

## Managing investment incentives in tourism development: evidence from Sri Lanka

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In tourism, as in any other economic activity, the study of investment incentives in developing countries has attracted considerable interest. Many studies suggest that financing tourism projects is a major policy issue in tourism development. This research paper will examine impacts of tourism incentives giving evidence from Sri Lanka. Sri Lanka's national incentive policy is well defined. Investment incentives for tourism have encouraged private investors and contributed to the development of tourism facilities in the country. However, on the one hand, incentives were said to be over generous and not related to tourism development objectives such as product diversification, etc. On the other hand, over supply of investments has created distortions in the pattern of investment, expenditure and resource allocation and in the disbursement of credit in the country. The author believes that incentive measures should be reviewed regularly in the light of changing circumstances. As such, the study examines whether incentives have been carefully planned, managed, administered and evaluated in order to achieve development objectives.

**Keywords:** Investment incentives; Sri Lanka; Product diversification; Resource allocation; Tourism