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The Impact of Tourist Arrivals, Physical Infrastructures, and Employment, on Regional Output Growth

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Abstract

This paper examined the contribution of tourist arrivals, employment rate, and physical infrastructures to the Philippines' regional output growth. This study used secondary annual data from 1999-2008. Gross regional domestic product was used as a measure of output growth generated by its predictors. This paper used panel data regression model in determining the relationship among the variables. Also, the Hausman test was utilized in determining which between fixed and random effect models are more viable. The results of the study showed that all the predictor variables significantly affect regional output growth of the Philippines.

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1. Introduction

Economic and social development as an objective of state governance can only be achieved through good management of resources. Investments in physical and human resources that bring forth returns must be pursued to ease the dependence on taxes as the main financial resource.

Tourism is a strategy to bring in some needed revenues and direct foreign investments, and to lure tourists who may also be investors as well, there is a need to make the locality conducive for destination (Niyazi, 2013; Trang, 2013).

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Peace and order, good health facilities and services, roads, and infrastructures are just but a few of the local investments that could cultivate good tourism and direct foreign investments' climate. Thus, local authorities must improve the facilities and physical infrastructures for tourists to be convinced and to visit their destination of interest.

In reference to Ilocos Region, local governments regard tourism as one of the tools to increase regional output. As the tourism industry has zeroed in on the balance of both revenue and ecological health, local governments have upgraded existing tourist facilities and essential infrastructure support facilities (Ilocos Norte Provincial Government, 2012).

Physical infrastructures play an important role in regional output growth because it facilitates the movement of goods and services and helps in the development of local and international tourism since it provide hotel services, fuel supply stations, and other necessary services (Bramo, 2013).

Dudley Seers (1969), in his treatise, *Meaning of Development*, identified employment as one of the necessary conditions for the realization of the potential human personality. This concept as used in this study, projects employment as an influential factor in development that symbiotically stimulates tourism as well as infrastructure spending. Such spending likewise triggers infrastructure development of which his/her insatiable wants suggest amenities that must be available in the host country.

This study aims to determine the significance of tourism, employment, and physical infrastructure to the regional output growth of the Philippines in reference to Ilocos Region (Region I); in effect, the results of the study shall find their way to influence legislations, economic and administrative decisions in the management of resources. Moreover, it attempts to significantly provide ideas on how investments must be managed for optimum output growth.

2.1 Review of Literature

2.1.1 Tourism as Development Strategy

In most developing countries, tourism is considered to be the largest and most diverse because it is an active source of employment, income, infrastructure and private sector development. Moreover, countries who cannot afford for a more advance technology for manufacturing can focus on tourism as a development strategy. Therefore, if tourism is used as a main source for development, various organizations must support its strategies through proper advertisements and tourist safety (Niyazi, 2013).

As stated by Jenkins (1991, cited in Afrodita, 2012) industrialized countries consider tourism as an integral element in the development strategies due to its rapid and continuous growth. Locals living around tourist destinations can even produce products in the market and can take advantage by attracting more revenues from visitors (Sharpley and Telfer 2002). Thus, promoting tourism is a tool to generate foreign currency exchanges, raise employment, increase capital formation and promotion of economic independence (Sharma, 2004; Britton, 1982).

Akdag and Oter (2011) state that in most developing countries, one of the fundamentals to economic development is to increase export revenues, with such a shift from traditional agricultural economy to an industry-based economy is a must. With the emphasis of income generation, growth and modernization, the World Bank have been funding tourism projects as early as 1966 during the time when air travel was beginning to generate substantial numbers of international air travellers (Scheyvens, 2002).

2.1.2 Infrastructure Aids Economic Development

Fulmer (2009) defines infrastructure such as roads, water supply, sewers, electrical grids, and telecommunications are technical structures needed by a society to enable, sustain, or enhance societal living condition. Anyadike (2012) stated that infrastructures function as a facilitator in the production and distribution of goods and services, as well as basic social services such as hospitals and schools. In the social and economic development of a country infrastructure plays different essential roles

According to Fox (1994), the provision of infrastructure services can influence economic output through both the supply and demand sides of the economy. The supply-side effects are: a. Services can be direct inputs into production; b. It is a complement to private capital or labor; and c. It can indirectly increase an area's overall ability to produce by attracting workers or private capital from other regions. The demand-side effects are: a. It creates income for those

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