

TOURISM DEVELOPMENT IN NIGERIA: IMPLICATIONS FOR ECONOMIC GROWTH AND DIVERSIFICATION

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Abstract

This study explored the potentials of the Nigerian tourism sector for economic growth and economic diversification. The study employed annual secondary data covering the period between 1995 and 2019, analysed using both descriptive and econometric approaches. Results showed that the performance of the tourism sector in Nigeria has been unimpressive but potentials abound. Security, electricity and air transport infrastructure were found to be positive determinants of tourism development, while a growth-led tourism development hypothesis was confirmed for Nigeria. The findings are compelling to suggest that investing in Nigeria's economic growth could be the first step in stimulating tourism development.

JEL Classification: F43, L83, O40, Z32

Keywords: Tourism Development, Economic Growth, Economic Diversification, Nigeria

Introduction

The importance of the tourism sector in spurring growth towards achieving the economic diversification challenge faced by developing countries and emerging markets, especially those rich in natural resources, is gaining momentum. This is a result of the capacities of the sector to generate employment and revenue and positively contribute to infrastructural development and overall economic growth (Ali *et al.*, 2018). Resource-rich countries have a long history of strong dependence on a narrow range of commodity resources as the driver of economic activities and the source of foreign exchange earnings. Nigeria, for instance, has long concentrated on crude oil, as the main source of revenue generation and the principal component of total exports. Consequently, its economy has been highly susceptible to both internal and external shocks of vandalization of oil pipes, which limits production capacity, and reduction in oil prices at the international market, respectively. This concentration on a narrow range of export products and structural stagnation have been linked with fiscal policy procyclicality (Ouedraogo & Sourouema, 2018) and jobless economic growth (Oyejide, Ogunkola & Bankole, 2019).

Economic growth has traditionally been associated with advances in agricultural and manufacturing sectors including foreign capital inflows, which is undermining the prospects of tourism in generating economic growth (Papatheodorou, 1999), which has attracted the interests of scholars and policymakers across the globe. However, today, the tourism sector has not just become one of the world's fastest-growing sectors but has also turned out to be one of the prime sectors capable of spurring overall economic growth and engendering economic diversification. The tourism sector is a dynamic one and has been acknowledged as a sunrise sector capable of transforming the growth trajectory of an economy and switching it on for sound and inclusive growth (ADB, 2018). The sector, thought to be hypersensitive to shocks, has continued to witness sustained growth despite occasional shocks of global violence and terrorism, political uprisings, health pandemics and other natural disasters, signifying its strength and resilience.

Furthermore, the positive influence of tourism activities in stimulating growth has been widely established in relevant literature through the tourism-led growth hypothesis (TLGH), which is an offshoot of the export-led growth hypothesis that growth in an economy is not just a function of technology and human capital development, but also depends on the promotion of exports. Therefore, studies have not just established the positive growth effect of tourism (Balaguer & Cantavella-Jorda, 2002; Ohlan, 2017), but have also identified channels through which tourism positively impacts growth. Accordingly, tourism stimulates the growth of an economy through stimulating infrastructural and human capital investment (Seetanah *et al.*, 2011; Jovanovic & Illic, 2016; Miloradov & Eidlina, 2018), generating foreign exchange reserves to be invested in technology in the production process (McKinnon, 1964),

positive spill-over effects on industrial development (Cernat & Gourdon, 2012), employment generation and poverty reduction (Jamieson, Goodwin and Edmunds, 2004; Bolwell & Weinz, 2008; Lee & Chang, 2008), creation of positive externalities (Weng & Wang, 2004; Wu, 2017) and provision of opportunities for diversifying countries' export earnings away from primary products (Signe and Johnson, 2018).

In pursuit of regional and global agendas such as the African Union Agenda 2063, the African Continental Free Trade Agreement (AfCFTA) and Sustainable Development Goals (SDGs), countries are fast realizing the huge potential of tourism activities in driving the economy and giant strides are being made in the development of and investment in the sector. This is evident in the fact that the tourism sector was the world's third leading sector in foreign trade in 2018, contributing 10.4% to global GDP, trailing behind chemicals and fuels but ahead of automotive products, accounting for 30% of global service exports (UNWTO, 2019). For the seventh consecutive year, global tourism exports have outgrown merchandise exports, helping to reduce trade deficits in many countries. The sector, apart from forming linkages with other sectors, such as entertainment, transportation and housing, also contributes significantly to employment generation, providing one in ten (10%) of all jobs globally. Besides, the 2030 projections of the sector indicate that it is expected to continue growing rapidly, through consistent increase in global tourist arrivals, which stood at 1.4 billion in 2018, and forecasted to reach 1.8 billion by 2030, representing a forecast of 3.3% yearly growth (UNWTO, 2019). This clearly illustrates the growing size of the global tourist market.

