

**THE ROLE OF TOURISM INDUSTRY ON ECONOMIC GROWTH:
A STUDY BASED ON SRILANKA AFTER THE LIBERALIZATION**

Tourism is considered a fast-growing industry in Sri Lanka and it is used as a vital strategy to achieve greater economic productivity. The main objective of this study is to examine the role of the tourism industry in the economic growth of Sri Lanka. In order to achieve this objective, the ARDL test is applied to examine the long-run relationship between the variables and the error correction model is applied to examine the short-run relationships between the variables. Further, in this research, the Granger Causality test is used to examine the causality relationship between the variables. The GDP, the revenue of the tourism sector, tourist arrivals, the total employment of the tourism sector, and the number of tourist nights are the variables used in this research. The analysis was carried out for the period from 1977 to 2018 and the software E-views 10 and MS Excel were used to analyze the data. The ARDL Bound Test results confirmed that there is a cointegrating relationship between the variables. According to this test, it is decided that, in the long run, the tourism industry contributes immensely to the economic growth of Sri Lanka. Further, this test suggests that tourism revenue and tourism employment have a positive and significant impact on economic growth in the long run. The Error Correction Model found that tourist arrivals have a positive and significant impact on economic growth in the short run. At the same time, the Granger Causality Test indicates that there is a uni-directional causation between the tourism sector and the economic growth of Sri Lanka. According to these results, this research confirms that the government and private investments in tourism and in developing the infrastructure of the country are necessary in order to enhance the economic growth of Sri Lanka. Additionally, macroeconomic policies must be put into effect to stimulate tourism development through the utilization of untapped tourism resources in Sri Lanka.

Keywords: Tourism, Economic growth, Private investments, GDP

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