

Assessment of Contribution of Tourism Industry for Economic Performance in Sri Lanka

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Tourism is a fast growing economic activity in many countries around the world, In Sri Lanka, tourism activities play an important role in the economic growth performance and the political stability of a country has a major impact on its tourism industry. This paper aims to analyse the significance of tourism in Sri Lankan economy from 1970 to 2014. Descriptive statistics were used to identify the contribution and composition of tourism industry in Sri Lanka. The relationship was analysed empirically using time series analysis. The study estimated the relationship between economic growth performance and tourism revenue subjected to main macroeconomic variables like trade volume, government expenditure, tourist arrivals and political stability of the country using multiple linear regression model. With respect to policy implications, the results revealed that tourism industry is a determinant of economic growth in Sri Lanka and the success of tourism is greatly depended on the security and safety of a country. According to descriptive statistics, tourist arrivals have been limited during the period of war. With end of war, the economy experienced a boom in the industry. Traditionally, the national beauty, good climate, historical and cultural heritage and religious diversity are considered as areas of growth potentials in the tourism industry in Sri Lanka. According to the findings there is a high potential which exists in niche sub sectors of tourism such as adventure tourism, health tourism, eco-tourism, community tourism, agro tourism, marine tourism, recreational tourism, village and urban tourism in Sri Lanka. In order to achieve this potential of niche market in tourism sector, infrastructure development projects and structural changes covering all sections of the economy are needed while protecting the national identity, cultural heritage and natural environment. The study recommends that the role of tourism could be highly strengthened in the sustainable economic development with infrastructure