Although the global tourist market is still dominated by rich countries, such as France, Spain and USA, the share of African and other developing countries in international tourist arrivals and receipts is experiencing rapid growth (UNWTO, 2019). For instance, international tourist arrivals in Africa in 2018 totalled 67 million (7% growth)¹, generating international tourism receipts of about \$38 billion (2% growth) and contributing about 8.1% to the total GDP on the continent (UNWTO, 2019; WTTC, 2019). The rapidly growing tourism sector in Africa could be attributed to the continent's strategic intervention in the sector through the Tourism Action Plan (TAP)² adopted in 2004, which was a strategy for ensuring sustainable tourism on the continent. The TAP recognises tourism as one of the priority sectors for catalysing growth and development on the continent and, thus, intended to turn Africa into tourists' choice destination.

1. in comparison to the preceding year.

2. The NEPAD Tourism Action Plan, retrieved from https://au.int/sites/default/files/documents/36068-doc-2017_nepad_proposed_tourism_work_plan.pdf

Having realized the fact that tourism is one of the drivers of growth on the continent, most African countries have been drafting strategic plans and policy documents for the revival and development of their respective tourism sectors. Nigeria, for instance, has developed a Vision 2025 action plan, anchored by the Nigerian Tourism Development Corporation (NTDC)³, as a roadmap towards opening up the country as a major tourists' choice destination in Africa through the promotion of domestic tourism and development of international tourism. Interestingly, the Nigerian tourism Vision 2025 strategy focuses more on promoting domestic tourism. This is not surprising because domestic tourism spending has always accounted for the largest share of the country's tourism receipts (as indicated in Figure 1). In 2016, domestic tourism spending also generated 93.2% of direct tourism and travel GDP, while international tourism receipts accounted for the remaining 6.8% (WTTC, 2018).



Figure 1. Share of Nigeria's Tourism Receipts

Source: World Travel and Tourism Council (WTTC)

While the tourism industry in Africa remains underdeveloped, in comparison with other regions, the Nigerian tourism sector also lags behind some other African countries in terms of both international tourist arrivals and receipts. Although the Nigerian tourism sector recorded 126% growth in international arrivals in 2016, Africa's most preferred destinations are Egypt, Kenya, Morocco, South Africa and Tunisia (ADB, 2018). However, because international tourists are increasingly interested in visiting developing countries as tourists, in addition to Nigeria's wealth of natural resources, cultural heritage and a continuously growing entertainment industry that is making waves across global charts, the country's tourism sector has substantial potential to be one of the leading sectors to spur growth and stimulate economic diversification, especially in the face of dwindling oil prices in the international market.

3. <https://www.tournigeria.gov.ng/vision.2025.php>

The Nigerian economy has witnessed two recessions in the last five years, specifically in 2016 and 2020, due to huge drops in global oil prices, which is the major source of foreign exchange earnings for the government. Having recovered from both recessions, the Nigerian economy is on a quest for economic diversification in a bid to achieve sustainable growth and development. Indeed, diversifying the structure of the Nigerian economy has long been a major objective of successive governments since the country's return to democratic rule, as evidenced by economic blueprints such as the National Economic Empowerment and Development Strategy (NEEDS)⁴, the 7-point Agenda⁵, Vision 20:2020⁶ and the ERGP⁷; yet, the country still runs an oil-and-gas sector-led economy, generating over 90% of its foreign exchange earnings (Oyejide *et al.*, 2019). Hence, the country is faced with the daunting challenge of identifying other sectors capable of generating foreign exchange earnings to boost economic growth and spur economic diversification.

In an attempt to explore the potentials of tourism as a viable sector for achieving economic growth and economic diversification, it becomes imperative to determine the factors debilitating the development of the sector in Nigeria. The Nigerian government, through the Nigerian Immigration Service, has launched a visa-on-arrival policy for short visits to passport holders of African Union member-states, which is supposed to be a boost for the tourism sector in attracting international tourists, especially from Africa. However, the low performance of the sector suggests there could be other factors hindering its growth. Unravelling this would help direct the plans and actions of policymakers in resolving the challenges encountered in tourism development in Nigeria.

Thus, this study seeks to assess the potentials of the tourism sector in achieving economic diversification in Nigeria. The study analyses the performance of the country's tourism sector, unravels factors debilitating its development and establishes the nature of the tourism-growth nexus in Nigeria. Having introduced the study in this section, the next section focuses on review of literature on tourism development and economic growth, section 3 describes the data and methodology, section 4 presents and discusses the findings, and section 5 concludes.

