had somewhat declined (mean of 2.04 at rank 2) with a standard deviation of 0.89. Zoning did not make any difference and this response deviated from the average response by 1.03. Hence the responses could also be classified against the fourth rank where the participants feel that zoning had somewhat improved the region.

Again average number of respondents felt that dependence on certain industries were not at all impacting on the region while a standard deviation of 1.79 indicate strongly that they could also mean that dependence on certain industries did in fact somewhat improve the region. The participants feel that the increased relations between governments did not make any difference to the region and standard deviation was by 0.97.

Environment regulations and standards had an average response rate that indicated no differences were felt in the region with a standard deviation of 0.98. Sikkim Government procedures received an average of 3.83 and rank category fell to "did not make any difference while standard deviation was 0.94. Access to urban services was felt to have had made not much difference but a standard deviation of 1.07 suggest the responses could also be classified in the next higher ranking category of "improved somewhat. With a standard deviation of 0.75 and mean of 3.96 it was felt that community government procedures did not make any difference to the region. Labour supply had somewhat improved the region. Land use planning had somewhat improved the region and a standard deviation of 1.6 takes this response average to the next higher response average of "significantly improved" the region. Transportation services has somewhat improved the region. Availability of raw materials has improved the region. Access to energy supplies as a variable has an average response that

says "somewhat improved" with a standard deviation of 0.56. The tax structure also falls in the category of somewhat improved with a standard deviation of 0 .67

Table 4.6 - Residents' Mean Response to Various Industries in the Region*

Variable	Mean	Std. dev.
Heavy industry	0.98	0.77
Manufacturing	1.71	0.67
Electronics / Hi-technology	3.46	0.69
Education	3.77	0.82
Financial services	3.83	1.04
Government	3.83	1.01
Land development	3.95	1.03
Construction	3.97	0.91
Wholesale trade	4.12	0.76
Retail trade	4.15	0.92
Transportation	4.21	0.90
Light industry	4.22	0.75
Machinery	4.36	0.89
Food processing	4.40	0.82
Lumber / wood products	4.57	0.77
Tourism	4.66	0.85

* Response range was 1-5

1 = Significantly decrease the activity

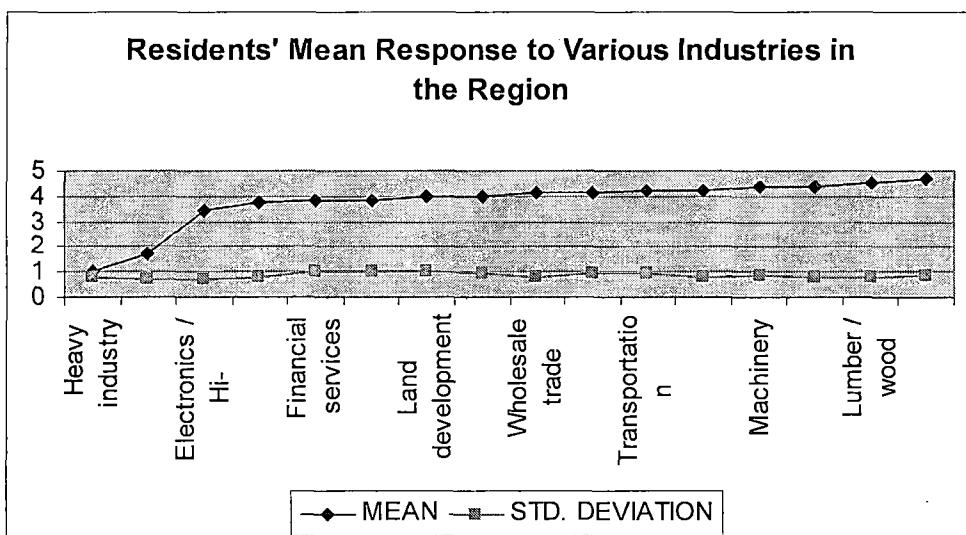
2 = Decrease somewhat the activity

3 = Not make any difference to the activity

4 = Increase somewhat the activity

5 = Significantly increase the activity

Figure 4.6



The residents, when it comes to heavy industries have an average response stating heavy industries should be decreased significantly. This average response deviates by a standard deviation of 0.77 and comes close to the second category of response range that says the heavy industries should be decreased slightly. Manufacturing also should be decreased from its present volume of business.

Electronics and high technology need to be left alone in its present state of business with a standard deviation of 0.69. This means there are some respondents out there who feel the activity should be somewhat increased. Education meets with a similar response only this time the standard deviation is 0.88, which suggests a strong tendency of the average response to sway toward the higher range of response category, labeled – “increase somewhat the activity.” The variables Government, financial services, land development and construction all have averages which are over 3.5 and standard deviation of over 1 and in the fourth case (construction) a deviation of .91. This means there is definitely a large portion of the respondents who feel that these activities should be somewhat increased even though the average number of people want the activities to undergo no change.

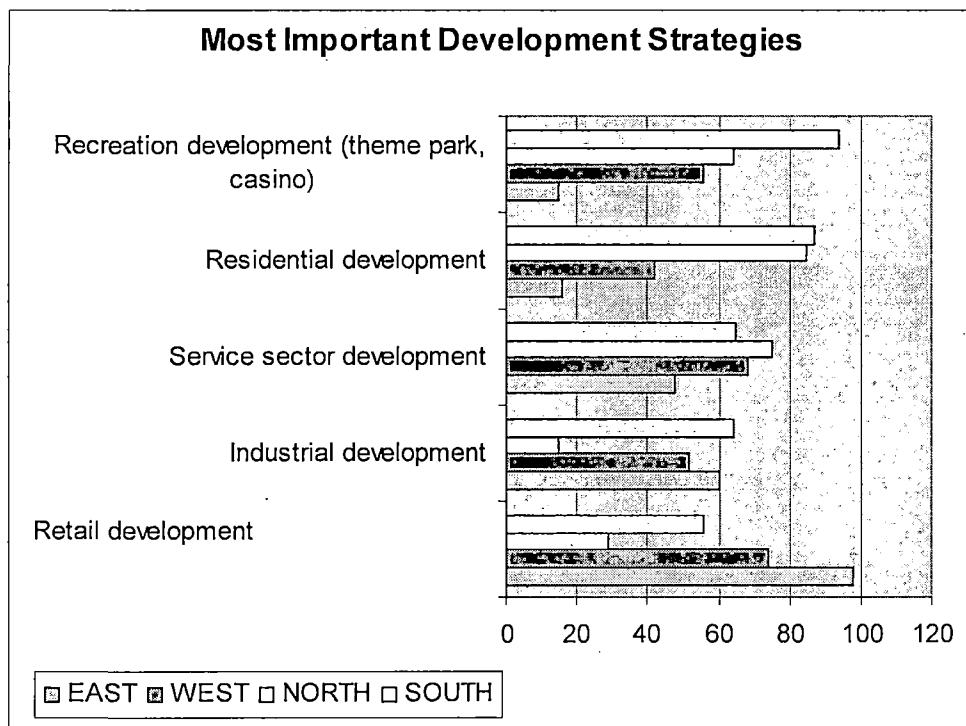
Wholesale, Retail, Transportation, Light industry, machinery, food processing, lumber, wood products, and tourism all record an average response of over 4 and the implication suggests the majority want to see these activities increased somewhat more than its current level. In case of retail industry, transport and machinery, where the standard deviation is close to and above 0.9 the respondents want to see a significant rise in the level of activities.

