

Contents lists available at ScienceDirect

Tourism Management Perspectives



journal homepage: www.elsevier.com/locate/tmp

Testing the role of tourism and human capital development in economic growth. A panel causality study of micro states^{\star}



Amin Fahimi, Seyi Saint Akadiri*, Mehdi Seraj, Ada Chigozie Akadiri

Institute of Graduate Studies and Research, Faculty of Business and Economics, Eastern Mediterranean University, Famagusta, North Cyprus, via Mersin 10, Turkey

ARTICLE INFO	A B S T R A C T			
Keywords: Tourism Human capital Economic growth Granger causality Panel approach Micro states <i>JEL code:</i> C23 L82 O40	The tourism sector over the years has become an integral part of economic growth strategies and determinants. This study seeks to investigate the contribution of the tourism sector to economic growth of the micro states over the period 1995–2015, using second generation panel approach that accounts for cross-sectional dependence, by incorporating investment in human capital as an additional variable. The causal relationship and interaction between tourism, investment in human capital and economic growth is examined by employing the Granger causality testing approach introduced by Dumitrescu and Hurlin (2012). Our empirical results provide evidence in support of tourism-induced growth, tourism-induced human capital development and human capital development-induced growth. Over the sampled period, it appears tourism sector has not been contributing substantially to export earnings and economic growth. This might have led the policymakers in these states to diversify their economy from being tourism-dependent to human capital-based.			

1. Introduction

Globally, the travel and tourism industry has experienced a tremendous increase in the recent years. In spite of the geopolitical agitation and moderate economic growth the developing and developed economies are experiencing, the travel and tourism industry is still performing well across the globe. The sector has been argued to account for a giant share of the World Gross Domestic Product (WTTC, 2008). Tourism industry is estimated to contribute about 9% share to global GDP, which is approximately about 7 trillion USD, and has also reduced global unemployment by creating employment opportunities in tourist centers (Koens & Wood, 2017), given the significant increase in the number of international tourists travelling around the world. Tourism over the years has led to positive exploitation of economies of scale in national firms (see Andriotis, 2002; Croes, 2006; Fagence, 1999; Lin & Liu, 2000). According to the World Travel and Tourism Council (WTTC, 2015), the sector (i.e. the travel and tourism industry) is expected to grow about 4% annually, a speedy rate when compared with the expected growth rate in the manufacturing, financial and transportation sectors respectively.

It is paramount to note that governments and policymakers in most

of the micro states¹ have prioritized the travel and tourism industry in order to maximize economic growth and competitiveness. According to the report of the World Economic Forum 2015, out of 141 economies across 90 indicators that were sampled to estimate travel and tourism competitiveness index, micro states were reported to prioritize travel and tourism industry more than the other larger countries in their quest for economic growth and development. The travel and tourism sector has been made a primary concern of the governments of these economies (Louca, 2006), while huge shares of the public funds have been channeled to develop projects, coordinate actors and make available resources necessary to promote and develop the sector. With the huge support this sector has received from the government, the travel and tourism sector has become attractive to both individual and private investors. Prioritizing travel and tourism means the governments of these economies have been playing a bigger role in attracting tourists through various fairs, exhibitions and national marketing campaigns (Louca, 2006).

The gesture of increasing government spending, branding/rebranding and several marketing campaigns towards travel and tourism is indicative of the value these countries attach to their travel and tourism sector. This raises our curiosity to examine in a panel study the

* Corresponding author.

https://doi.org/10.1016/j.tmp.2018.08.004 Received 3 April 2018; Received in revised form 18 July 2018; Accepted 10 August 2018 2211-9736/ © 2018 Elsevier Ltd. All rights reserved.

^{*} We would like to thank three anonymous referees for many helpful comments. However, any remaining errors are solely ours.

E-mail addresses: seyi.saint@emu.edu.tr (S.S. Akadiri), ada.akadiri@emu.edu.tr (A.C. Akadiri).

