The Contribution of Tourism Income for the Economic Growth of Sri Lanka

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Article Information

Abstract

Tourism income is one of the important segments that contribute to the Sri Lankan economy. Recent trends of Sri Lankan Gross Domestic Production (GDP) shows a significant role which played by the service sector indicating over 60 percent contribution. Island economies such as Bahamas and Maldives secures half of their government revenue from tourism where in Sri Lanka it remains at the fifth place in terms of foreign revenue earning items. Equally, of those economies where tourism is bullying, tourism related activities play a critical role in generating tourism income, foreign direct investment, employment opportunities as well as increasing gross domestic production. Thus, with an eye to clarify the relationships between tourism income and economic growth of Sri Lanka this study explores the significant variables contribute to tourism income and their relationships with the overall GDP. In order to achieve research objectives the quantitative approach was entrusted through secondary data based OLS regression analysis of the data from 1979 to 2017. This paper analyzed the contribution of tourism income for the growth of Sri Lankan economy using time series analysis using the data from 1970-2017. The researcher identified relationship between economic growth and tourism income in terms of four macroeconomic variables. Political stability is used as a proxy which has been tested as a dummy variable. Findings show significant relationships among macroeconomic variables tested and the economic growth of the Island. Stable political condition is positively influenced on tourism income. This study highlighted the country has to maintain and promote tourism destinations and stable political situation to secure stable tourism income and long term economic growth.

Thus, this study investigates the key question 'what kind of a relationship exists between tourism income and Sri Lankan economic growth and it further clarifies what are the significant variables influence on tourism income in Sri Lanka to explain the relationship between growth of Sri Lankan economy and tourism income. The paper expects to elaborate on how service industries like tourism can contribute to postwar economies in securing much waited economic prosperity. Further it clarifies the important areas of tourism to secure its contribution to economic growth in island economies for policy planning and implementation.

BACKGROUND

Tourism implies, the exercises of people setting out to and remaining in outside spots from their typical condition with different purposes for not more than connective year. Tourism sector is one of the top six export earner to Sri Lanka. When considering the definition given by the United Nations World Tourism Organization (UNWTO), according to the SESRIC (2010) "international tourism comprises the activities of people traveling to and staying at places outside their usual places of residence for a period not exceeding 12 months for leisure, business and other purposes".

Different reasons such as the Liberation Tigers of Tamil Eelam led internal military conflicts and Janatha Vimukthi Peramuna led insurrections hindered the trendy growth of tourism industry growth at different milestones in the past. As a result, the annual tourist arrivals dropped to 185,000 for three years from 1987.

There were lot of negative impacts arose due to war to tourism industry in Sri Lanka. In 2009 at the resolution of military conflicts, Sri Lankan government propelled a Tourism Development Strategy (TDS) with a five-year all-inclusive strategy for 2011-2016. Because of end of the war and other development activities, the tourism sector becomes a main driver of the Sri Lankan economy in terms of foreign exchange earnings, employment generation and attracting foreign direct investment. This research is about a study of contribution of tourism income for the growth of Sri Lankan economy.

Sri Lanka's natural replacement and its uniqueness give opportunities to attract tourists to the country. Worldwide tourism developed with the progress of universal vacationer entries by 3.9percent of every 2016 to an aggregate of 1,235 million, from 1,189 million of every 2015.The highest growth of all regions with 8.4percent was recorded from Asia & Pacific in 2016.

There are different impacts of tourism income to economic growth among, before war, during war and after war. Therefore, the study of contribution of tourism income to the growth of Sri Lankan economy is significance when making decisions about tourism industry. There are some difficulties to find data in order to analyze the contribution of tourism to the national GDP.

Tourism industry is defined as a group of businesses producing a product or service. Transportation, lodging, meals, entertainment, retail sales, and some other things are included in tourism, therefore, it is not possible to identify tourism as a single "industry" in the national accounts. All of these activities are included in different sectors such as food and beverages, trade and transport. Therefore, the traditional approach ignores tourism's role as an economic activity and a generator of income and jobs in an economy. As a result of the absence of tourism in official economic statistics, it has led to a continuing battle to establish tourism credibility as an economic activity and generator of income in the economy. Therefore, analysts cannot use official national income statistics to measure the impact of tourism on an economy.