Table 4.7 - Distribution of Respondents District Wise as to the Most Important Development Strategies

Business	East	West	North	South
Retail development	98	74	29	56
Industrial development	60	52	15	64

Service sector development	48	68	75	65
Residential development	16	42	85	87
Recreation development (theme park, casino)	15	56	64	94

Figure 4.7

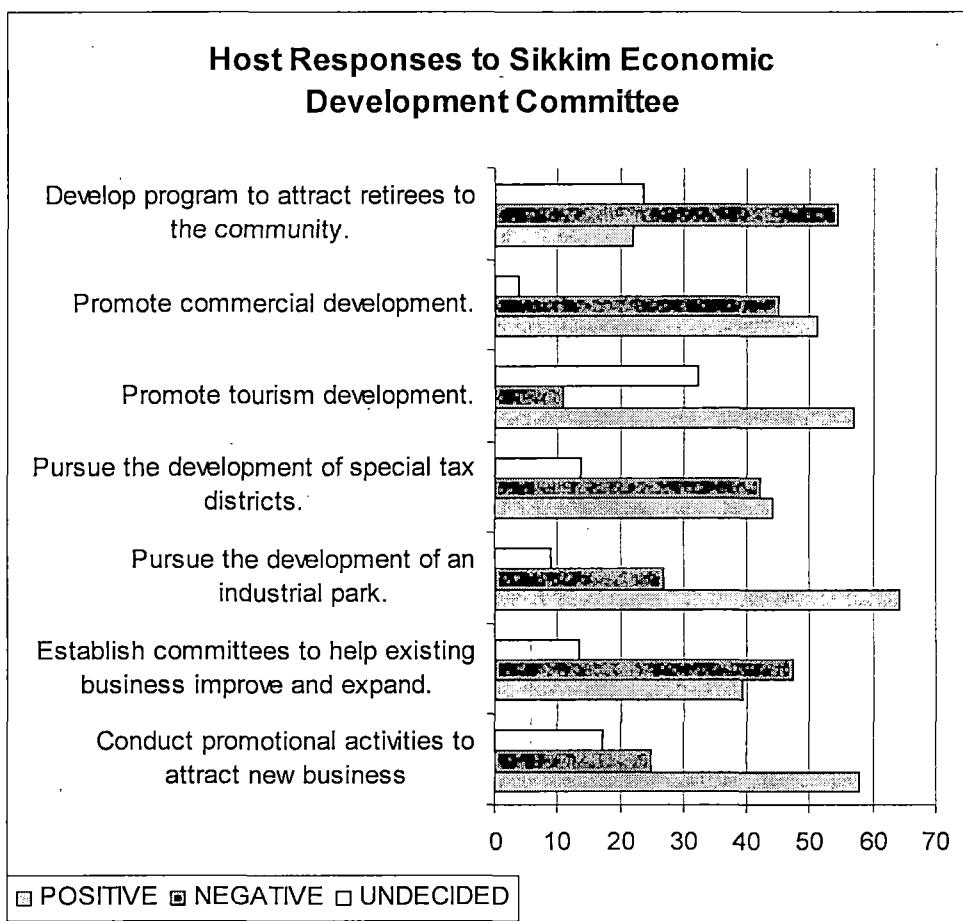


Barring North Sikkim, all three corners of the state see retail industry as the most important development strategy to be implemented. Industrial development is seen as an important development strategy in East and South Sikkim. For the northerners the most important development projects mean residential, service sector and recreational and in that order. Recreational development is viewed in South Sikkim at the top of the list in terms of developmental strategies. There is a dearth of good retail shops and the prices are on the higher side. The residents have a feeling that with more competition the margin for the traders will fall and with it the prices. East and the South districts are densely populated and the people favoured setting up of industries, as this will provide large-scale employment. The residents of North and West district are looking towards tourism as an alternative means of employment apart from agriculture.

Table 4.8 - Host Responses to Should Sikkim Economic Development Committee Pursue the Following Policies (% of the Population)

Attitudinal/Behavioural	Positive	Negative	Undecided
Conduct promotional activities to attract new business	57.7	24.9	17.4
Establish committees to help existing business improve and expand.	39.3	47.4	13.3
Pursue the development of an industrial park.	64.3	26.7	9
Pursue the development of special tax districts.	44.2	42.1	13.7
Promote tourism development.	56.8	11	32.2
Promote commercial development.	51.2	45	3.8
Develop programmes to attract retirees to the community.	21.9	54.3	23.8

Figure 4.8

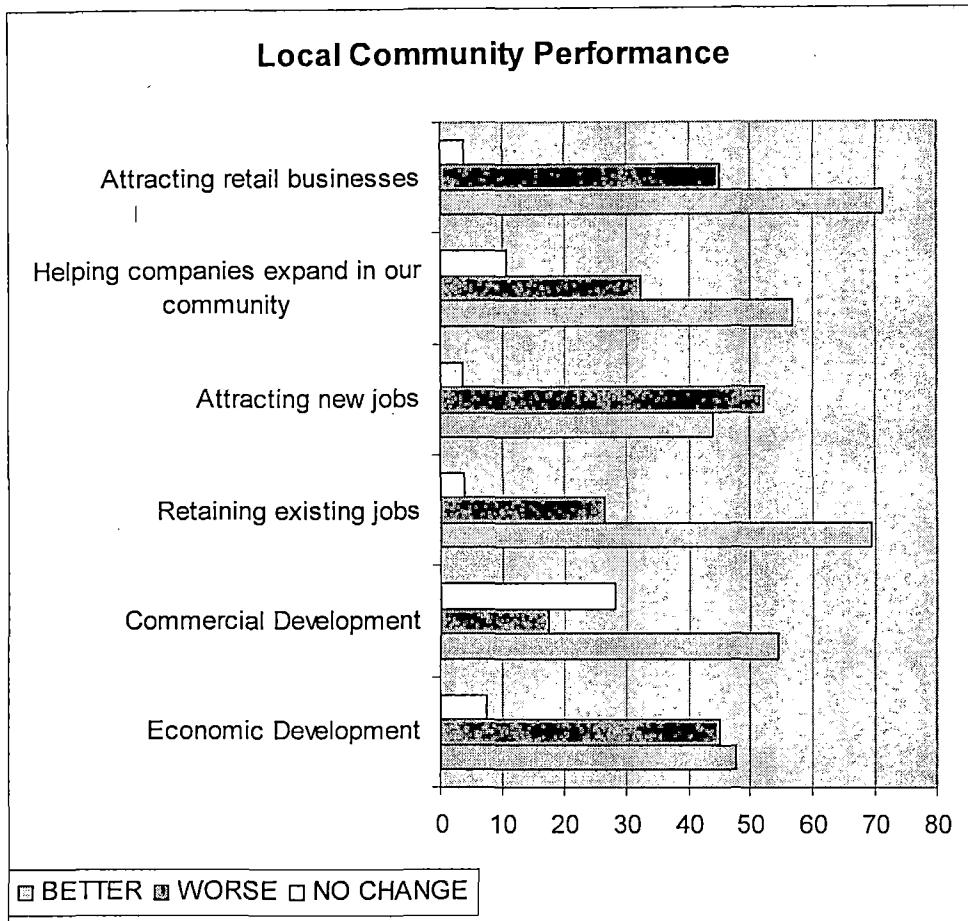


When it comes to government policies, more than half the number of respondents surveyed wanted to see promotional schemes by the government implemented to attract new business ventures in the state. Less than half of the respondents express they wanted committees installed to develop existing industries and business sectors. Instead the majority want to see an industrial park been established in the state. The majority views development of tourism and commercial complexes favourably. It was felt that people blamed the government for all the mishaps and they do not owe their responsibility towards the society.

