Determinants of Inbound Tourism Demand, Sri Lanka: A Panel Data Analysis

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Over the past 10 years, Sri Lanka has experienced a substantial increase in tourist arrivals. However, lack of understanding about the determinants of inbound tourism demand is the major challenge to sustain this growth in Sri Lanka, hence, it is important to understand the major factors influencing inbound tourism to Sri Lanka from top ten tourist suppliers. This paper investigates the economic and non-economic determinants of international tourist flows to Sri Lanka with respect to the markets (UK, Germany, China, France, Switzerland, USA, Canada, Japan, Maldives and India), which are top ten tourist generating countries. For this purpose annual panel data set includes the number of arrivals from 10 countries during the period 1996-2015, and the number of possible explanatory variables were used to estimate the panel regression. The estimations from the model suggested that per capita income of tourist generating countries, accommodation, tourism prices, political stability are the key determinants of tourist demand for Sri Lanka and theses are significant at 5% level of significance. War in Sri Lanka was not statistically significant at 5% level. Significance of the variables-accommodation in Sri Lanka and the political stability and the tourism price index suggested that there is needs to reinforce accommodation, tourist safety from local crimes, and reducing cost of goods and services related to the tourism sector for increase the tourists arrival.

Keywords: Inbound tourism demand, panel data model, policy and strategies