Tourism related government agencies in Sri Lanka have been just collecting basic data like number of tourist arrivals, foreign exchange earnings from tourism, direct and indirect employment generation and hotel occupancy rate for the last decades. Although tourism is expected to play a crucial role in post-war development strategy in Sri Lanka the promises and prospects seems les focused as nearly a decade passed after re-establishing peace in the island economy. And there is a knowledge gap to be identified of this area. Therefore, there is an urgent need to fill this research vacuum in order to prepare more realistic and proper development strategies for Sri Lanka rather than producing just policy statements with some targets without policy analysis.

Thus, this study investigates the key question 'what kind of a relationship exists between tourism income and Sri Lankan economic growth and it further clarifies what are the significant variables influence on tourism income in Sri Lanka to explain the relationship between growth of Sri Lankan economy and tourism income. It entrusts of quantitative approach through analysis of time series data extracted from annual reports of CBSL, SLTDA over the period from 1970 to 2017 using OLS regression. The paper expects to elaborate on how service industries like tourism can contribute to postwar economies in securing much waited economic prosperity. Further it clarifies the important areas of tourism to secure its contribution to economic growth in island economies for policy planning and implementation.

THEORETICAL BACKGROUND

According to the United Nations World Tourism Organization (UNWTO), "international tourism comprises the activities of persons traveling to and staying at places outside their usual permanent places of residence for a period not exceeding 12 months for leisure, business and other purposes". This definition implies that tourism includes a trip to an alternate area and it is just a brief development from the standard place of living arrangement. Set of exercises identified with tourism incorporates transportation, correspondence, lodging and sustenance, shopping and stimulation. Tourism's commitment to financial advancement has been very much reported in the writing. Tourism has become a major source of foreign exchange earnings, under export earnings for lot of developing countries. Tourism expenditure is an invisible export which creates a flow of foreign exchange in to the economy of the destination country (Archer, 1982). Like most other type of export, the tourism receipts create business turn over, family unit salary and government income.

Tourism as a Source of Income

Income from travel covers the estimated tourism revenues, supplemented by data on the provided health- recreational services and education expenses (International recommendations for tourism statistics). Tourism income is the collection of number of tourism overnights, average daily spending and revenues evident through international transactions reporting system.

Existing evidence suggests that many developing countries are able to gain a significant amount of government revenue from international tourism For instance the World Trade Organization (1998) claimed that these countries generate 10 percent to 25 percent of government revenue from the tourism sector. Some countries generated more than 50 percent of government revenue from the tourism sector. The contribution of tourism to government revenue, for example, accounted for over 50 percent in the Bahamas and over 40 percent in Maldives. Though the contribution of tourism to the economy has been quantitatively measured in some countries, little focus has been paid to study the causal relationship between tourism growth and economic growth. The real contribution of tourism in the economic growth might be insignificant in the first level OLS regression analysis. Subsequent examination of the causal relationship between tourism and economic growth using multivariate co-integration, error-correction modeling and variance decomposition analysis helps to clarify real contribution of variables to GDP. The aftereffects of the examination propose that there is a noteworthy causal relationship from tourism receipts to the Gross Domestic Product (GDP) of Sri Lanka. Tourism costs create wage to the economy and urge the speculation important to back development in other monetary areas. A few nations animate this growth by expecting guests to acquire a specific measure of outside cash for every day of their remaining. An imperative marker of the part of universal tourism is its age of outside trade profit. Tourism is one of the best five fare classes for upwards of 83percent of nations and is a primary wellspring of outside trade profit for no less than 38percent of nations (McCatty and Serju, 2006). Coordinate commitments are produced by charges on wage from tourism work and tourism organizations, and by coordinate demands on voyagers, for example, takeoff charges. Backhanded commitments originate from expenses and obligations imposed on products and enterprises provided to travelers.