Table 4.9 - Host Responses to Local Community Performance under the following heads (% of the Population)

Parameter	Better	Worse	No Change
Economic Development	47.7	44.9	7.4
Commercial Development	54.3	17.4	28.3
Retaining existing jobs	69.3	26.7	4
Attracting new jobs	44.2	52.1	3.7
Helping companies expand in our community	56.8	32.5	10.7
Attracting retail businesses	71.2	45	3.8

Figure 4.9

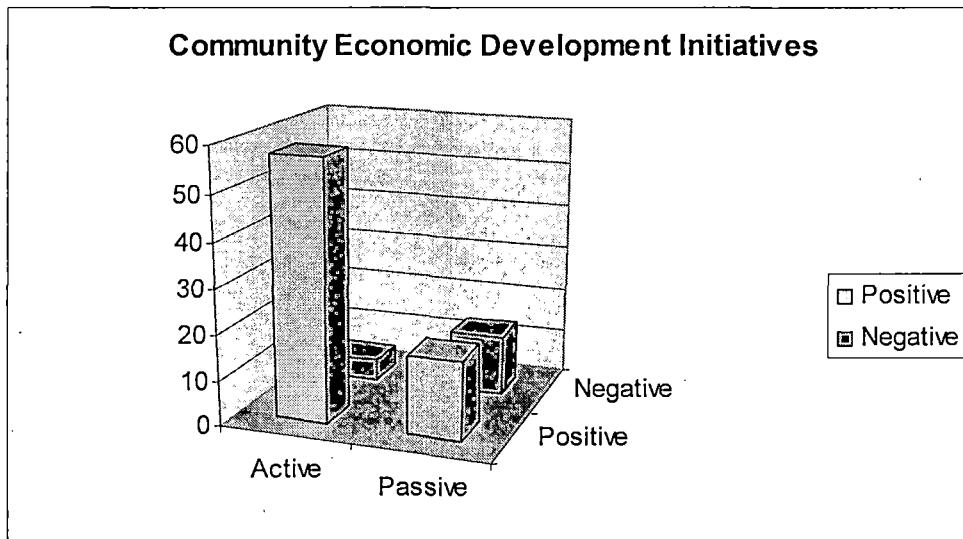


In this category, the majority feels that industrial developments, retention of jobs, helping companies to expand, commercial development and attracting retail business have been better. A strong majority expressed dissatisfaction with the current level of job creation schemes initiated by government policies. The people of Sikkim have laid back attitude and are satisfied with what they have. Not being entrepreneurial is big disadvantage for them, as they do not want to slog hard. Sikkim is a good potential for entrepreneurial talent. One has to understand that development can only be done if there is good private-public partnership.

Table 4.10 - Host Responses to Volunteer and become involved in Community Economic Development Initiatives (% of the Population)

Host Responses	Active	Passive
Positive	57.7	17.4
Negative	4.5	13.6

Figure 4.10



People overwhelmingly supported and were more than willing to volunteer for community's economic development projects and would welcome such initiatives. Any programme that enhances living standard and provided employment to the community are welcome. A good guess would be that the people are overwhelmingly materialistic. In lieu of money people are ready to extend all sorts of cooperation and help. The lure of hard currency is very strong among the people.

Table 4.11 - Residents' Mean Response to Economics' Effect on the Region *

Variable	Mean	Std. dev.
Diversification of Sikkim's economy will not solve the employment problems	0.12	0.96
Continued economic growth in Sikkim will have a negative impact on the quality of life	1.01	0.32
The city has too strong a voice in the economic improvement process	1.09	2.67

used in Sikkim		
Economic development in Sikkim will not adversely affect the quality of the environment	1.89	1.07
There are adequate tax incentives to attract new industries / companies to Sikkim	2.83	0.94
The current economic situation in Sikkim is caused by events that have occurred outside Sikkim	3.04	1.09
No benefit to further economic growth in Sikkim	3.33	0.57
There is too much land in Sikkim being diverted to industrial use	3.45	0.56
Local governments, by their regulations, seem to indicate that they did not really encourage economic growth	3.46	0.67
Economic diversification is not good for Sikkim	3.62	1.97
There is too much governmental planning for land use in Sikkim	3.69	0.98
There is a strong leadership in Sikkim to promote economic growth and diversification	3.79	0.76
Economic growth is good for Sikkim	3.83	0.54
Any industrial use of land that provides additional jobs is good for Sikkim	3.96	0.75
The procedures required by local government for land development in Sikkim require too much time	3.98	0.26
Diversifying Sikkim's economy will improve the quality of life in Sikkim	4.11	0.54
There will be sufficient supplies of energy available to sustain economic growth in Sikkim	4.13	2.80

* - Response range was 1-5

1 = Don't Know or No Opinion

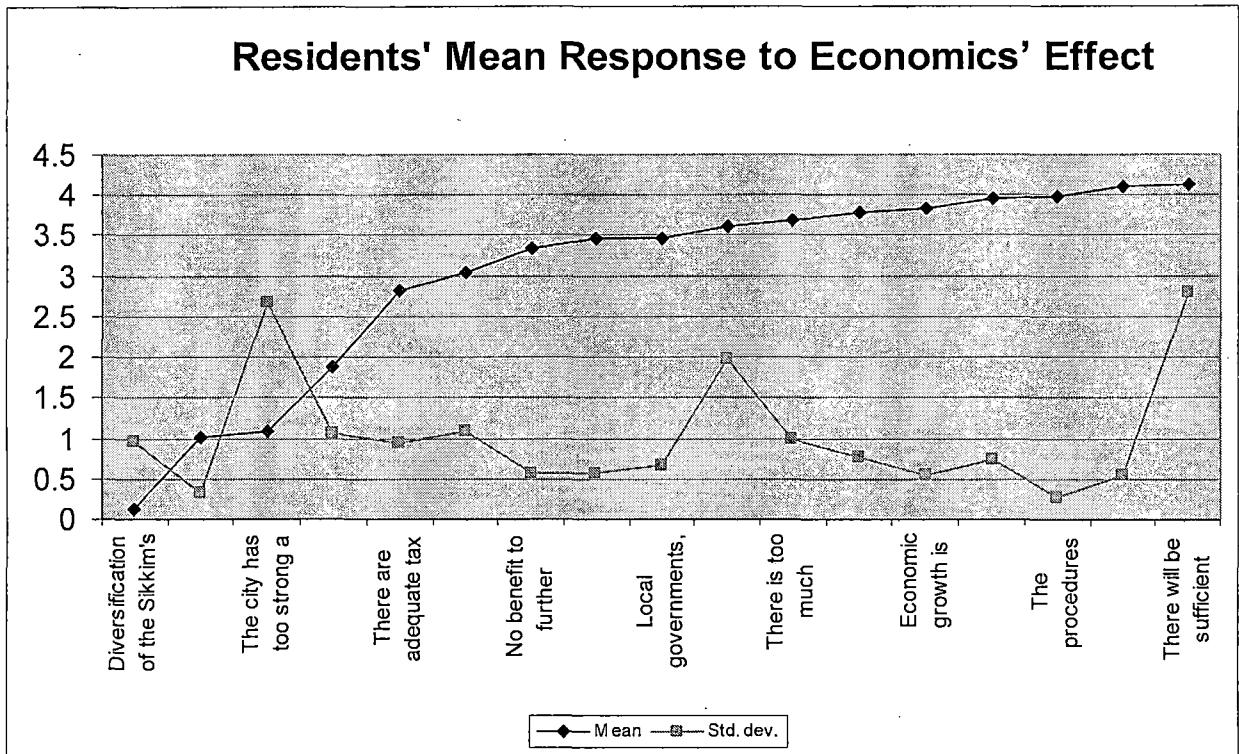
2 = Strongly Disagree

3 = Disagree

4 = Agree

5 = Strongly Agree

Figure 4.11



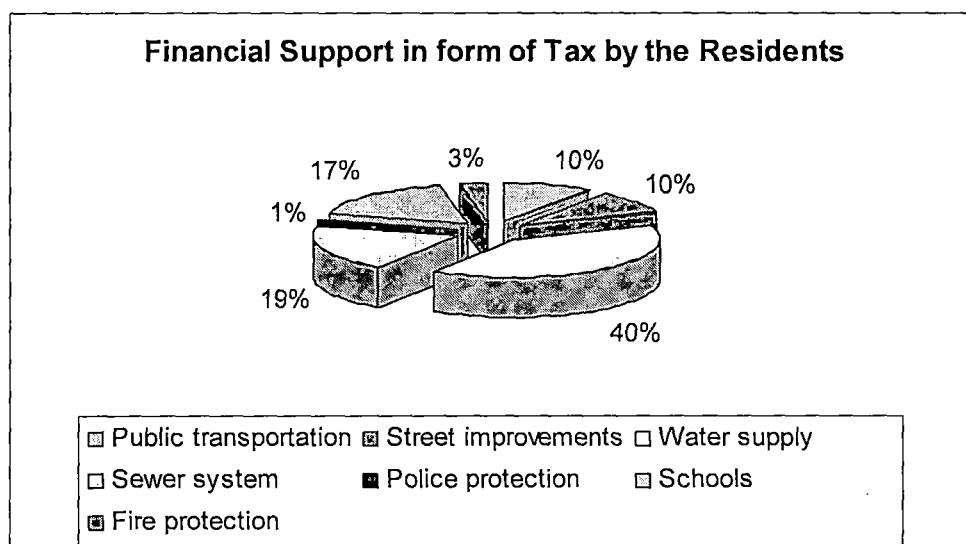
As far as the effects of economy are concerned, the respondents agree that just mere diversification of economic activities will not lead to healthy and improved living standard. The mere fact that people are not very sure of any economic forum being present, lack of consistent government policy and environmental concern is low as per the residents. A leadership in promotion of economic growth is lacking in Sikkim and so is economic diversification. Government rules and regulations are complicated and long for one to take any investment decision. The citizens strongly feel the government should promote new industries by initiating more reduction in tax incentives. The citizens agree that there will be sufficient supplies of energy available for future industrial growth and they are unsure whether diversification policies in economic activities are good for Sikkim. Environment and economic development is mutually exclusive to one another as per the residents. The people are ready to go through any degree of change for a better life style. They fail to recognize that ambience and environment are the prime reason for tourists to visit Sikkim. The people

