IDENTIFICATION OF RELATIONSHIP BETWEEN MACROECONOMIC VARIABLES AND TOURIST ARRIVALS TO SRI LANKA

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Declaration of Candidate and Supervisor

Hereby I state and declare that this Dissertation report is the product of my own and is based on a research that I conducted independently without the participation of any other person or authority. The references made to other research in here have been acknowledged appropriately and with appreciation. The sources of data and information external to the dissertation have been acknowledged appropriately. In form or substance this dissertation has never been submitted for any other degree, anywhere else. I hereby give my consent to making this available by photocopy for inter-library loans, and for the title and summary of the dissertation report to be made available for use by other institutions of learning.

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Abstract

The study investigates the macroeconomic factors which affect on tourist arrivals in Sri Lanka for the period 1990-2014, using annually series of the corresponding variables. To achieve the objectives both time series technique and econometrics techniques were used to analysis of data. The statistical techniques used include the unit root Augmented Dickey Fuller test in order to fulfill the objective of stationary for all the time series. The results from granger causality revealed that past behavior of gross domestic production, gross domestic per capita income, government expenditure on capital and net lending, imports of goods, exports of goods and foreign direct investment are significant factors which determine the present behavior of tourist arrivals. The regression analysis it showed that all macroeconomic variables are strongly linear associated with tourist arrivals. The VECM model has revealed that there exists long run relationship between tourist arrivals and those variables. While tourist arrivals have elastic behavior with respect to gross domestic production, per capita income, imports and tourist cost and inelastic demand with respect to exports, direct employment and inflation rate in the economy. The results derived in this study can be effectively used for implementation of new strategies to attract more tourists to Sri Lanka.

Keywords: Granger Causality, Gross Domestic Production, Regression Analysis, Tourist Arrivals, VECM

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LIST OF ABBREVIATIONS

ADF	Augmented Dickey Fuller Test
CV	Coefficient of Variation
DE	Direct Employment
EX	Exports
FDI	Foreign Direct Investment
GDP	Gross Domestic Production
GDPPC	Per Capita Gross Domestic Production
GE	Government Expenditure
IM	Imports
INF	Inflation Rate
TA	Tourist Arrivals
TC	Tourist cost Per Day
VAR	Vector Auto Regression
VEC	Vector Error Correction
VECM	Vector Error Correction Model
XER	Average Exchange Rate