4. <https://www.cbn.gov.ng/out/publications/communique/guidelines/rd/2004/needs.pdf>

5. https://www.nigeriahc.org.uk/pdf/seven_point_agenda.pdf

6. https://www.nigerianstat.gov.ng/pdfuploads/Abridged_Version_of_Nigeria%20Vision%202020.pdf

7. <https://www.nipca.gov.ng/product/nigerias-economic-recovery-and-growth-plan-erg-for-2017-2020/>

Literature Review

The growth-effect of tourism has been a widely discussed issue in relevant literature. This has popularized the tourism-led growth hypothesis, which derives from the export-led growth hypothesis. Studies have examined the growth effects of tourism in several countries and regions using time series and panel data econometric techniques and found a growth-inducing role of tourism, thus making the TLGH one of the most widely accepted hypotheses in the literature of tourism economics (Santamaria & Filis, 2019). This strand of literature has grown immensely, especially after the study of Balaguer and Cantavella-Jorda (2002), which found conclusive evidence of a tourism-induced growth hypothesis in Spain.

Proenca and Soukiaziz (2008) examined the impact of tourism on living standards in Spain, Portugal, Italy and Greece using conditional convergence and panel regression approaches to analyse annual data from 1990 to 2004. The study found strong evidence in support of tourism as a determinant of living standards in these European countries. Soukiaziz and Proenca (2008) also explored country-specific evidence for the tourism-growth nexus using housing capacity and income level as proxies for tourism and economic growth, respectively. Using different econometric methods, such as generalized method of moments (GMM) as well as fixed and random effects to analyse data from 1993-2001, findings lend support for the TLGH in Portugal.

Figini and Vici (2009) examined the tourism-growth association in a panel of over 150 countries using econometric methods to analyse data spanning the period 1980 to 2005. The major finding of the study showed that the growth rate of tourism-based countries was not higher than that of their non-tourism-based counterparts except during the 1980s when tourism specialisation explained the growth of small countries, thereby refuting the TLGH.

Ayeni and Ebohon (2012) examined the potential for sustainable tourism in Nigeria and its impacts on the wider economy through a case-study analysis of three tourist centres in Ondo State. The study employed qualitative methods and found huge potential for tourism development in Nigeria, which are yet to be explored.

Seghir *et al.* (2015) examined the direction of the tourism-growth causal nexus in a panel of 49 countries. The study used panel cointegration and Granger causality techniques and their results confirmed the existence of long-run cointegration and two-way causality between tourism and economic growth.

Agri, Acha and Lucy (2016) examined the potential impact of tourism on the Nigerian economy using descriptive statistics to analyse its impact on key macroeconomic variables. The study found a direct impact of tourism on employment, infrastructure and standard of living and a direct linkage between tourism, the environment and the domestic economy, albeit with untapped potential.

Ohlan (2017) investigated the tourism-growth nexus in India controlling for the influence of financial development. The study used the Bayer and Hanck combined

cointegration test to analyse data from 1960 to 2014. The results of the study confirmed a positive growth effect of international tourism and a uni-directional causality that runs from tourism to economic growth, confirming the TLGH for India.

Habibi, Rahmati and Karimi (2018) employed a growth decomposition method to decompose economic growth across industries in Iran and assessed how tourism contributed to the economy between 2005 and 2014. Results showed that tourism is growth-enhancing, confirming the TLGH for Iran.

Fahimi *et al.*, (2018) examined the nature of causal nexus among tourism, human capital development and economic growth using the panel Granger causality test to analyse panel data from 1995-2015 for 10 small states. The study found evidence of tourism-led growth, tourism-led human capital development and human capital development-led growth.

Sokhanvar (2019) examined whether FDI promotes tourism and economic growth in seven EU countries with a significant share of tourism receipts and FDI inflows. Using the impulse response function to support the Block Exogeneity Wald test, the results showed a negative impact of FDI on growth in five of the countries, and that FDI does not promote tourism growth in any of the countries sampled. This could stem from the fact that the study considered overall FDI impact on tourism rather than tourism sector-specific FDI.

Santamaria & Filis, (2019) made a significant attempt to shift the direction of studies in the tourism economics literature by examining the dynamic relationship between tourism development and expected (rather than current) macroeconomic conditions. Rather than using the current GDP level as a measure of macroeconomic condition, the study used the term structure of interest rate while using the number of international tourist arrivals as a proxy for tourism development. A DCC-GARCH model was used to analyse monthly data from January 1998 to June 2017, and findings revealed a time-varying relationship between tourism growth and expected economic conditions, affected by business cycles as well as geopolitical and economic events. These authors' result is similar to that found by Antonakakis, Dragouni and Filis (2015) in their study of the dynamic linkage between tourism and economic growth using the spillover index technique to analyse monthly data for 10 EU countries between 1995 and 2012. The latter group's results indicated that the tourism-growth relationship is not stable over time and it is business-cycle dependent.

Liu and Wu (2019) examined the transmission mechanism between tourism productivity and economic growth in Spain using Bayesian Dynamic Stochastic General Equilibrium. While their results affirm a growth-inducing effect of tourism, simulation results suggest that increased productivity in the overall economy will improve foreign, more than domestic, tourism demand while a developed tourism sector will improve domestic tourism more than inbound tourism.