however subscribe to the fact that any development outside the state has direct implications in the numbers of tourist.

Table 4.12 - Financial Support in form of Tax by the Residents required to Promote Economic Growth and Diversification in Sikkim

Impact	n	%
Public transportation	22	10
Street improvements	21	9.09
Water supply	88	40 .0
Sewer system	42	19.09
Police protection	2	0.09
Schools	38	17.27
Fire protection	7	3.18

Figure 4.12

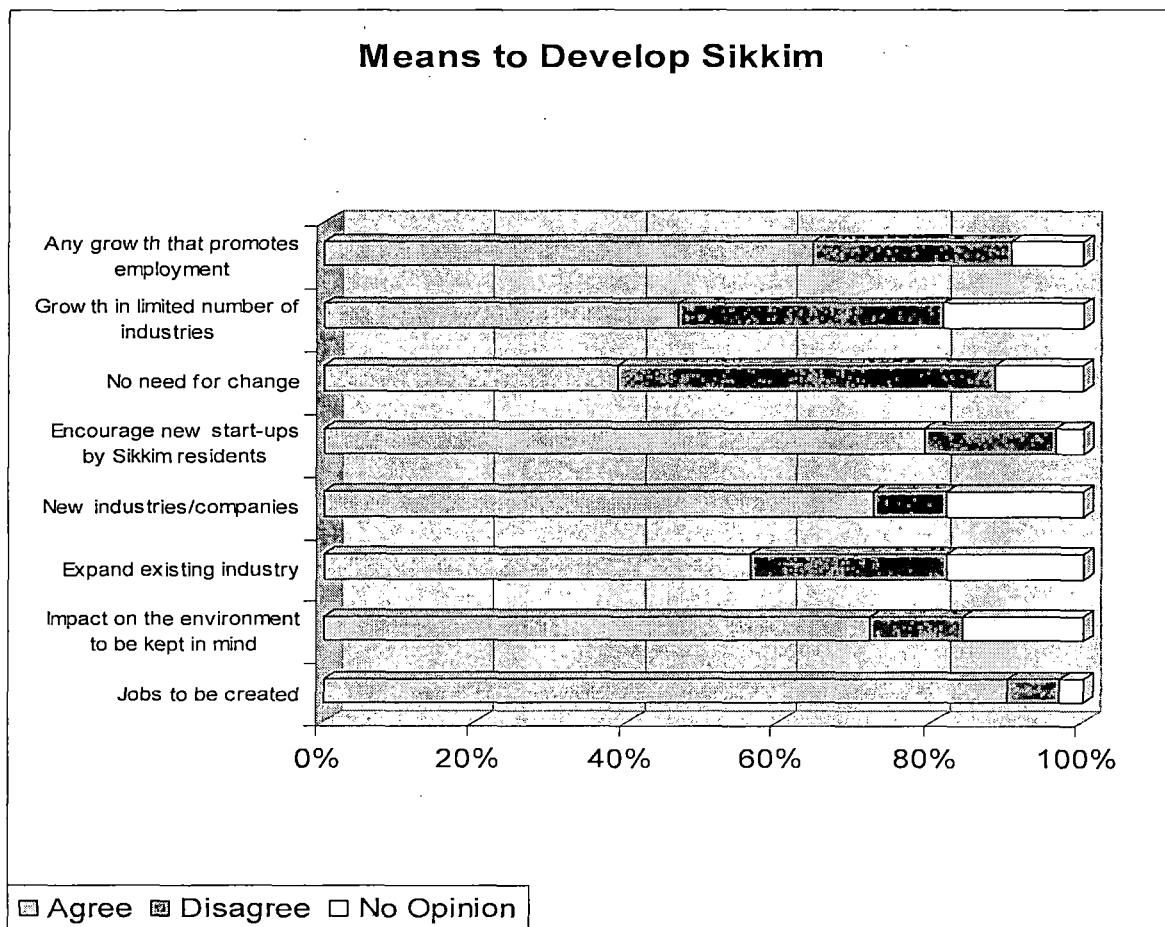


People indicated that sewerage; security & waste management are the areas on which they wanted their tax money to be utilized. In other words they want to create an atmosphere to attract tourist and promote tourism. Residents are aware of their strength of their state and want a concrete effort to make tourism a success.

Table 4.13 - Means to Develop Sikkim

Economic Priorities	Agree	Disagree	No Opinion
Jobs to be created	198	15	7
Impact on the environment to be kept in mind	158	27	35
Expand existing industry	124	56	40
New industries/companies	159	21	40
Encourage new start-ups by Sikkim residents	174	38	8
No need for change	85	109	26
Growth in limited number of industries	103	76	41
Any growth that promotes employment	142	57	21

Figure 4.13



In terms of priority of economic activities, the citizens view job creation at the top of the list followed by new industrial development and environmental impact of industrialization in the

State. A strong concurrence is there among the people on development of indigenous enterprises and they expect the government initiatives installed in place to fuel such entrepreneurial ventures. Most citizens agree that a change is required. Employment generation is the pivotal issue; only the manifestation is different in the form of setting up of new ventures, expansion of existing industries or concessions given by the government to promote industrial growth.

Table 4.14 - Residents' Mean Response to Sikkim's Economy *

Variable	Mean	Std. dev.
The local school system provides adequate training to youth in our community to prepare them for employment.	1.45	1.56
Local tax resource should not be used to develop new jobs in Sikkim.	1.71	1.35
Political leaders are willing to provide economic support to create more jobs in Sikkim.	1.89	0.97
Our community should encourage and plan for industrial development.	2.13	0.93
Sikkim should provide childcare services for their employees.	2.13	0.80
Adequate resources are being used to develop new jobs in Sikkim.	2.43	0.84
Local financial institutions provide adequate funding for business loans.	2.92	0.56
City/Village leaders are willing to provide economic support to create more jobs in Sikkim.	2.96	0.65
There are sufficient opportunities for earning an income in Sikkim.	3.07	0.49
Local businesses serve the needs of residents in our community.	3.09	1.11
Local jobs can help create new tax resources for Sikkim.	3.12	1.07
We should do more in our community to create new jobs.	3.19	0.96
Citizens of our community have a positive attitude toward attracting new business and industry.	3.69	0.78