¹ In this current study, micro states are small island developing states. These small island developing states are known to be tourism-dependent economies. For more information on SIDSs see Akadiri et al. (2017). Is there growth impact of tourism? Evidence from selected small island states. *Current Issues in Tourism*, 1–19.

contribution of the tourism sector over the years (considering data availability) to the economic growth of these micro states who have prioritized and committed physical, human and economic resources to develop their tourism sector. We aim to achieve the study objective by examining the direction of dynamic causality relationships between tourism and economic growth in the case of the micro states.

There has been growing attention regarding the controversy surrounding the tourism-induced growth hypothesis. According to Balaguer and Cantavella-Jorda (2002), the motivation behind this argument has been fueled by the extensive literature on the export-led growth hypothesis coupled with the contemporary models of nontradable goods. Few studies have been carried out on tourism-led growth hypothesis when compared with the extant literature on the export-led growth hypothesis. Rather, most of the existing literatures focus on the relationship that exists between tourism and economic growth (Albalate & Bel, 2010; Choi & Sirakaya, 2006; Dritsakis, 2004; Dwyer & Forsyth, 2008; Falk, 2010; Hall, 1998; Holzner, 2011; Sinclair, 1998), and some studies on the relationship that exists between foreign trade and international tourism (Kulendran & Wilson, 2000; Shan & Wilson, 2001). However, on the tourism-led growth hypothesis, Balaguer and Cantavella-Jorda (2002) found an argument in support of the tourism-induced economic growth hypothesis in their analysis for Spain. Gunduz and Hatemi-J (2005) confirmed the tourism-led hypothesis for Turkey, while Oh (2005) failed to provide evidence for the Korean economy. The contradictory outcomes obtained and reported from the studies discussed above emerge from a number of factors such as different policies regarding tourism development in these individual countries and statistical or econometric techniques employed in the estimation analyses.

An extensive number of studies have examined the tourism-induced growth hypothesis for various countries and regions. Most of these studies examine this relationship by using either time series (see Katircioğlu, 2010a; Katircioğlu, 2010b; Tang & Tan, 2015) and/ or panel data (see Antonakakis, Dragouni, & Filis, 2015; Brida, Cortes-Jimenez, & Pulina, 2016; Ivanov & Webster, 2007; Seghir, Mostéfa, Abbes, & Zakarya, 2015; Tugcu, 2014) econometric techniques, either through cointegration analysis or causality analysis or both. Recent papers incorporate some additional and significant variables such as energy consumption, foreign direct investment, exchange rate and human capital development (Akadiri, Akadiri, & Alola, 2017; Roudi, Arasli, & Akadiri, 2018) among others so as to account for omitted variable bias and also for these additional variables to serve as alternative determinants of economic growth, especially when dealing with a tourism earnings-dependent economy, such as in the case of micro states. However, in this paper, we evaluate the relationship between tourism and economic growth by incorporating investment in human capital for two purposes, omitted variable bias and as an alternative growth indicator. The literature on the causal relationship between tourism and economic growth has been extensively researched for various countries and/or regions. For instance, recent studies of Katircioğlu (2010a), Lean and Tang (2010), Arslanturk, Balcilar, and Ozdemir (2011), Gunduz and Hatemi-J (2005), Tang and Abosedra (2014), Akadiri et al. (2017), and Roudi et al. (2018) are all in line with the findings of Katircioğlu (2010b) where evidence was found in support of tourism-led growth hypothesis. Most of the previous studies have come to a conclusion that the tourism sector has a significant role to play in the economic growth of any tourist destination. However, these studies (Akadiri et al., 2017; Arslanturk et al., 2011; Gunduz & Hatemi-J, 2005; Katircioğlu, 2010a; Lean & Tang, 2010; Roudi et al., 2018; Sokhanvar, Çiftçioğlu, & Javid, 2018; Tang & Abosedra, 2014) appear not to elaborately examined, channels, through which these inherent benefits of tourism were maximized and its contributions to economic growth. Thus, we aim to fill this gap in literature.

This study also seeks to add to the existing literature on tourism-led growth hypothesis and to provide unique and current evidence to this

Table 1

Average number of tourist arrival, share of tourism receipts in export, GDP and human capital.

