An Analysis of Factors Affecting on Tourism Receipts in Sri Lanka after the Liberalization of the Economy

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Tourism can be primarily defined as travel for pleasure or business that provides many employment opportunities, income & other benefits. It is evident in literature that tourism industry positively contributes to economic growth of developing countries. It is more important to identify the factors that affect the growth of performances (tourist receipts) of tourism industry. Based on this background, the general objective of this study is to estimate the contribution of factors affecting tourist receipts in Sri Lanka. Existing literature suggests that tourist arrivals, excursionist arrivals, tourist nights, accommodation capacity & annual occupancy rate etc. affect tourist receipts. The secondary data from 1977 to 2016 were extracted from Central Bank annual reports & time series analysis was used to analyse the data. Prior to analysis, optimal number of lag value was identified as 3 by using Akaike Information Criteria. Augmented Dickey Fuller test indicated that all the variables become stationary at their 1st deference while excursionist arrivals become stationary at 2nd deference. There is a long run relationship among all the variables due to Johansen test of cointegration which implied as 5 cointegrating equations. Presence of long run relationship lead to run Vector Error Correction Model to identify the short run impact. Among the factors, there is a significant positive impact of tourist arrivals & excursionist arrivals on tourist receipts in the short run although accommodation capacity, annual occupancy rate have a significant negative impact. In addition, tourist nights do not indicate any significanc short run impact on tourist receipts. Hence, it can be concluded that there is a positive impact of tourist arrivals & excursionist arrivals on tourist receipts in short run based on the Sri Lankan context.

Keywords: Accommodation Capacity, Excursionist Arrivals, Time Series Analysis, Tourist Arrivals, Tourist Receipts

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153