* - Response range was 1-5

1 = Don't Know or No Opinion

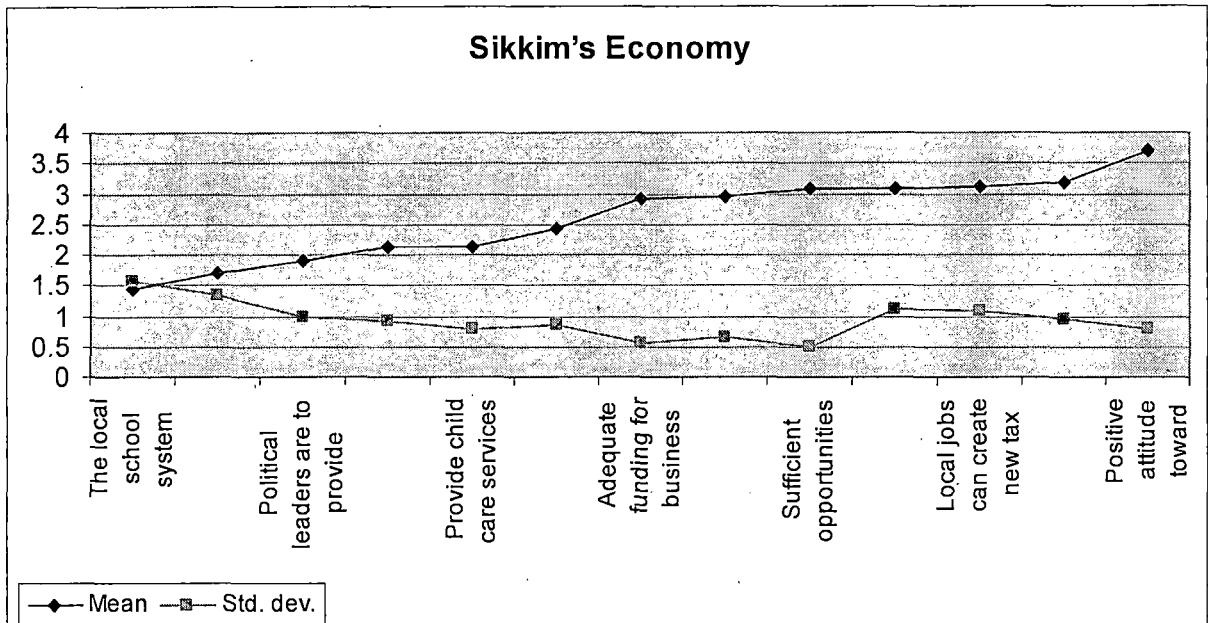
2 = Strongly Disagree

3 = Disagree

4 = Agree

5 = Strongly Agree

Figure 4.14



With a mean in the range of 3, the citizens feel that sufficient opportunities for earning are lacking in the state. Inadequate resources are being used to develop jobs and more governmental initiatives are required than private endeavours by citizens. Local jobs cannot create any additional revenue resources. Citizens welcome the move by government to attract new business and industry. Village heads and panchayats do not seem to be doing enough and local businesses are not enough to serve the needs of residents. Child care services are not solicited by the public and no one is sure if the local school systems provide adequate training and qualification to the youth in their preparation for employment.

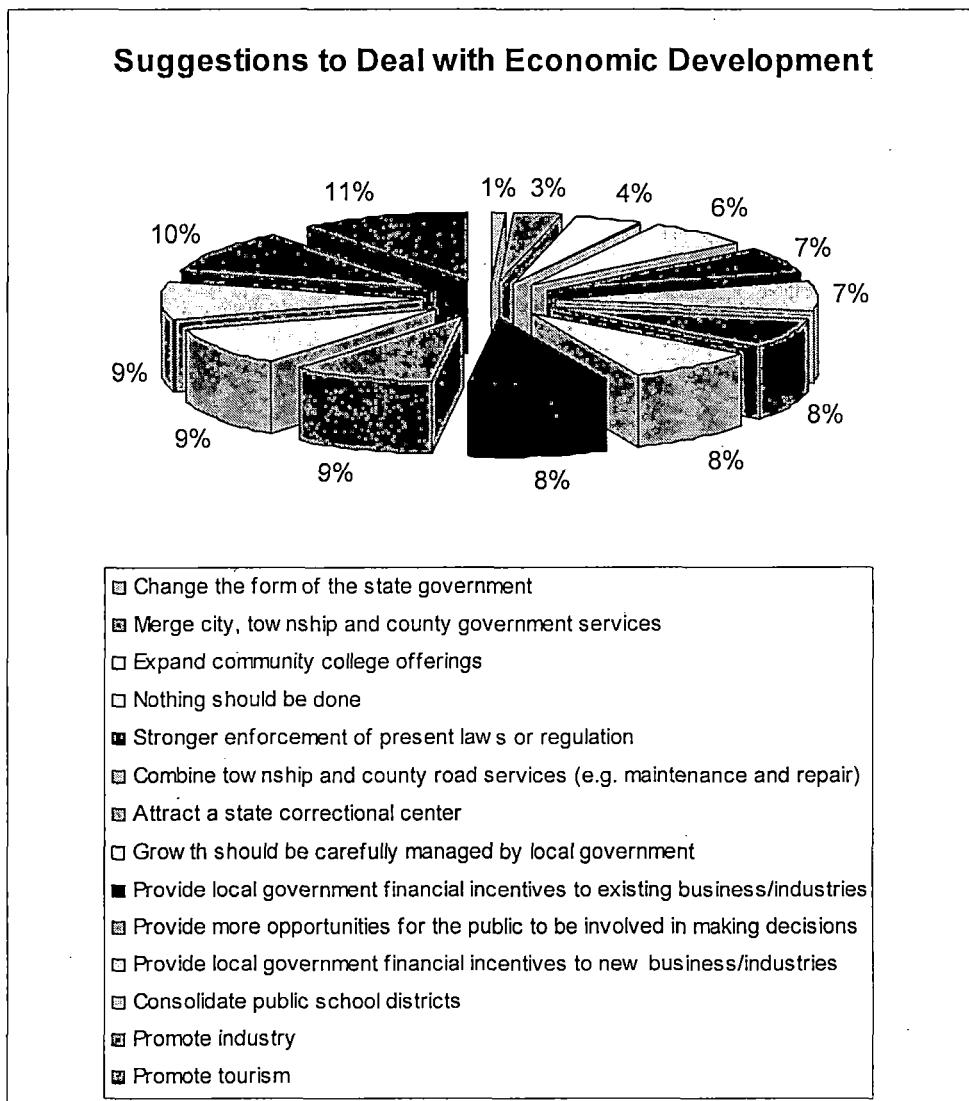
Table 4.15 - Respondents Suggestions to Deal with Economic Development*

Suggestions	Weightage*
Change the form of the state government	1.03
Merge city, township and county government services	3.56
Expand community college offerings	5.23
Nothing should be done	7.56
Stronger enforcement of present laws or regulation	7.98
Combine township and county road services (e.g. maintenance and repair)	8.27
Attract a state correctional centre	9.20

Growth should be carefully managed by local government	9.81
Provide local government financial incentives to existing business/industries	10.23
Provide more opportunities for the public to be involved in making decisions	10.86
Provide local government financial incentives to new business/industries	11.02
Consolidate public school districts	11.20
Promote industry	12.28
Promote tourism	12.96

- $\sum(\text{Number of Respondents} * \text{Ranking}) / \text{Sample Size}$
- On a scale rating of 14

Figure 4.15



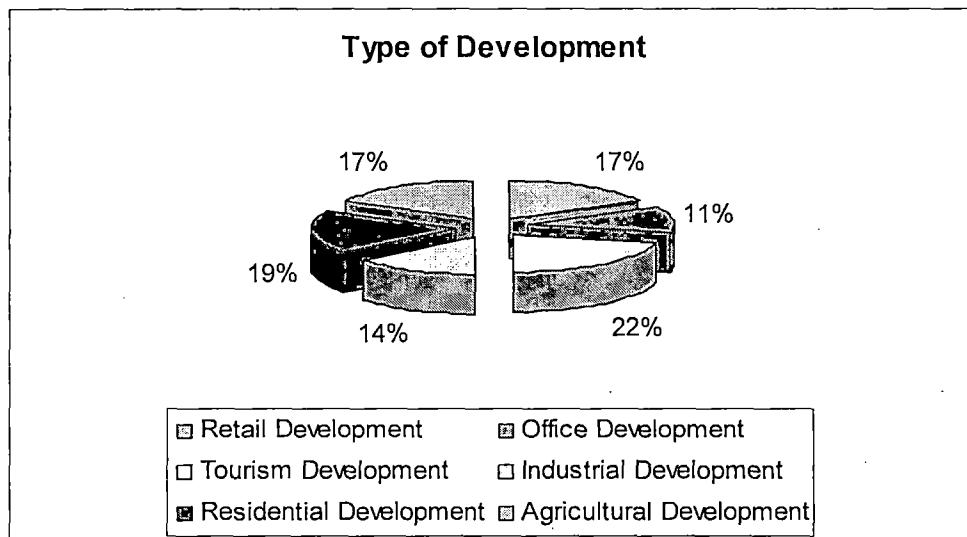
The survey indicated that the people were satisfied with the political system and the government's various initiatives. The people were quite aware about their requirements and the cumulative ranking clearly showed the importance of education centres (5.23), state correctional centres (9.20), local governance namely panchayat raj (9.81), public participation in vital issues (10.86) and incentive to economic activities (10.23). Setting of industries (12.28) and promoting tourism (12.96) were clearly the option that maximum people favoured.