Economic Growth

Simply economic growth is an increase in the production of goods and services over specific period. To be most accurate, the measurement must remove the effects of inflation. There have been several empirical studies which explored the impact of tourism on economic growth in emerging economies (King and Ari Gamage, 1994). Hazari and Sgro, (2004) developed a growth model in which they model tourism as an added component to the domestic aggregate demand. Furthermore, they model the foreign supply of capital and the growth in export as dependent on tourism growth. This is created by tourism going about as a timesaving gadget, which enables the local populace to devour now as opposed to later. This is made by tourism going about as a timesaving contraption, which empowers the neighborhood masses to eat up now rather than later in tourism economic benefits concern.

Direct and indirect employment

Direct employment refers to employment directly related to the production of forest products or services. As a result of this direct employment, employment is also generated in the businesses that supply goods and services to the forest sector. This is referred to as indirect employment. (Sustainable forest management in Canada)

Gross domestic production

According to view points, Gross domestic product is the best way to measure a country's economy. It is the total value of everything produced within the country. If they are located within the country's boundaries, the government counts their production as GDP. There are two different ways to measure a country's GDP, as nominal GDP and real GDP.

Foreign direct investment

According to some scholars Foreign Direct Investment (FDI) was considered to be the lifeblood of economic development especially for the developing and underdeveloped countries. FDI is imperative for the economy as it is a momentum of growth, strengthens domestic capital, generates employment, augments productivity, and fosters exports through up gradation of technology and many more. Thus, there are innumerable determinants which lead to increase or decrease in the flows of FDI in any economy.

Inflation

According to some scholars inflation is shown as increasing general price level of the country. Some studies interpret negative relationship between inflation and economic growth. Nevertheless, several studies have accounted for the opposite. (Thirlwall and Barton, 1971), report a positive relationship between inflation and growth in a cross section of industrial countries and a negative relationship in a cross section of 7 developing countries. (Gillman et al., 2004), based on a panel data of Organization for Economic Cooperation and Development (OECD) and Asia-Pacific Economic Cooperation (APEC) countries, indicate that the reduction of high and medium inflation to moderate single digit figures has a significant positive effect on growth for the OECD countries, and to a lesser extent for the APEC countries. Similarly, (Alexander, 1997) finds a strong negative influence of inflation on growth rate of per capita GDP using a panel of OECD countries.

Conceptual Framework
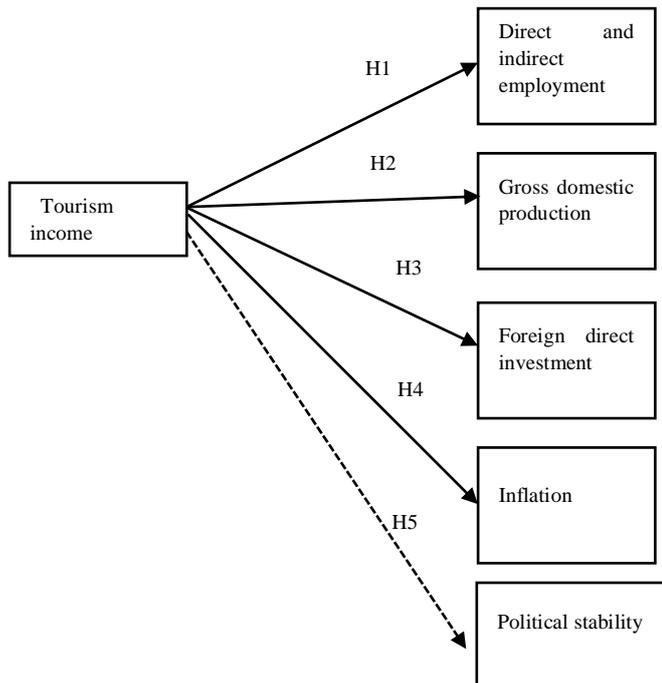
Hypothesis

Based on the extensive review of literature, the study proposes the following hypotheses to be tested in the course of this study.