Although findings from these studies have maintained that tourism positively impacts economic growth, controversy still surrounds patterns of causal relations be-

tween tourism and economic growth. While some studies found that tourism impacts growth, others found that it is economic growth that affects tourism development fuelling the emergence of a growth-led tourism hypothesis (GLTH) (Oh, 2005; Payne & Mervar, 2010; Lee 2012). Due to the debate on both tourism-led growth and growth-induced tourism, it is still unclear whether it is tourism expansion that promotes growth or a growing economy that driving tourism development. Ideally, while tourism can be growth-enhancing through its direct, indirect and induced benefits, a growing economy is important to engender domestic and foreign private investment to propel tourism sector growth. This is an interesting area of research that this study intends to establish for Nigeria, as the nature of the tourism-growth nexus for Nigeria would be a useful tool for reviewing the progress of the Vision 2025 policy objective in the Nigerian tourism sector and for formulating new tourism policies.

Furthermore, proxies for tourism development commonly used in the literature are the number of international tourist arrivals and international tourism receipts. The latter simply refer to spending on the local economy by inbound visitors including expenditures on transport, food and drinks, entertainment, shopping, etc. Proponents of tourism receipts have argued that increasing rates of tourist arrivals do not always translate to increasing tourism earnings as not all tourist arrivals are real tourists (Tang & Tan, 2015; Sokhanvar, 2019). This claim is statistically supported as USA ranked third in 2018 by number of international tourist arrivals with 80 million, but was the highest tourism earner in the same year with \$214 billion (UNWTO, 2019). France, on the other hand, which claimed the highest number of arrivals, with 89 million, only made \$67 billion in international tourism earnings (UNWTO, 2019). However, because of the peculiarity of the Nigerian tourism sector, where domestic tourism accounts for most of tourism earnings, international tourism receipts alone do not seem to be a good measure for tourism development. Instead, a combination of both domestic and international tourism receipts to measure tourism development could be more appropriate.

It is important to point out that empirical evidence from Nigeria on the tourism-growth nexus is scarce. Some of the existing studies on tourism development in Nigeria focused on its potential impact on socio-economic development. Some are perception-based, while others explored the subject matter through a narrow lens focusing only on certain location in the country. Most of these studies are in agreement that the Nigerian tourism industry has a lot of potentials to positively contribute to the economy but these remain largely untapped (Ayeni & Ebohon, 2012; Agri *et al.*, 2016; Eyisi *et al.*, 2021). Although Ighodaro and Adegboye (2020) also explored the impact of tourism on economic growth in Nigeria and reported a tourism-led growth hypothesis, we find their usage of capital investment in the tourism sector inadequate as a measure of tourism development. Capital investment is an input into the tourism sector, whereas it is the output of the sector (either in terms of the number of international tourist arrivals or tourism revenues) that reflects the performance of the sector.

Methodology and Data

Conceptual Framework

The focus of this study is to explore the potential of the tourism sector as a driver of economic growth toward engendering economic diversification in Nigeria. As such, the study intends to examine the determinants of tourism development, as well as the nexus between tourism and economic growth. The flowchart presented in Figure 2 describes how these concepts are linked.

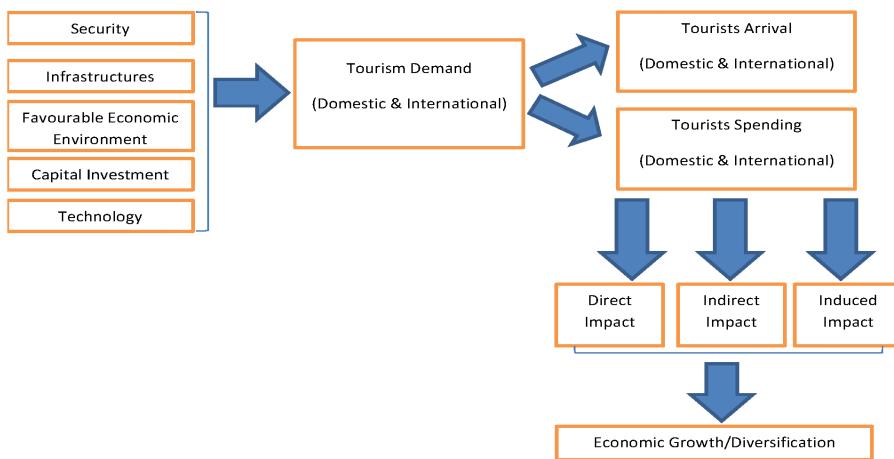


Figure 2. Conceptual Framework of Tourism and Economic Growth

Source: Adapted from WTTC, 2019 and Signe and Johnson (2018) and modified

Figure 2 shows the drivers of tourism development and describes how tourism engenders economic growth and economic diversification. Infrastructural development, a strong security system, a favourable economic climate and technological advancement are key factors determining tourism development (Signe and Johnson, 2018). When tourism goods are high in demand, tourists' arrivals and spending increase, and this, in turn, has spillover effects on the local economy through its direct, indirect and induced impacts, thereby increasing revenue for the government as well as private firms involved in tourism activities and creating employment opportunities while contributing to economic growth.