Table 4.16 - Respondents Suggestions to the Type of Development

Suggestions	Weightage*
Office Development	2.51
Industrial Development	3.29
Agricultural Development	3.96
Retail Development	4.02
Residential Development	4.28
Tourism Development	4.98

- $\sum(\text{Number of Respondents} * \text{Ranking}) / \text{Sample Size}$
- On a scale rating of 6

Figure 4.16



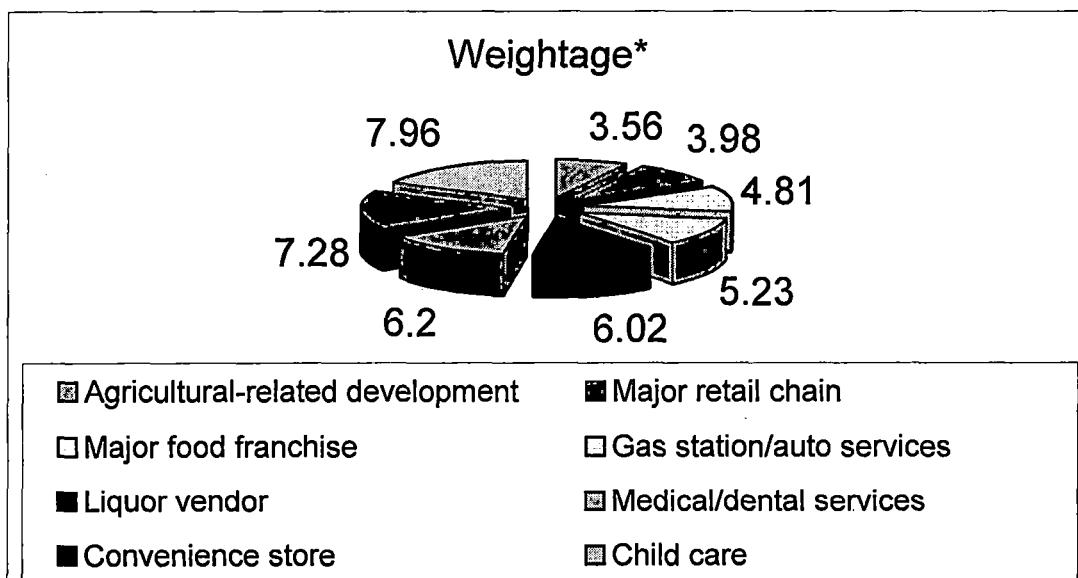
The researcher could infer that the people welcome any and every kind of development. Though some people came up with query requesting elaboration on 'office development' but maximum peoples didn't even bother to ask about and gave a higher ranking irrespective of their understanding.

Table 4.17 - Respondents Suggestions Regarding the Types of Commercial Development

Suggestions	Weightage*
Agricultural-related development	3.56
Major retail chain	3.98
Major food franchise	4.81
Gas station/auto services	5.23
Liquor vendor	6.02
Medical/dental services	6.20
Convenience store	7.28
Child care	7.96

- $\Sigma(\text{Number of Respondents} * \text{Ranking}) / \text{Sample Size}$
- On a scale rating of 8

Figure 4.17



As can be seen the participants have stressed upon development in general and services in particular. Availability of childcare facilities in form of primary health centres and schools attracted the highest response. Convenience store and medical services became the next priority sector for the residents. Availability of day-to-day consumables and medicines was more important than setting of major food chain or retail chain.

4.3 REPRESENTATIONS BY BUSINESSPERSONS

Business owners are the people who reap the benefit of any and every industry. They are also the ones who feel the heat when the industry performs badly. In general the survey (Annexure 2) was done to ascertain this fact. Most of the questions were directed towards their business and survey kept deliberately excluded the turnover of their business as the business – owners were not comfortable in divulging their business detail. Nevertheless essential data as the number of clients state of the business, future plan of the business - owners etc were utilised to ascertain the changes that tourism ushered in. The business - owners participated voluntarily in the survey. They agreed to complete a questionnaire when approached by the researcher. Approximately 30% of the sample completed the questionnaire in the month of December 2005 to February 2006 and the remaining 70% were completed during March – April 2006.

A combination of random and to certain extent convenience sampling was done to select the businesspersons, usually only shopping area; hotels, restaurants, taxi owners, travel agencies etc i.e. establishments directly related to tourism industry were interviewed. Only those who are in business for more than five years were interviewed. The following results are derived from 231 questionnaires.

The administered questionnaire consisted of 7 pages (see Annexure 2) including a small paragraph stating the general objectives of the study and requested the participants to complete the questionnaire. No personal information was solicited. The remaining pages of the questionnaire consisted of four sub heading namely About your Business; Business Needs; Future Plans for Your Business and The Tourism Industry.

Before going into the actual survey results a short discussion regarding the ownership of business enterprises will give an idea regarding the nature of the peoples' involvement in the business and the economic impact of the same on Sikkim.

The survey of 231 business establishments was done to find out who runs the business. The properties and the licenses are all issued in the name of the indigenous people of whom only five accommodation facilities in Sikkim are managed locally, 34 are managed by someone who does not reside in the State, 2 are part of a franchise and 9 are not for profit organizations. There are just 4 restaurants managed by local people, 22 are managed by people who live outside Sikkim and 7 are part of a franchise. In the retail sector, 4 are not-for-profit organizations, 8 belong to franchisees, 15 are managed by people living outside Sikkim and there are 14 retail outlets managed by local residents. In terms of amusement and recreation, 4 are locally managed, 9 by non-residents, 4 are part of franchisees. In the transport business, 28 are managed by locals, 29 by non-residents; one is a part of a franchisee. The lodging industry in majority is managed by a non-Sikkimese where the property is given on a lease for a royalty, similarly in the restaurant business. The local people manage small eateries and do set up restaurant, as this will mean employing more manpower. Retail or trading business is the only commercial arena where there is equal representation of the natives and non-natives. The transport business are skewed towards the non-natives because point of entry whether New Jalpaiguri railway station or Bagdogra airport are located outside Sikkim. Sikkimese usually shy away from the businesses which involves large capital outlay and large scale employment.

Interestingly in every type of establishments, the majority of the owners belong to people outside Sikkim. The revenue from these establishments are also received and spent outside Sikkim. As a result some other state benefits from the revenue earned in these areas in Sikkim. The following case studies will give an idea about the nature of business in Sikkim.

CASE 1

Bimal Agrawal the grandfather had arrived in 1950's all the way to Singtam on foot from Siliguri. He had started doing business on a very small scale by running a grocery shop in Yangang (Singtam). In five years time he diversified into trading of ginger and large

cardamoms and minted his money. He also developed good contact with men in power, which was exploited in the later stage by his two sons when they became government contractors. Here is an example of an entrepreneur who exploited business opportunities when Sikkim was relatively outside the political map of India and has again done the same when Sikkim became a part of India. Earlier in 1950s to 1980s the Agrawal family did business when the population was few and the competition was thin but with improved transportation they changed their business module. Now they are a strong advocate of development as his grandfather has seen some very difficult times in Sikkim and would not like anyone to experience the same. They are fully aware that the avenue of tourism is the driving force behind the building the infrastructure. Now the opening of the Nathula pass and proposed airport at Jorethang is the two opportunities they want to exploit.

Lesson: Opportunities in Sikkim are plentiful. It is up to the indigenous people to have entrepreneurial outlook.