H_1: There is a positive relationship between and Tourism income and Direct and indirect employment

H_2: There is a positive relationship between and Tourism income and Gross domestic production

H_3: There is a positive relationship between and Tourism income and Foreign direct investment

H_4: There is a negative relationship between and Tourism income and Inflation

H_5: There is a positive relationship between and Tourism income and Political stability

METHODOLOGY

This study intends to analyze the secondary data from 1970 to 2017 to trace the contribution of tourism and related income to the economic growth of the country. The Annual reports of the Central Bank of Sri Lanka (CBSL) were the key source to collect data for the study. Secondary information is that information which will be obtained from the works of other authors which have already being published. There are several different data secondary collection methods that can be used for a given research work. Data is obtained from secondary sources for this study. Researches, Annual statistical reports of Sri Lanka Tourism Development Authority, World Tourism Organization reports, Annual reports of Central Bank of Sri Lanka, etc. used to obtain secondary data.

The following operationalization table highlights the key variables and dimensions concerned in the study and the related secondary data were traced through the above sources pertaining to these variables and prepared for the analysis.

Operationalization

Variables	Dimensions	Measures
Tourism income	Gross domestic production	Using secondary data
Economic growth	Foreign direct investments Inflation	Using secondary data
Direct and indirect employment	Political stability Using secondary data	Using secondary data

Dummy Variable

A dummy variable is an artificial variable created to represent an attribute with two or more distinct categories/levels. In this research, the researcher used 0, 1 dummy variable, 0 for war period and 1 for non-war period.

Data Analysis

Different strategies were utilized to break down the gathered information to accomplish the examination destinations set toward the start of the study. In order to explain the findings of the study, descriptive statistics, correlation analysis and time series regression analysis techniques were used in this study. In this study to accomplish the research objective utilize correlation and simple linear regression based on the gathered secondary data. Time series regression analysis is used to understand which among the independent variable are related to the dependent variables, and to explore the forms of these relationships.

RESULTS AND DISCUSSION

Descriptive Analysis

According to descriptive analysis, it consists the mean, median, maximum, minimum and standard deviation values of collected data set. Those descriptive statistics data is based on tourism income, direct and indirect employment, gross domestic production, foreign direct investment and inflation of Sri Lanka, which include data since 1970 to 2017. And also there are 48 observations. The first column of the table indicates the mean values of independent variable and dependent variables. According to the above results, highest mean value denote the GDP and lowest are denote by INF. The highest and lowest mean values are respectively 2330243 and 9.579971. Other dependent variables' mean values are 98355.23 for EMP and 253.6792 for FDI. As well as there is 58731.51 mean value for independent variable (TI). All dependent variables and independent variable have positive mean value according to analyzed time period.

When talk about the independent variable (TI), tourism income contribute to Sri Lankan economy by Rs. Mn. 58731.51, as an average of throughout considering years. The maximum tourism income was Rs. Mn. 598356 and it was recorded in year 2017. And also minimum income recorded in 1971, and it was Rs. Mn. 20.30000. As well as there is Rs. Mn. 131507.2 standard deviation (variance) in tourism income with concerning the previous year income throughout the time series. Establishment of Ceylon Tourism Board and organized tourism in 1966 were very much good impact to Sri Lankan tourism sector, as well as Sri Lankan economy. United National Party took political power in 1970 and the new president (Mr. J.R. Jayawardhene) was introduced open economy system to Sri Lanka. It was one of a critical point of booming tourism sector within Sri Lanka (SLTDA, 2017)

With concerning other dependent variables, direct and indirect employment (EMP) took as 1st. Tourism comprises 98355.23 employment opportunities as an average of considering 48 years. Tourism generated 359215.0 employment opportunities in 2017; it was generated highest employment opportunities. And also generated minimum employment opportunities were recorded in 1970 as 12078 (SLTDA, 2012). Employment opportunities changing around 84872 amount year by year. Expand of tourism sector, introducing new tourism destinations and promoting existing tourism destinations were impact to create new employment opportunities. There are other reasons behind the improvement of employment opportunities. Those are enhancement of workforce within the country, employees' self - motivation and interested to work in tourism industry, etc.

