

Determinants of International Tourism Demand in Sri Lanka

Mayoshi, R. M. M.¹

The Sri Lankan tourism industry has been challenged by various factors. This paper estimates the determinants of international tourism demand in Sri Lanka based on key macroeconomic factors like GDP per capita, trade openness, exchange rate and inflation using the Autoregressive Distributed Lag (ARDL) model during the period from 1995 to 2019. International tourism demand is proxied by international tourism receipts. As a result, the increasing tourism receipts were influenced by GDP per capita, the exchange rate and inflation in both the long-run and the short-run. However, the results indicate that trade openness cannot significantly explain the variation in tourism receipts. The findings are consistent with the economic theory and the model passed all the diagnostic tests. From a policy perspective, the government of Sri Lanka should improve the economic development of the country by expanding fiscal policy and monetary policy, keeping a stable exchange rate and controlling inflation. Furthermore, the government should enhance trade policies to attract international tourism to Sri Lanka.

Keywords: *Consumer Price Index, Exchange rate, GDP per capita, International tourism demand, Trade openness*

¹ Faculty of Economics Sciences and Business Administration, Transilvania University of Brasov, Romania [malshamayoshi@gmail.com]