CASE 2

Mr. Raju Pradhan from Ranipool is good example of how the growth of tourism has helped in realizing a good life. He started his career as a taxi driver in the route of New Jalpaiguri – Siliguri. Today he is the owner of 18 taxis (6 Tata Sumo, 5 Mahindra Commander & 7 Maruti Omni) all of which are acquired on hire-purchase scheme financed by the bank. All this in a span of 14 years is by no means a less achievement. Mr. Pradhan worked as a driver for two years as a driver and bought a second hand jeep for eighty thousands and drove this before long he bought a second vehicle. This process continued before long the bank came forward to finance his business. He is yet to clear the payments for three vehicles. He has grand plans for his business. He understands the transport business and its intricacies very well. Persons both from Sikkim and West Bengal own the vehicles plying in Sikkim use to transport tourist. The registration number of the taxis differs. The owners from West Bengal grab the bulk of the businesses. He has diversified business by employing the Maruti Omni to ply only within Sikkim exclusively for the tourists. He has contacted with all the hotels and

lodging establishment for providing vehicles to tourists in return for commission. He also has three commercial licenses to ply within Sikkim. Three Mahindra Commander transports passengers on the commercial route between Rangpo and Gangtok. This way he has fragmented the revenue generation under different segments and does not depend on any one route. At times when there is a dearth of drivers and there is demand, he himself transports the tourist to their destinations. Clients are given the first preference and he goes to any extent to see them having a comfortable sight seeing in Sikkim.

Lesson: Tourism is the fastest growing industry in Sikkim. People can explore various prospects in the service industry.

CASE 3

Mr. A Sanyal is a resident of Kolkata but manages a hotel in Pelling. He even manages a hotel in Puri. He is running these hotels along with two other partners. There are eight employees including a manager and all the partners, one by one, visit Pelling once in every two months. He has taken the 21-room property on lease for two years. He cites that all the hotels in Pelling are run by non-Sikkemese except two. The business model for the hospitality industry is very simple for the indigenous people. They develop/construct a property and give it on a lease for a period one to two years for a princely sum. Only if the licensee is very familiar the payment might be made in installment otherwise it is paid upfront. The hotel upkeep is usually looked after by the ladies of the house while the gents are engaged in some other trading business or are in government service. The likes of Mr. A Sanyal are free to conduct the business as per their strategies. The only drawback is that every strategy like pricing of the room, the charges of the services, etc are all determined by the cost of license fees paid. The licensee likes to recover the investment as quickly as possible and absolutely do not have any guest relationship strategies nor do they look after the decor of the lodging property. There are three hotels in Pelling with proper interior decoration or theme. This might be the reason why in spite of the tremendous potential in Sikkim there are no five star hotels or many decent hotels. For any industry to stand on its own require a concrete effort is required from its entire stakeholder specially the proprietors.

This is not the same in Sikkim as everyone involved in hotel industry are there for a short span of time and profit making is the only motive.

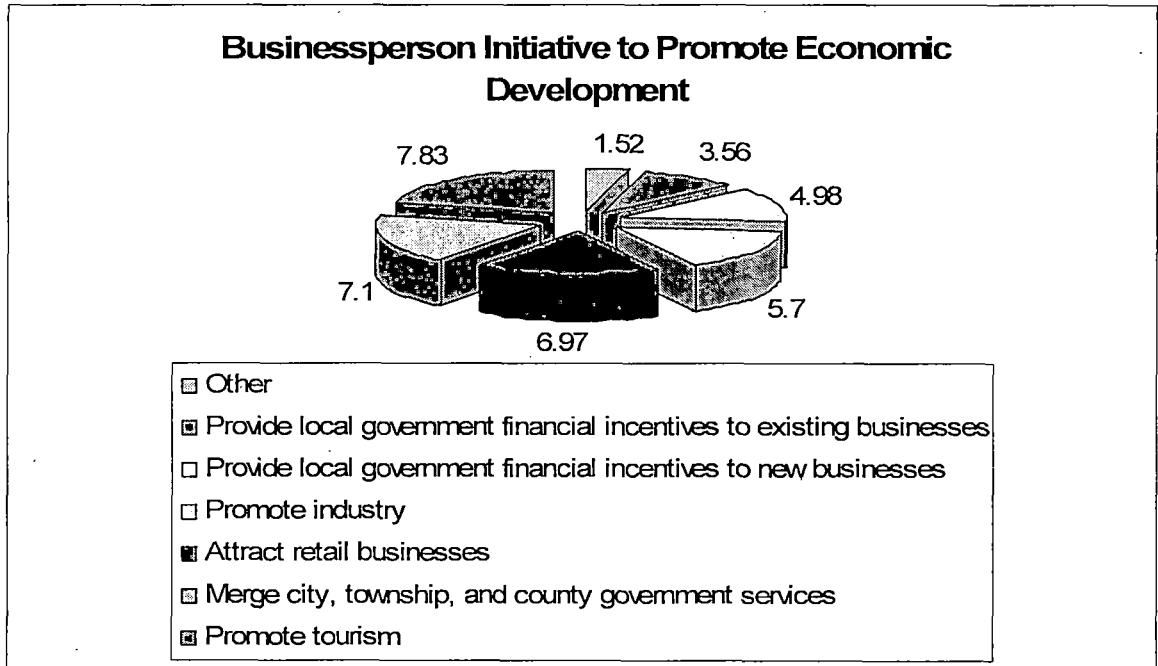
Lesson: the hospitality industry is suffering because of the short term approach adopted by the stakeholders. There is ample scope for developing the hospitality sector in Sikkim.

Table 4.18 - Businessperson Initiative to Promote Economic Development

Suggestions	Weightage*
Other	1.52
Provide local government financial incentives to existing businesses	3.56
Provide local government financial incentives to new businesses	4.98
Promote industry	5.70
Attract retail businesses	6.97
Merge city, township, and county government services	7.10
Promote tourism	7.83

- $\Sigma(\text{Number of Respondents} * \text{Ranking}) / \text{Sample Size}$
- On a scale rating of 8

Figure 4.18



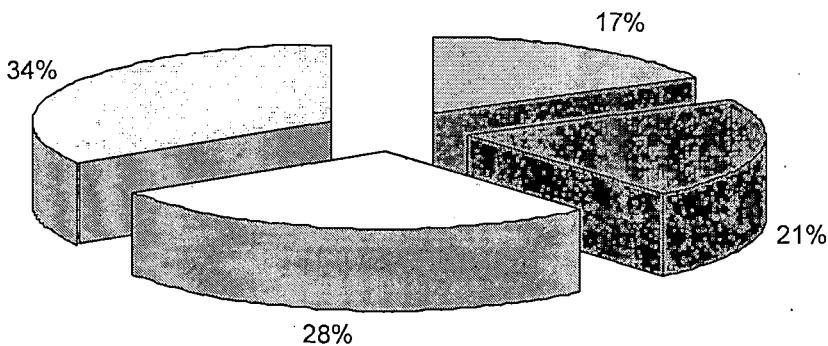
As a vehicle of an economic development the business owners stated that tourism (7.83) played the most vital influence followed by setting township (7.10), to attract retail clients (6.97), setting up of new industries (5.70) and various incentives to new (4.98) and existing (3.56) business. Here the key driver to the economic development is tourism.