Gross domestic production is the total value of everything produced by all the people and companies in the country and it is a good indicator to measure country's economic growth and performance. There is 2330243 GDP at current market price in Sri Lanka as an average of those 48 years. When considering about existing data GDP annual growth rate averaged as 5.84 percent in recent years. Its high point record as 16.12 percent and lowest were record as 0.50 percent within recent years. Maximum GDP amount was recorded in 2017 as

11906000 at current market price. And also minimum was recorded as 13664.00 in 1970. GDP at current market price can be changed around 3571480 year by year. Agriculture, industrial, services are the main sectors that contribute as gross domestic production in Sri Lanka. Economic agriculture contributed by 7.7percent, industry contributed by 27. 2percent and 55.8percent contributed by services sector to gross domestic production. In here we can identify services sector is the main and important sector within gross domestic production in Sri Lanka.

When talk about Foreign Direct Investment (FDI), it spread around US $ 253.6792 as an average throughout analyzed years. Maximum FDI amount is recorded as 1375.000 in 2017. As well as minimum amount is recorded as 1.000000. There are 3 negative FDI amount was recorded in 1970, 1975 and 1977. 1970-1980 time period is the first decade of introduced open economy system to Sri Lanka, before that there were no economic relationships between another countries. There is US $ 329.8376 amount of variance in FDI with concerning previous year, throughout the time series.

Another independent variable is inflation (INF). Simply inflation is rising general price level of goods and services, as well as falling the purchasing power of currency. According to analysis average inflation rate recorded as 9.579971percent, maximum rate recorded as 26.14541percent in 1980, and also minimum rate recorded in 1977 as 1.224880percent. And then the variance of spreading inflation rate is 5.533316percent. Central Bank tries to keep the economy running smoothly in order to limit inflation and avoid deflation. When exploring the recent decade inflation rate we can identify there are increasing and decreasing trend in there. According to the data 2015 is the latest year which recorded minimum inflation rate, it was 2.2percent.

Correlation Analysis

Correlation analysis is used to measure the association or strength of the relationship between two variables. It interprets the relationship between independent variable and dependent variable to check whether there is a positive relationship or negative relationship. Table 4.2 represents the correlation analysis between the dependent variables (EMP, GDP, FDI, and INF) and independent variable (TI) and dummy variable (PS). According to the analyzed data there are 5 positive relationships and 1 negative relationship.

According to the results there is a strong positive relationship between TI and EMP its value is 0.930076909. There is another strong positive relationship between TI and GDP, its value is 0.895022599. And there is strong positive relationship between TI and FDI, its 0.826221841. Therefore we can determine these 3 variables and independent variable have positive linear relationship, it means, if tourism income (TI) is increase, employment (EMP), gross domestic production (GDP), and foreign direct investment (FDI) are also increase.

There is only one negative relationship between TI and INF, it is -0.311204500, it is a weak negative relationship. Due to the reason that, inflation is continuously increasing general price level of goods and services. So that, inflation and other variables have negative relationships too. If inflation rate is increase it negatively affect to tourism income, employment, and gross domestic production. There is a weak positive relationship between tourism income (TI) and dummy variable (political stability, PS). The value is 0.326921827.

As a summary of correlation analysis, there are insignificant relationships between tourism income and employment, tourism income and gross domestic production, tourism income foreign direct investment, tourism income and inflation. But all these relationships are positive without the relationship between tourism income and inflation. There is significant positive relationship between political stability and tourism income.

Time series data analysis

Regression analysis is a statistical process which used to estimate the relationships among variables. This study is based on time series data about Sri Lanka covering the period from 1970 to 2017. In regression model there are some assumptions, these assumptions can be tested as diagnostic test. To improve the validity of the regression results researcher used these test. There are main assumptions regarding the regression analysis and they are stated in order as follows.

