

Abstract

Tourism is one of the most significant factors on economic growth, air travel plays a key role in the development of tourism, GDP growth and economic growth. The impact of air travel and GDP is analysed by many researchers, the catalyst impact of the same has received an insignificant focus. With the understanding, the researcher has initiated the research study to investigate the causal relationship between air transport, tourism, foreign direct investment and economic growth in Sri Lanka. The researcher adopted quantitative research using time-series data for a period of 37 years from 1983 to 2019, this study employed Johansen cointegration test methods, followed by Granger long-run and Wald short-run causality tests. The results confirmed the existence of a stable co-integrated relationship between variables in the long term. A short-term relationship was also proved between air transportation, tourism growth and foreign direct investment using the Granger causality test. The results further proved that there is bidirectional causality between air transport and tourism growth and GDP to tourism growth whereas unidirectional casualty running from air transportation to both FDI and GDP. Tourism growth the driving factor that affects to economic growth in the short-run, therefore, findings are important for Sri Lankan policymakers to undertake the effective policies that can promote tourism to enhance economic growth in the country. The study proposes that the government should pursue an appropriate policy implementation to improve air transportation and tourism to improve economic growth and attract foreign direct investment.

Keywords: *Air transport, Aviation Infrastructure, Causality Analysis, Cointegration, Economic Growth, FDI, Tourism*