Table 4.19 – Businesspersons' Estimate of the Percentage of Tourism Contribution in the Business

State	n	%
Less than 20 %	40	17.31
20% to 50%	49	21.21
50% to 80%	64	27.70
More than 80%	78	33.76
Total	231	100

Figure 4.19

Percentage of Tourism Contribution in the Business



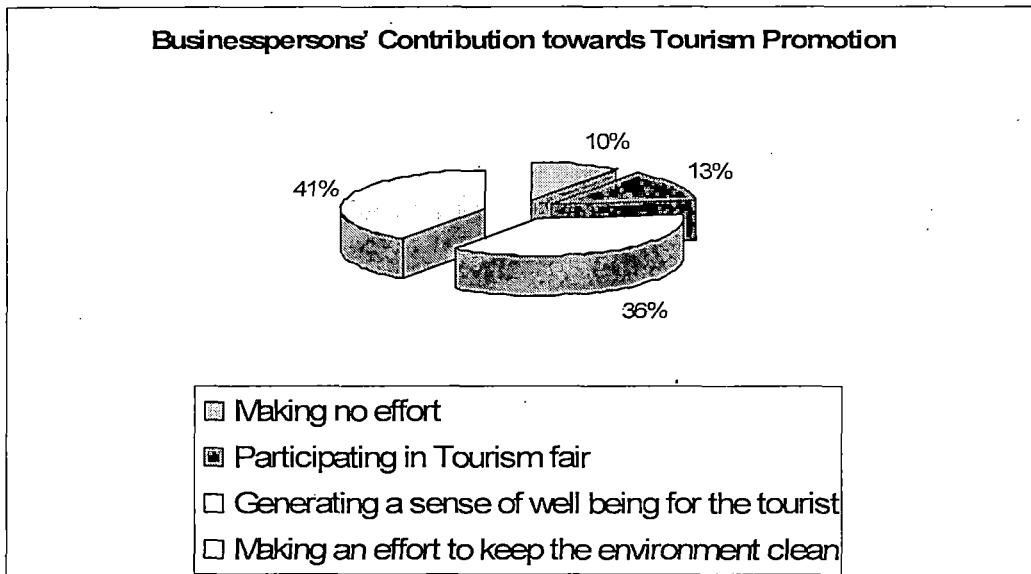
Less than 20 % 20% to 50% 50% to 80% More than 80%

33.76% of the total responses attributed that more than 80% of their business comes from tourist's while only 17.31% (approximately half) comes from the less than 20% of tourist's. This amplifies that the business is more tourism centric.

Table 4.20 – Businesspersons' Contribution towards Tourism Promotion

State	n	%
Making no effort	23	9.95
Participating in Tourism fair	31	13.41
Generating a sense of well being for the tourist	84	36.36
Making an effort to keep the environment clean	93	40.25
Total	231	100

Figure 4.20



Decoration of their establishments, interiors and exteriors included, maintaining a clean hygienic and clean environment attracted the maximum responses (40.25) followed by pampering of tourist in the form of greetings and being hospitable (36.36). Participation of tourism fair were restricted to government organization and also due to government compulsion that some travel agencies did participated

Table 4.21- Businesspersons' Mean Response to Tourism's Effect on the Business

Variable	Mean	Std. dev.
Recreation businesses (golf, boat rental, rafting, etc.)	1.12	0.29
Retail Stores	2.25	0.49
Lodging Places	2.78	0.57

Eating/Drinking Places	3.81	0.85
Services (Petrol Pumps, ATMs, Parking, etc.)	3.94	0.35
Tourist attractions	4.06	0.74

** - Response range was 1-5

1 = Significantly decrease

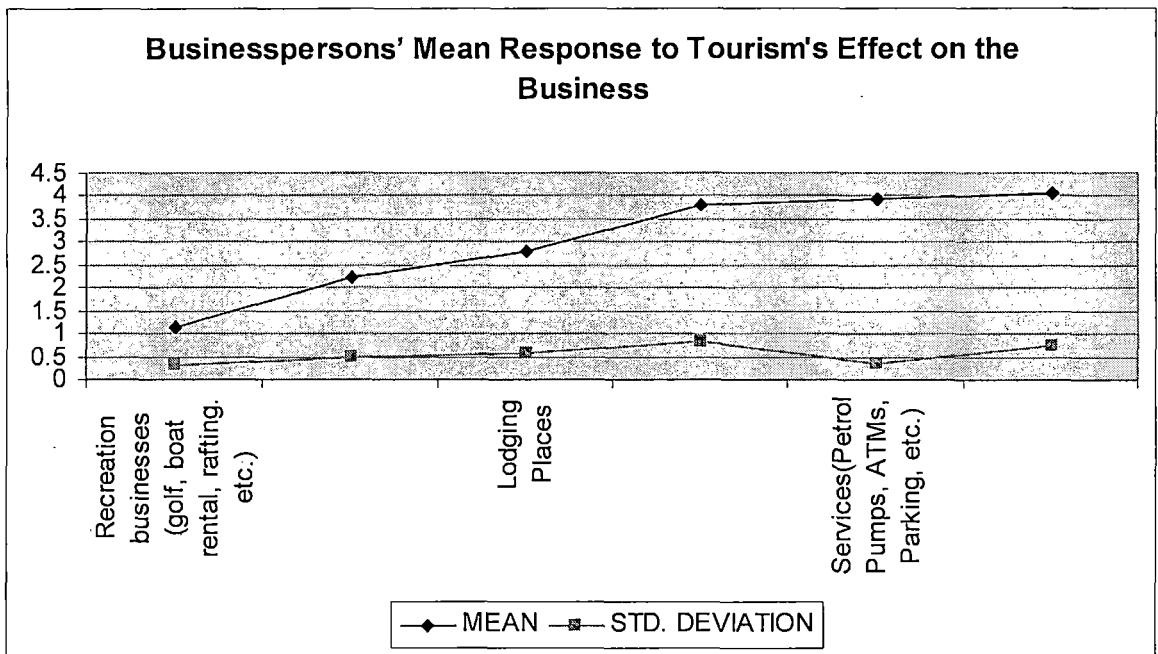
2 = Decrease somewhat

3 = Not make any difference

4 = Increase somewhat

5 = Significantly increase

Figure 4.21



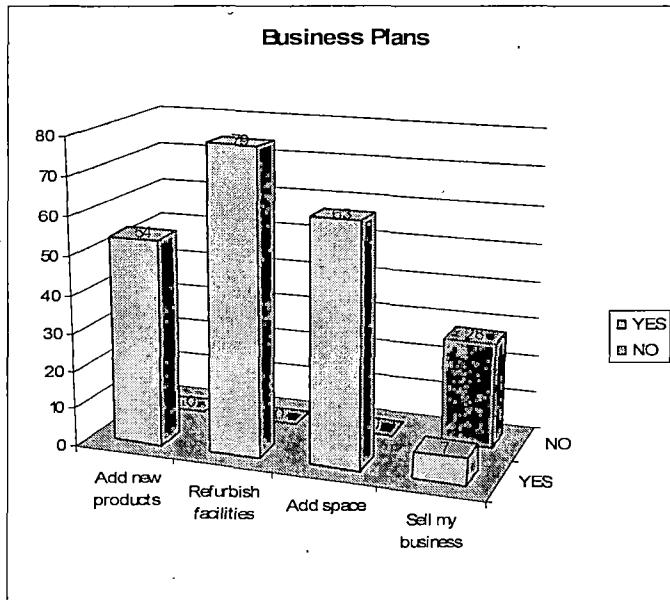
Tourist attraction (4.06), services (3.94), restaurant (3.81), hotels (2.25), shops (2.25) and other periphery activities (1.12) in that order were cited as the reasons for good business.

Table 4.22 - Businesspersons' Mean Response toward their Business Plans in near future

Changes / improvements in business	Yes	No
Add new products	54	0
Refurbish facilities	79	0
Add space	63	0
Sell my business	7	28

Total	203	28
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Figure 4.22



As can be seen from the figure that almost 99% (cumulative) of the business persons are not willing to deviate to any other occupation. Almost 98% (cumulative) are thinking diversifying their business in one-way or the other. This elaborates the fact the business atmosphere is more conducive and profitable.

REVIEW

Business in Sikkim is skewed towards tourism. The money generated by the tourist's expenditure is spent over and over again and it has a multiplier effect. It was observed that even a non-tourists business makes decent commercial activities during tourist season. The carpet seller, the vehicle dealer, FMCG (Fast Moving Consumer Goods) items etc. all makes more sales during tourists' season. This strengthens the fact that tourism is pivotal to all commercial activities. This is indicated by the residents' response that promotion of tourism is an important means of development and nearly 34 % of businessmen said that tourism's contribution to their business is more than 80%. The people though put the onus on to the

government to attract more tourists. Everyone wants to reap the rich dividend that the tourists season brings with it but they remain a passive participants to the development of the tourism industry.