Time series Unit Root Test

When exploring results of Unit roots test individual root Fisher- ADF, INF is stationary at level. With the 1st difference only TI and GDP has unit root (non-stationary). But with the 2nd difference GDP is the only one variable with having unit root.

According to the results of Unit roots test individual root Fisher- ADF majority tests arrived with a corresponding P value which is greater than 5percent at Level. Meaning that according to majority results researcher can't reject the Null hypothesis at level. Then after estimating the 1st difference it shows that some tests arrived with P value which is greater than 5percent. But after estimate the 2nd difference it shows that majority tests arrived with a corresponding P value which is less than 5percent. After estimate 1st difference TI and GDP has unit root. But after estimate 2nd difference only GDP has unit root. But with 2nd difference majority variables are non-stationary.

Regression Model of Tourism Income and Employment

This shows the impact of tourism income on employment for the time period of 1970 to 2017. According to the results, it shows 0.0000 p- value. Since the probability value is less than 0.05 therefore, it is significant. It means tourism income impact on EMP. According to the value of the coefficient, it shows the tourism income positively impact on EMP. Based on the analysis the impact of tourism income can analyze by following formulated equation;

$$EMP = 63101.3020352 + 0.600255712484*TI$$

When the tourism income becomes 0 the employment will be 63101.3020352. Further tourism income increased by one unit employment from the tourism sector increase by 0.600255712484 units.

The R- squared value of the analysis is 0.865043. The value means 86.5percent variation/ fluctuation of EMP can be explained by the tourism income. The remaining 13.5percent variation of EMP is influenced by the other variables beyond tourism income. The other variables mean the variables which are out from the study. And also the Probability (F-statistic) value is 0.000000, it denote the accuracy of the model.

Regression model of Tourism income and Gross domestic production

This shows the impact of tourism income on gross domestic production for the time period of 1970 to 2017. According to the results, it shows 0.0000 p- value. Since the probability value is less than 0.05 therefore, it is significant. It means tourism income impact on GDP. According to the value of the coefficient, it shows the tourism income positively impact on GDP. Based on the analysis the impact of tourism income can analyze by following formulated equation;

$$GDP = 902651.756401 + 24.3070703391*TI$$

When the tourism income becomes 0 the employment will be 902651.756401. Further tourism income increased by one unit gross domestic production under tourism sector increase by 24.3070703391 units.

The R- squared value of the analysis is 0.801065. The value means 80.1percent variation/ fluctuation of GDP can be explained by the tourism income. The remaining 19.9percent variation of GDP influenced by the other variables beyond the independent variables operationalized in this study. The other variables mean the variables which are out from the study. And also the Probability (F-statistic) value is 0.000000, it denote the accuracy of the model.

Regression model of Tourism income and foreign direct investment

This shows the impact of tourism income on foreign direct investment for the time period of 1970 to 2017. According to the results, it shows 0.0000 p- value. Since the probability value is less than 0.05 therefore, it is significant. It means tourism income impact on FDI. According to the value of the coefficient, it shows the tourism income positively impact on FDI. Based on the analysis the impact of tourism income can analyze by following formulated equation;

$$FDI = 131.971351704 + 0.00207227441393*TI$$

When the tourism income becomes 0 the foreign direct investment will be 131.971351704. Further tourism income increased by one unit foreign direct investment increase by 0.00207227441393 units.

The R- squared value of the analysis is 0.682643. The value means 68.2percent variation/ fluctuation of FDI can be explained by the tourism income. The remaining 31.8percent variation of FDI influenced by the other variables beyond the ones included in this study. The other variables mean the variables which are out from the study. And also the Probability (F-statistic) value is 0.000000, it denote the accuracy of the model.

Regression model of Tourism income and Inflation

This shows the impact of tourism income on inflation for the time period of 1970 to 2017. According to the results, it shows 0.0313 p- value. Since the probability value is less than 0.05 therefore, it is significant. It means, tourism income impact on INF. According to the value of the coefficient, it shows the tourism income negatively impact on INF. Based on the analysis the impact of tourism income can analyze by following formulated equation;

INF = 10.3490177499 - 1.30942840391e-05*TI

When the tourism income becomes 0 the inflation will be 10.3490177499. Further tourism income increased by one unit inflation decrease by 1.30942840391 units. And also the Probability (F-statistic) value is 0.031316, it denote the accuracy of the model.

