



ABSTRACT

Air transportation plays a significant role in nations' economy providing expeditious links to the international markets. It is an all time true that aviation provides the speediest, most convenient and efficient travel, with comparatively highest cost of all five modes. But it is evidenced by the transport statistics that, the demand for air transport is been increasing yearly, even though the cost is a problematic component. Since it is observed that, examining the determinants of air transport demand would be prudent and an effective effort in policy implementations as well as in forecasting which would be an essential requirement in corporate planning process.

The objective of this research is to determine the factors affecting air passenger travel demand in Sri Lanka and was conducted based on Bandaranaike International Air Port (BIA). The focus of the research was on Air Passenger demand at BIA and not the Air Freight. Macroeconomic factors have been considered as explanatory variables. Three dependent variables as Air Passenger Arrivals, Departures and Total Movement of air passengers consider under the study and are to be tested against fourteen explanatory variables namely Population, Gross Domestic Production, Per Capita GDP, Unemployment Rate, Interest Rate, Average Exchange Rate, Government Expenditures, Total Migration for Employment, Fuel Price, Foreign Direct Investments, Tax Revenue, Government Debt, Tourists Arrivals and Inflation Rate, to see the relationship those three dependent variables are having with each of the explanatory variable. In analyzing the data set, uni-variate descriptive analysis has been carried out and hypothesis testing has been done using Pearson correlation coefficient. In doing advanced statistical modelling, three models have been fitted for total air passenger volume, arrivals and departures separately. In the process of constructing multiple linear regression model Forward Selection Method has been used.

According to the empirical findings it is proved that only five out of fourteen specified independent variables, namely Tax Revenue, Average Exchange Rate, Tourists Arrivals, Interest Rate and FDI have a significant relationship with Total Air Passenger Movements, Air Passenger Arrivals and Air Passenger Departures and for only Air Passenger Arrivals, Government debt has become a significant factor.

Key Words : Air Transportation, Regression Analysis, Bandaranaike International Air Port