

IMPACT OF TERRORIST ATTACKS ON TOURIST ARRIVALS: EVIDENCE FROM
SRI LANKA

By

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Abstract

Sri Lanka is a one of the leading tourist destinations in the world. Since 1980s, tourism has been one of the key sectors in the economy. The successive governments took various policy measures because that the sector has the potential to make a significant contribution to the socio-economic development of the country. Nevertheless, tourism industry has underperformed due to a number of unfavorable factors, of which terrorism and political unrest remained as major stumbling blocks. The end of the war in 2009 was seen as an opportunity to unleash the potential of the sector. Nevertheless, the Easter Sunday terrorist attack on churches and leading hotels casts doubt on to what extent Sri Lanka will be able to make use of the sector for her socio-economic development. In the context of the Sunday Easter terrorist attack, this study expect to examine the impact of terrorist attacks on the tourism industry, in particular on tourist arrivals. The study make use of secondary data extracted from national statistical agencies. By comparing *with* and *without* scenarios, this study found that the impact is significant with respect to number of tourist visited, receipt from tourism industry, and employment generation. Moreover, study found that there is a significant changes into the composition of tourists after a terrorist attack. In particular, tourists from some destinations are more be risk neutral and/or lovers. It is also found that setbacks in the industry has been temporary following terrorist attacks. Nevertheless, during 1983-2009, Sri Lanka's tourism industry did not reap its full potential due to terrorist attacks. Sri Lanka could consider some measures such as image building campaigns, strengthening security and rule of law in the country, and offering various concessions to help the industry. Moreover, it is very important to establish an effective mechanism to face emergency situations.

Key words: Terrorism, Tourism demand, Terrorist destination, Impact, Sri Lanka.