Model Specification

In order to examine the determinants of tourism development, the specification follows the conceptual framework, which was motivated by Signe and Johnson (2018) as shown in equation (1):

$$TOUR = f(SEC, INV, INFRA, EE, CAPEX) \quad (1)$$

The variable *INFRA* denoting infrastructure is decomposed into electricity and air transport infrastructure, and the impact of capital expenditures was controlled for. Thus, this can be expressed in econometric form as shown in equation (2):

$$TOUR = \alpha_0 + \alpha_1 SEC + \alpha_2 INV + \alpha_3 ELECT + \alpha_4 AIR + \alpha_5 EE + \alpha_6 CAPEX + \varepsilon \quad (2)$$

Where *TOUR* represents tourism development, *SEC* represents security, *INV* stands for tourism investment, *ELECT* is electricity, *AIR* represents air transport infrastructure, *CAPEX* is capital expenditures and *EE* denotes economic environment.

Equation (2), therefore, represents the equation to be estimated for examining the determinants of tourism development in Nigeria.

For the tourism-growth nexus equation, the study shall employ the pairwise Granger causality test to determine the direction of the causal nexus between tourism development and economic growth.

Hence, the Granger causality model is specified thus:

$$EG_t = \sum_{i=1}^m \alpha_i EG_{t-i} + \sum_{j=1}^n \delta_j TOUR_{t-j} + \varepsilon_{1t} \quad (3)$$

$$TOUR_t = \sum_{i=1}^m \gamma_i EG_{t-i} + \sum_{j=1}^n \psi_j TOUR_{t-j} + \varepsilon_{2t} \quad (4)$$

Where *EG* is economic growth (real GDP) and *TOUR* is tourism development. ε_{1t} and ε_{2t} are the disturbances, assumed to be uncorrelated.

To achieve the objectives stated, the study employed descriptive and econometric approaches. Specifically; the performance of the tourism sector in Nigeria, in terms of its contribution to employment and growth, was analysed using charts and graphs; the Fully Modified Ordinary Least Square (FMOLS) technique was used to examine the determinants of tourism development following the result of the unit root test, while the Granger causality test was used to explore the nature of the tourism-growth nexus in Nigeria

Data

The data used in the study were from secondary sources. Tourism development was measured using total (and not just international) tourism receipts gotten from World Travel and Tourism Council (WTTC)⁸. This is due to the peculiarity of the Nigerian

8. Due to unavailability of domestically-collected tourism data in Nigeria, these were obtained on request from the WTTC.

tourism sector, where domestic tourism generates a larger share of tourism earnings. Tourism investment data were also sourced from WTTC. Capital expenditure was proxied using total federal government capital expenditure was collected from the Central Bank of Nigeria (CBN) Statistical Bulletin. Data on security, measured using the likelihood of political instability and politically-motivated violence, were from World Governance Indicator. The economic environment was measured using the annual growth rate of real gross domestic product sourced from the National Bureau of Statistics in Nigeria. Data on air transport infrastructure and electricity were gotten from World Bank Development Indicators, the former being registered carrier departures and the latter being electric power consumption. All data are in annual series covering the period between 1995 and 2019. The choice of this timeframe was due to data availability, especially concerning the major variable of interest, i.e., tourism receipts (domestic and international), from the WTTC.

Results

Performance of the tourism sector in Nigeria

The contribution of tourism to employment in Nigeria is displayed in Figure 3, showing both direct and total contributions of the sector to employment generation. The first panel of the figure showing the direct contribution of the sector employment indicates that the sector has been providing thousands of direct jobs since 1995. The figure revealed that the sector provided 371,000 jobs in 1995, representing its lowest number of jobs provided to date. In 2017, over one million jobs were directly provided by the sector, representing its highest number of jobs provided. However, while the number of jobs provided by the sector has steadily increased since 1995, the sector's direct jobs in the share of total employment are still negligible at less than 2%.

The sector's total (direct and indirect) contribution to employment is displayed in the lower panel of Figure 3, which shows a significant contribution of tourism to employment generation in Nigeria, especially through its linkages with other sectors, such as transport and housing. In 1990, the sector's total contribution to employment stood at about 1.2 million jobs in 1995, which tripled by 2008 and stood at 3.35 million jobs in 2019. As a share of total jobs, the sector's total contribution was just 2% in 1995 and tripled to 6% in 2008, but continued falling until it declined to 3.1% in 2011. However, it started rapidly rising again in 2012 and reached 4.7% in 2019.