	Countries	Sub-periods	Number of tourist arrivals	Share of tourism receipts in export earnings (%)	Share of tourism receipts in GDP (%)	Investment in human capital
	Barbados	1995–1999	477,600	57.52	0.26	0.73
		2000-2004	526,600	55.99	0.23	0.75
		2005-2009	554,600	57.26	0.26	0.77
		2010-2015	543,000	46.32	0.15	0.79
	Cyprus	1995–1999	2,159,000	41.71	0.19	0.79
		2000-2004	2,490,600	38.68	0.18	0.81
		2005-2009	2,366,400	27.22	0.12	0.84
		2010-2015	2,422,500	20.04	0.11	0.85
	Dominican R.	1995–1999	2,174,200	44.92	0.10	0.63
		2000-2004	3,080,600	48.32	0.12	0.66
		2005-2009	3,921,600	46.13	0.09	0.68
		2010-2015	4,737,567	32.86	0.08	0.71
	Fiji	1995–1999	359,600	32.54	0.14	0.67
		2000-2004	395,000	36.81	0.15	0.68
		2005-2009	552,200	45.72	0.24	0.70
		2010-2015	688,400	42.80	0.28	0.72
	Cuba	1995–1999	1,169,000	00.00	0.04	0.66
		2000-2004	1,799,400	00.00	0.05	0.69
		2005-2009	2,250,200	00.00	0.04	0.76
		2010-2015	2,958,600	00.00	0.03	0.77
	Iceland	1995–1999	217,600	17.82	0.04	0.83
		2000-2004	313,200	19.75	0.04	0.86
		2005-2009	455,400	17.73	0.04	0.89
	Malta	2010-2015	803,650	14.62	0.06	0.91
	Walld	2000 2004	1,155,400	27.20	0.10	0.70
		2000-2004	1,102,000	20.11	0.17	0.79
		2003-2009	1,202,400	10.30 8.64	0.14	0.81
	Mauritius	1005_1000	516 200	26.34	0.14	0.65
	Mauritius	2000-2004	683 800	29.70	0.10	0.68
		2005-2004	851 400	34 37	0.17	0.00
		2010-2015	108 000	29 74	0.14	0.72
	Haiti	1995-1999	146.800	35.63	0.01	0.42
		2000-2004	130.800	22.65	0.01	0.44
		2005-2009	250.200	27.74	0.03	0.46
		2010-2015	419.840	34.57	0.07	0.48
	Trinidad	1995-1999	308,400	10.39	0.03	0.69
		2000-2004	403,600	7.81	0.02	0.72
		2005-2009	445,800	4.33	0.03	0.76
		2010-2015	434,400	3.57	0.03	0.78

Source: Authors' computation based on World Bank Indicators, 2017.

theory in the case of the economies discussed above. These micro state countries merit the attention of several authors in the tourism-growth literature as the significance of tourism to the panel of countries is well acknowledged. These countries include Malta (Boissevain, 1977; Katircioglu, 2009a), Cyprus (Katircioglu, 2009b; Sharpley, 2003), Mauritius (Durburry, 2004), Singapore (Heng & Low, 1990; Lee, 2008), Spain (Balaguer & Cantavella-Jorda, 2002; Nowak, Sahli, & Cortés-Jiménez, 2007), Estonia (Jaakson, 1996) Seychelles (Archer & Fletcher, 1996) Barbados (Archer, 1984; Chase & Alon, 2002; Levy & Lerch, 1991), Iceland (Jóhannesson & Huijbens, 2010; Olafsdottir & Runnström, 2009) and small island developing states (Akadiri et al., 2017; Roudi et al., 2018).

Tourism has been seen as the most crucial source of foreign currency earnings in most of the tourist destinations in the world. However, statistical data from the World Development Indicators (WID, 2017) reported in Table 1 reveal that on average over the last 20 years, increase observed in international tourist arrivals within these micro states are not commensurate with the share of tourism receipts, both in export earnings and real gross domestic product. In contrast to the rise in tourist arrivals, the share of tourism receipts in export and real gross Download English Version:

https://daneshyari.com/en/article/7422395

Download Persian Version:

https://daneshyari.com/article/7422395

Daneshyari.com