Regression model of Tourism income and Political stability (dummy variable)

This shows the impact of tourism income on political stability (dummy variable) for the time period of 1970 to 2017. According to the results, it shows 0.0233 p-value. Since the probability value is less than 0.05 therefore, it is significant. It means tourism income impact on PS. According to the value of the coefficient, it shows the tourism income positively impact on PS. Based on the analysis the impact of tourism income can analyze by following formulated equation;

PS = 0.426225335069 + 1.25613421439e-06*TI

When the tourism income becomes 0 the political stability will be 0.426225335069. Further tourism income increased by one unit political stability increase by 1.25613421439 units. And also the Probability (F-statistic) value is 0.023330, it denote the accuracy of the model.

DISCUSSION

The contribution of tourism income for the growth of Sri Lankan economy under 4 criteria and under 1 dummy variable was considered by this research. Based on the results of the study there is a positive relationship between tourism income and economic growth of Sri Lanka. Most of the previous research studies confirmed this fact, (Balaguer and Cantavella-Jordá, 2002) for Spain, (Dritsakis, 2004b) for Greece, (Kim and Chen, 2006) for Taiwan (Gungor and Katircioglu, 2010) for Turkey.

Furthermore, (Wanhill, 1983) investigated co-integration and causality between tourism and economic growth in Mauritius and found that tourism has contributed to economic growth. Moreover, he claimed that tourism has a significant positive impact on Mauritian economic development. (Sugiyarto et al., 2003) so that, tourist spending, as an alternative form of exports, gives the foreign exchange earnings. Subsequently, it is used to import capital goods to produce goods and services, which in turn leads to economic growth in host countries (McKinnon, 1964). According to (Mitchell and Ashley, 2006b), the tourism industry may contribute significantly in economic growth, employment and reduction of poverty. But, (Yavuz, 2006), found that there is no causality relationship between tourism income and economic growth for the Turkey.

Existing evidence suggests that many developing countries are able to gain a significant amount of government revenue from international tourism For instance; the World Trade Organization (1998) claimed that these countries generate 10percent to 25percent of government revenue from the tourism sector. Some countries generated more than 50percentt of government revenue from the tourism sector. The contribution of tourism to government revenue, for example, accounted for over 50percent in the Bahamas and over 40percent in Maldives.

According to Vroom, (1979), Tourism generating areas provide employment for thousands with the outlook for future growth surpassing all estimates. (Gentry, 2007) identified Belizean women's employment experiences in alternative, mass, and non-tourism businesses are examined to determine whether the alternative sector addresses criticisms attributed to mass tourism employment

through case study. As well as according to the researcher's findings there is a positive relationship between tourism income and employment.

With the researcher's analyzed data, there are there is a positive relationship between tourism income and gross domestic production. When go through with previous findings, (Wickremasinghe and Ihalanayake, 2007) proposed that there is a noteworthy causal relationship from tourism receipts to the Gross Domestic Product (GDP) of Sri Lanka according to their examination. As well as, (Cağlayan et al.), researched the causal connection between tourism income and gross domestic production (GDP) utilizing board information of 135 nations for the time of 1995-2008. The result indicated that there was bidirectional causality in Europe between tourism revenue and GDP, unidirectional causality in America, Latin America and Caribbean countries. (Mishra et al., 2011) analysis the causality among real GDP, foreign tourist arrivals and foreign exchange earnings in India using VECM for the period spanning from 1978 to 2009.

