

Impact of Macroeconomic Determinants on Firm Performance: a Study of Tourism Industry in Sri Lanka

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Abstract

Tourism industry is identified as an umbrella industry which is a fastest growing industry which is the largest service-sector industry in the global economy, and plays a key role in destination development, especially in developing countries in the world. The performance of a tourism industry could not be detached from the impact of macroeconomic factors. Easter attack in 2019, Global economic crisis occurred in 1998, 2008, and 2015 had a significant impact on the performance of tourism industry. Therefore, this research study aims to investigate the macroeconomic determinants on firm performance of tourism sector. The data will be collected from annual reports of Sri Lanka tourism development Authority and central bank of Sri Lanka. The time series data will be collected during the period of 2004-2019. Unit roots, cointegration and error correction model will be used to analyze the data. The findings of the study will provide useful insights to the tourism industry in evaluating whether its stated objective of macroeconomic factors toward firm performance is being accomplished. Further, the results will be of interest to academics, policy makers and the government in order to enhance the efficiency of Tourism sector in Sri Lanka.

Keywords: Cointegration, Firm performance, Macroeconomic determinants, Tourism Industry, VECM