

## A Case Study on Cost-Benefit Analysis of Ecotourism in Pahalgam Anantnag District, Jammu and Kashmir

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### *Abstract*

*The paper addresses the ecotourism policy and practices and the benefits and costs associated with it so as to find out how far tourism in these areas meet the criteria of responsible tourism and to find out what can be done to promote more desirable outcomes at these operational levels with the help of cost benefit analysis of these ecotourism projects. Tourism presents a mix of opportunities and threats for protected areas. Ecotourism seeks to increase opportunities and to reduce threats. If an opportunity is realized, then it becomes a benefit. If a threat is not avoided, then it becomes a cost. There are no automatic benefits associated with ecotourism; success depends on good planning and management.*

**Keywords:** Ecotourism, Cost-Benefit Analysis, Eco lodges mainstream hotels

### **Introduction**

Tourism has grown unabated especially during the last couple of decades. It is now one of the largest industry in the world, contributing to the GDP by 9 percent or a value over 6 trillion US\$ and is generating 225 million jobs with a close bearing on the lives of millions of people in 2011. Over the next ten years, this industry is expected to grow by an average of 4 percent annually, taking in to 10 percent of global GDP, or some US\$10 trillion. By 2022, it is anticipated that it will account for 328 million jobs or 1 in every 10 jobs on the planet (World Travel and Tourism Council, Economic Impact, World 2012: 3-4). The existing enormous potential has to be explored. Given the large potential and variety of tourism products, every country is keen on attracting increased number of international tourists with high value low impact strategy to adopt, this would allow for doubling the number of tourists in the next decade.

India being a vast and diverse country has always something to offer to everyone, its glorious traditions, rich culture is linked with the development of tourism, its vast natural resources, like snowcapped mountains, blooming valleys, sea resorts, roaring rivers, dense forests, temples, flora and fauna, and other places. Travel and Tourism in India generated 24,975,000 jobs directly in 2011 (5.0 percent of total employment) and this is forecast to grow by 3.0 percent in 2012 to 25,733,500 (5.0 percent of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes the activities of the restaurant and leisure industries directly supported by tourists. By 2022, Travel and Tourism will account for 30,198,000 jobs directly, an increase of 1.6 percent over the next ten years (World Travel and Tourism Council, Economic Impact India, 2012: 6). “India will be a tourism hotspot from 2009-

2018, having the highest 10 year's growth potential". (World Travel and Tourism Council, 2009: 7). To achieve the true potential of Indian tourism, it must be clear that any old tourism will not work. A new tourism strategy and process is required that would boost other sectors of the economy and create entrepreneurial opportunities for the previously neglected groups; that will bring peace; prosperity, sustainability and enjoyment for all Indian nation.

The specific objectives of the paper are as follows:

1. To make an account of direct and indirect cost of ecotourism process in the Block Pahalgam in Jammu Kashmir.
2. To identify the benefits of ecotourism components introduced in the block of Pahalgam Jammu Kashmir.
3. To compare the costs and benefits of ecotourism hotels with mainstream hotels in the Block of Pahalgam Jammu Kashmir.

### **Methodology**

The present paper examines the Cost-Benefit Analysis of Ecotourism in Pahalgam Block, Anantnag District, Jammu and Kashmir. Among the districts of Jammu and Kashmir, Anantnag district's ecotourism activities are relatively very high. In terms of their performance in developing tourism, at the next level, the Block Pahalgam has been chosen. The researcher makes a comparative study between ecotourism hotels and mainstream hotels by gather primary data from the stakeholders of tourists, local people, hotel industry, etc. Simple random sampling method has been introduced to collect data from the stakeholders, tourists who stay permanently or temporarily in the region. Further, tourists have been identified on select dates representing all regions of the people. A particular design has been introduced by assessing the ground realities. Since the study addresses different walks of people, the researchers has used a questionnaire to study and assess the ground realities for gathering data and making costs and benefits of analysis of ecotourism activities. The researcher has delimited to examine the direct and indirect costs and benefits of ecotourism activities in the Block, Pahalgam Anantnag District Jammu and Kashmir.

The cost benefit analysis is necessary to assessing the ecological and cultural costs and benefits and to assess its contribution to local community, environment. Cost-benefit analysis is essentially an accounting procedure in which the costs and benefits of an initiative are compared for a specified time period and weighted partially through the application of selected discount rates. The measuring of the cost and benefit of tourism is a key stone of ecotourism development, planning process and a crucial tool for enhancing ecotourism's potential and powerful conservation strategy.