Figure 4 presents the trend of tourism contribution to GDP in Nigeria from 1995 to 2019. While the upper panel of the chart relates to the sector's direct contribution, the lower panel displays the total (direct and indirect) contribution of the tourism sector to GDP. The chart revealed that the direct input of the tourism sector to GDP has witnessed oscillation over the period under review, which explains the sensitivity of the sector to shocks. However, as the chart shows, every drop is immediately followed

by a rise except between 2008 and 2010, when the sector witnessed consecutive drops in its contribution to the GDP. This explains the strength and resilience of the sector to recover from negative shocks, which could be aided by enabling economic environment and government policy. Meanwhile, the sector has not significantly contributed directly to Nigeria’s GDP, as shown in the chart. The direct contribution of the sector to GDP, at less than 2%, is very low and this places the sector among the least performing sectors in Nigeria.

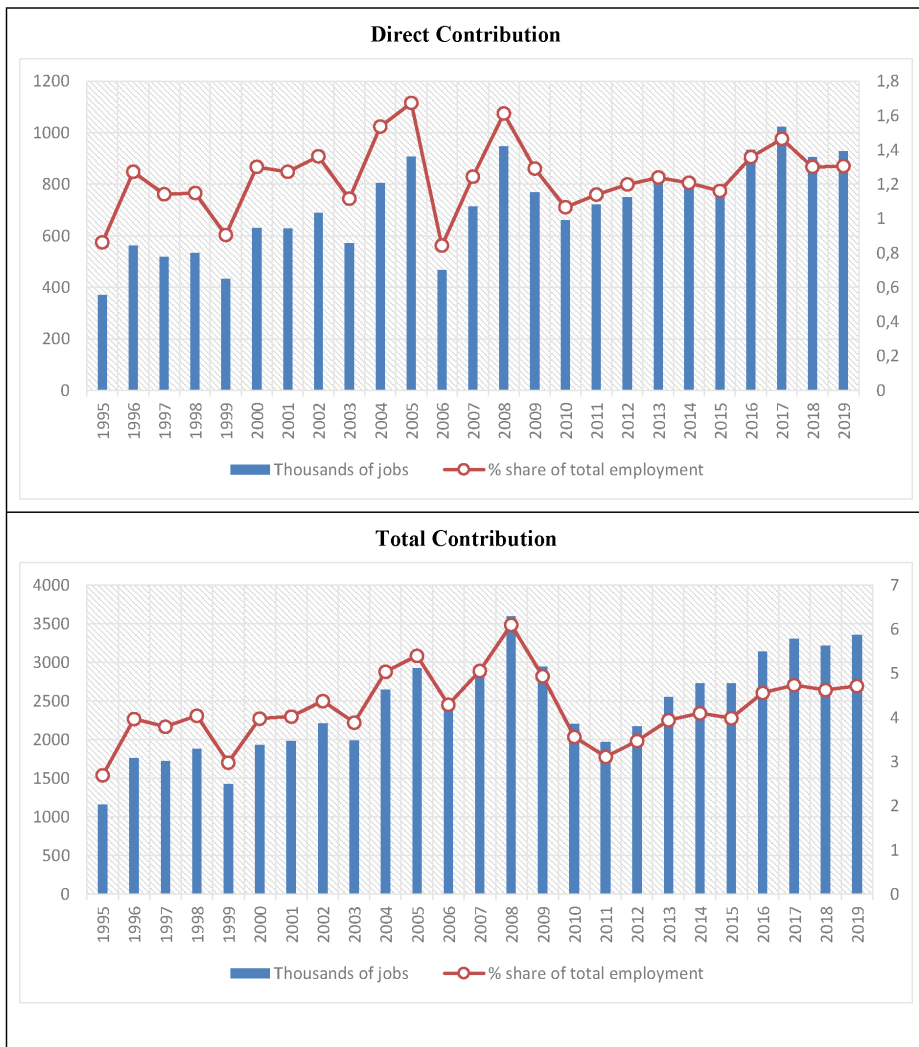


Figure 3. Contribution of Tourism to Employment

Source: World Travel and Tourism Council

Meanwhile, the lower panel of Figure 4, which displays the total contribution of the sector to the GDP, revealed that the sector's total contribution to GDP has been increasing in absolute terms, but this increase is not significantly reflected in its share of total GDP. This may be due to the significant rise in Nigeria's total GDP over the period. The chart revealed that the total contribution of tourism as a share of GDP in Nigeria stood at 2.9% in 1999. This has, however, increased rapidly since the country's return to democracy to peak at 5.8% in 2008. Since then, though, it has started witnessing sharp decline, which may be due to the effects of the Global Financial Crisis of 2008. This decreasing trend continued till 2011, but it has since recovered and rose to 4.5% in 2019.

