

## **The Causal Relationship between Air Transport and Economic Development: Empirical Evidence from Sri Lanka**

Higgoda, P. G. R. R. B.<sup>1</sup>

Air transport and economic growth are highly link and, in many cases, overlap. Empirical studies show that air transportation is a significant factor as well as an indicator of tourism growth and economic development. Numerous studies show that air transportation may have strong positive effects on tourism growth and economic development, producing what is called a direct causation. Tourism growth and economic development also have a significant impact in air transport demand (Bourguignon & Darpeix, 2016; Hakim & Merkert, 2016). Similarly, tourism growth and economic development of a country can also have significant effect on air transport expansion. An issue that follows this observation is whether air transportation enhances tourism growth and economic development, or vice versa, or whether they boost each other. The lack of extant literature on tourism growth and economic development led this study to answer the research question on whether the short-run dynamics and long-run relationships that have been experienced and expected to exist between Sri Lankan economy and air transport demands. To realize the study objective, appropriate estimations techniques (VECM, VAR, Granger causality test, and descriptive analysis) will be employed for the data set 1990 to 2018. Findings of this study will have some policy and management implications to the field of study.

**Keywords:** *Air transportation, Causality, Economic growth, Transport demand*

---

<sup>1</sup> Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka  
(ruwanatc.ans@airport.lk)