Table 1 highlights the cost-benefit analysis of the surveyed hotels. Costs consist of sum of expenses of the hotels and the benefits consist of revenue generated by the hotels. A cost-benefit ratio has been computed of each hotel including the eco-hotel Out of the 16 surveyed hotels, the cost benefit ratio of all mainstream hotels is very satisfactory and all the mainstream

hotels are generating a good profit from their efforts, except the eco-hotel which has a low level of returns. The cost benefit ratio of the eco-hotel is 1:1.1, which is the lowest ratio among all. It has been observed that the direct and indirect costs of eco-tourism hotel are comparatively high. In order to carry out the business and to sustain and maintain the ecotourism activities, the State Government has to offer incentives in terms of grants, gifts and incentives as well as technical support so as to improve the income of the concerned eco-hoteliars. National and international organization must be involved in the process of ecotourism development. Further seminars and workshops must be organized by using media that highlighting the sustainable features of these hotels, so that every individual become aware and responsible towards environment.

**Table 1: Cost-Benefit Analysis of Hotels**

Hotels	Value in Rs. Lakhs		
	Costs	Benefits	Cost Benefit Ratio
(Eco-Hotel)	13.17	14.90	1:1.1
i.	11.23	15.05	1:1.3
ii.	15.22	17.80	1:1.2
iii.	14.23	17.34	1:1.2
iv.	12.90	16.23	1:1.3
v.	15.02	17.32	1:1.5
vi.	8.10	12.75	1:1.3
vii.	5.10	7.06	1:1.4
viii.	12.73	15.75	1:1.2
ix.	14.22	16.75	1:1.2
x.	15.05	17.54	1:1.2
xi.	12.27	15.75	1:1.3
xii.	10.45	15.50	1:1.4
xiii.	10.08	15.35	1:1.5
xiv.	11.22	16.45	1:1.5
xv.	14.05	17.32	1:1.2
	195.09	248.86	1:1.3

Source: Computed.

Note: Figures in the parentheses denote percentages to the total.

### Costs

1. The worked out average direct costs towards land value for eco-hotels and mainstream hotels is 119.6 lakhs. The expenditure of the eco-hotel is Rs 31.1 lakhs.
2. The average expenditure by eco-hotel and mainstream hotels on water recycling plant is 12.1 lakhs.
3. Eco-hotel expenditure on solar energy is Rs.10.9 lakhs.
4. It indicates that eco-hotel spends an average amount of Rs 2.15 lakhs towards fresh air exchange services.
5. Eco-hotel spends an amount of 2.20 lakhs on cotton sheets and towels annually.

6. Eco-hotels have zero expenditure towards disposable dishes and it indicates that eco-hotel spends an average amount of 1.16 lakhs towards non disposable dishes.
7. The average salary expenditure on employees for the eco-hotel and mainstream hotel is 21.7 lakh.
8. The expenditure of eco-hotels towards is zero. It means that they are using solar energy.
9. Eco-hotel spends an amount of Rs. 5 thousands as water bill.
10. The average amount spent by eco-hotel and mainstream hotels is Rs. 1.24 lakhs towards environmental activities.

### **Benefits**

1. The average income generated by eco-hotel and the mainstream hotels is 15.1 lakhs. It shows that more than 40 per cent of amount is collected from tourists through advance booking. It shows that more than Rs. 1 lakh is spent on environmental activities.
2. The cost-benefit ratio of eco-hotel is 1:1.1 whereas the overall cost benefit ratio is 1:1.3. It could be concluded that the eco-hotels concentrate and spend more on environment friendly activities and control negative externalities. Hence there is cost benefit is ratio is marginally less than the mainstream hotels.

### **Policy Suggestions**

- Tax exemption should be given to the eco-hoteliars, so that they can compete with the mainstream hoteliers.
- Governments must provide financial assistance to the eco-hotels through subsidy and permits.
- The cost benefit ratio of eco-hotels is comparatively low; in order to improve it government should help in publicizing their services.
- State Eco-tourism Boards should be developed so as to developed ecotourism in the State and each destination should develop their own sets of regulations applicable to their specific economic, social and environmental situation, while still conforming to the overall national guidelines of ecotourism.
- Enforcement of existing policies, develop Protected Areas with an overall tourism development strategy.  
Strengthen zoning for land uses, clearly delineating areas to be used for Eco-tourism
- Offer better training and environmental education for local citizens.

### **Conclusions**

This paper suggests that developing states in search of avenues for economic survival in this current global economy may have to look to the particular sets of conditions that allow their economies some potential to define paths to success. It needs endowed with certain assets in the form of small geographic size, well established common property re-source institutions and natural resources which are ideally matched with the logic of extraction of the ecotourism product.

Ecotourism presents a challenge and opportunity to redefine the logic of traditional tourism, and in so doing capture the gains that have so far eluded it. This new

conceptualization of tourism which incorporates sustainability and community participation as central elements, is conducive to an alternative theoretical framework of development in which the focus is on development from below rather than a trickle down perspective. In the India where sun, sea and natural vegetation (all nature products) have been the major tourist attractions and continue to be, the conceptual difference between traditional tourism and ecotourism is essentially one of product differentiation and is economically meaningful to them which allow for effective conservation of resources, natural and cultural.

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