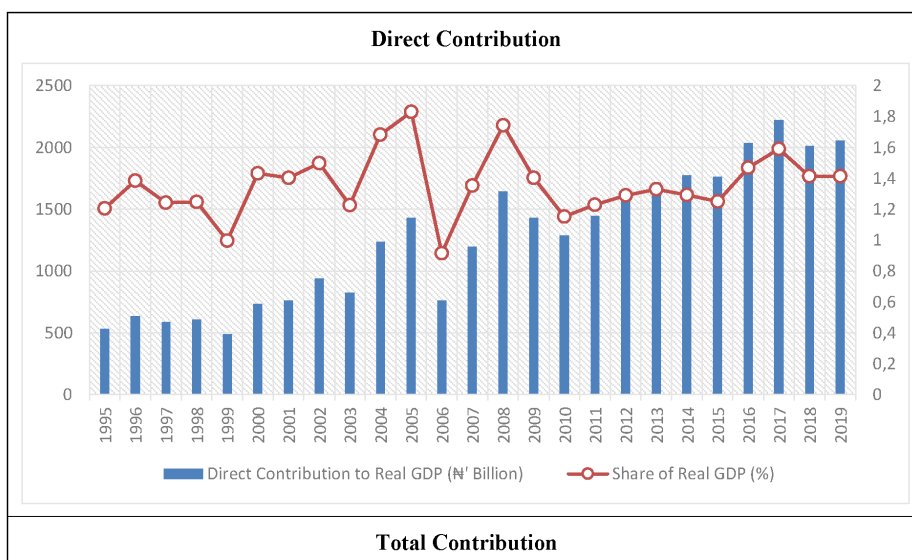


Figure 4. Contribution of Tourism to GDP

Source: World Travel and Tourism Council

Figure 5 displays the trend of Nigeria's inbound tourism receipts against outbound tourism expenditure. The former refers to expenditures of both domestic and international tourists on the Nigerian economy, while the latter is what Nigerians spend on tourism-related activities abroad. As can be observed from the chart, both inbound and outbound expenditures have been steadily rising, although with some slumps. More significant, however, is the fact that inbound tourism earnings have always exceeded outbound expenditures by huge margins, until 2019 when outbound expenditures grew significantly, and surpasses inbound tourism earnings. The implication of this is that Nigerians spent more on tourism in other countries than the country's economy received from both nationals and foreigners on tourism activities

in 2019. This could mean a decline in the interest of both domestic and foreign tourists in the Nigerian tourist industry, which could be a result of poor marketing or a low level of maintenance and development of tourist centres in the country.

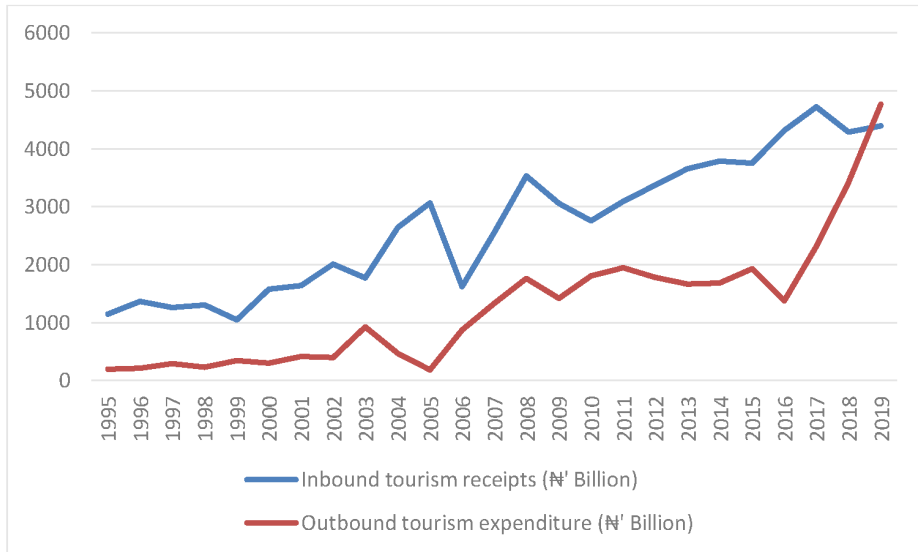


Figure 5. Nigeria's inbound and outbound tourism spending

Source: World Travel and Tourism Council

4.2 Determinants of tourism development in Nigeria

Pre-estimation Analysis

This study begins its empirical analysis by examining and providing some preliminary summary statistics of the actual values of all variables employed. These include the mean, standard deviation, skewness, kurtosis and Jarque-Bera statistics. The summary statistics is presented in Table 1 (see appendix). All variables in the series exhibit positive skewness, except electricity, which is negatively skewed. This negative skewness implies that the variable has a fatter tail on the left and that its mean is less than the median value. The average economic growth rate in Nigeria within the sampled period was about 5.3% while the average tourism receipt and tourism investment in the country amounted to 2,710 billion Naira and 1,024 billion Naira, respectively. Furthermore, all the variables showed evidence of normal distribution except capital expenditure, the Jarque-Bera value of which was statistically significant at the 1% level.