According to my findings there is a positive relationship between tourism income and foreign direct investment. With comparing (Archer, 1982) interpreted tourism become a major source of foreign exchange earnings, under export earnings for lot of developing countries. Tourism expenditure is an invisible export which creates a flow of foreign exchange in to the economy of the destination country. And, (Aktar et al., 2014) established the long run relationship between the tourist arrivals and foreign exchange earnings. As well as, (Balaguer and Cantavella-Jorda, 2002) argued that, foreign exchange brought by international tourism will lead to economic growth. According to Prinz P. Magtulis and Sauk-Hee Park (2017), high-level public corruption, low economic development and the government's inability to establish a good business environment reasons for reduced FDI.

When talk about the inflation, some studies interpret negative relationship between inflation and economic growth. Nevertheless, several studies have accounted for the opposite. (Thirlwall and Barton, 1971), report a positive relationship between inflation and growth in a cross section of industrial countries and a negative relationship in a cross section of 7 developing countries. But, (Alexander, 1997) finds a strong negative influence of inflation on growth rate of per capita GDP using a panel of OECD countries. With considering the researcher's findings there is a negative relationship between tourism income and inflation.

When considering the Sri Lankan context (Wickremasinghe and Ihalanayake, 2007) and (Ranasinghe and Deyshappriya, 2010) proved there is a positive relationship between tourism income and economic growth. (Ranasinghe and Deyshappriya, 2010) identifies tourism as "one of the key engines of growth and development in the Sri Lankan economy. "They further assert that it "is a key focus of the Government's industrial strategy."

With comparing those previous works, the researcher can conform her findings. Because lot of previous findings proved that there are positive relationship between tourism income and economic growth, tourism income and employment, tourism income and gross domestic production, tourism income and inflation, as well as there is negative relationship between tourism income and inflation. Therefore, with considering the researcher's developed hypothesis, the researcher can conform the hypothesis.

CONCLUSION AND RECOMMENDATIONS

Conclusions

The tourism sector is viewed as one of the most important engines of growth in the Sri Lankan economy with its natural advantages and its unique tourism destinations. According to annual research statistics of 2017, tourism' total contribution to GDP was recorded as 13.5percent. And also tourism' total contribution to employment was increased by 2.8percent with comparing 2016. This study was conducted to find out whether tourism income contribute to the Sri Lankan economic growth. Researcher go through the data about tourism income, direct and indirect employment created from tourism sector, gross domestic production in country and inflation rate between the time period of 1970-2017. And also the researcher took political stability as dummy variable for the analysis purpose. According to this research and its findings there is a theoretical contribution made from this research.

Lot of previous researchers did the researches to examine the relationship between tourism income and economic growth in various countries with compare with various variables. Therefore when look at this research there is a

theoretical contribution can identified. As an empirical contribution there is positive relationship between political stability and macroeconomic variables, such as foreign direct investment, inflation, etc.

Recommendations

Sri Lankan Rupee (LKR) is continuously depreciating again USD and this trend gives the advantage to tourists where the real contribution of the tourism income to the economy remains at low level. Thus the rupee value has to be maintained consistently strong to gain the real benefit of tourism revenue to the economy. Political stability showed positive I the Island since 2009, after the end three decades war. Yet, the prevailing turbulent internal political conditions resulted cancelling number of reservations from international tour operators. This trend has to reach an end to enhance tourism performance and consequently the contribution of tourism to economic growth. According to the results there are relationships between tourism income and other selected variables in this study. Based on the relationships examined the following recommendations can be furnished from this study. Tourism performance should be strengthened and for this the promotion of destinations is mandatory. Further, diversified tourism products and services can be introduced to attract different market segments whom can contribute to the economic growth of the Island. Tourism Improve performance of tourism related government agencies. Infrastructure being a critical aspect of the tourism industry developing and maintaining quality and reliable infrastructure that can facilitate tourism should be a key focus to reap benefits of growing global tourism sector.

Limitations and Future Research

This research investigates the contribution of tourism income for the growth of Sri Lankan economy. The economic development is a wider consideration many economies trying to achieve with the contribution of industries like tourism. This study concerns only the growth where broader development is overlooked. Thus, future researchers can investigate the contribution of tourism income for the development of Sri Lankan economy. Because growth and development are different concepts, as well as economic development is broader area than growth.

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