

Association between Tourist Receipts and Economic Growth of Sri Lanka

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The travel and tourism industry is a service-related industry that utilizes many services; transportation, accommodation facilities, food and beverages, and entertainment. Sri Lanka is a country, which has a higher tourist attraction since it shows increasing tourist arrivals over the past years. The research problem of this study was that; is there an association between tourist receipts and economic growth in Sri Lanka? The key objective of the study was to estimate the relationship between tourist receipts and the economic growth of Sri Lanka. The study design was a time series study using secondary data (economic growth rate and tourist receipts) from central bank annual reports and the considered period was from 1977 to 2018. In data analysis, the Pearson Correlation analysis was used to identify the relationship and the Granger Causality test was employed to find the direction of the causality. According to the trend analysis, there was no clear association between two variables since there was a sharp increase in tourist receipts after 2009 while economic growth shows fluctuations over time. There was a significant strong positive relationship between two variables ($r = 0.864$, $p < 0.01$). Granger causality test revealed that the causal relationship was unidirectional relationships and the causality goes from tourist receipts to economic growth. In conclusion, there was a positive relationship between tourist receipts and economic growth in Sri Lanka and the association comes from tourist receipts to economic growth. It is because; the tourism industry is a service-related industry, which involved many industries in the service sector. Therefore, when increasing the tourist arrivals and the tourist's expenses in deferent kinds, it is contributed to the gross domestic product of the country. Hence, it is more important to pay more attention to increasing tourist arrivals and require new planning to move forward to increase the tourist receipts.

Keywords: Correlation, Economic growth, Granger causality, Sri Lanka, Tourism receipts