The study also examined the correlation coefficients among the variables to detect potential multicollinearity problems. However, from the result of the correlation analysis presented in Table 2 (see appendix), there is no presence of multicollinearity as none of the variables exhibited perfect correlation coefficients. The highest correlation coefficient among the series is 0.806 between air transport infrastructure and tourism receipts, the latter being the dependent variable. Hence, this is an indication of absence of serial correlation problems in the specified model.

The unit root test was conducted on the variables to determine their stationarity properties in terms of their level stationarity. The essence is to be able to determine the appropriate econometric technique suitable for the analysis. The test was carried out using the Augmented Dickey-Fuller (ADF) and the Phillip-Perron (PP) tests. The results of both tests are presented in Table 3 (see appendix). The result showed that all the variables were stationary at the first difference, which means that the variables are I (1) series.

The result of the Johansen cointegration test, as presented in Table 4, showed there were four cointegrating equations from the trace test statistic, while the Max-Eigen test returned three cointegrating equations. This implies the existence of long-run co-movement among the variables since the condition was to have at least one cointegrating equation from both trace and Max-Eigen tests.

Table 4. Summary of the Co-integration Estimate

Trace Test			Maximum Eigenvalue Test		
Hypothesized No. of CE(s)	Statistics	0.05 Critical values	Hypothesized No. of CE(s)	Statistics	0.05 Critical values
None*	230.45	125.62	None*	80.57	46.23
At most 1*	149.88	95.75	At most 1*	52.45	40.08
At most 2*	97.43	69.82	At most 2*	45.80	33.88
At most 3*	51.63	47.86	At most 3	25.02	27.58
At most 4	26.61	29.80	At most 4	17.34	21.13
At most 5	9.27	15.49	At most 5	9.26	14.26
At most 6	0.01	3.84	At most 6	0.01	3.41

Source: Author's Computation

Estimation Analysis

Table 5 presents the estimated result of the determinants of tourism development in Nigeria. The result was generated using the FMOLS sequel to the confirmation of a long-run co-movement among variables through the Johansen Cointegration test.

The result showed that the Adjusted R-squared value was 0.907, which implies that the independent variables (determinants of tourism development) included in the model were able to explain about 91% of the total variations in tourism development, which indicates that the model has strong goodness of fit.

The result showed that the coefficient of security was positive, but only significant at the 10% level of significance. This positive sign exhibited by the coefficient of security implies that security has a positive impact on tourism development. An improvement in the security situation in the country is likely to increase tourism development by 0.46%. This result implies that tourism activities are very vulnerable to political instability, violence and terrorism, crises and disasters. This means that safety and security-related issues rank very high on the list of tourists' concerns when choosing their tourism destination, and as such, it has a significant impact on the tourism development of destination countries. The result is in agreement with that of Pizam and Fleischer (2002) who found that the frequency of terrorist attacks is a more dominant factor affecting tourism demand than the severity of violent attacks. Hence, security positively and significantly determines tourism development.

The result showed a positive and significant coefficient of electricity, which indicates that electricity is a positive determinant of tourism development. Accordingly, a 1% rise in electricity generates about 0.4% increase in tourism development. This implies that increased electricity consumption contributes positively to tourism development. This finding highlights the important role of power infrastructure in ensuring a vibrant tourism industry that is capable of contributing to growth and development.

The coefficient of the economic environment was positively signed and statistically significant at the 5% level, which indicates that the economic environment exerts a positive influence on tourism development in Nigeria. Since this variable was proxied by GDP growth rate, the result implies that a 1% growth in the economy engenders about 0.04% increase in tourism development. This means that changes in the economy can influence the performance of the tourism sector. While a growing and stable economy is important to spur tourism development, economic decline and uncertainty could hamper it. The result, therefore, reinforces the crucial role of the economic environment as a significant determinant of tourism development.

The result showed a positively signed coefficient of capital expenditure but was not statistically significant. This implies that capital expenditures of the government have not had any significant impact on tourism development in Nigeria. This finding can be explained on the grounds that, despite the increase in capital expenditure over time, the country is still bereaved with huge infrastructural deficit, especially road infrastructure.

Finally, the result showed that the coefficient of air transport infrastructure is positive and statistically significant at 1% level of significance. This implies that air transport infrastructure has a positive relationship with tourism development. A unit% increase in air transport infrastructure boosts tourism development by

about 0.63%. This means that a developed air transport system promotes tourism development. This finding shows the importance of an effective and efficient transport system for tourism, especially international tourism. This is further supported by the findings of UNWTO (2019) that travelling by air dominates the mode of transport for international tourism, which has increased from 46% in 2000 to 58% in 2018.

Table 5. Fully Modified Least Square result

	Tourism Development
Security	0.4633* (0.2294)
Electricity	0.3850*** (0.0996)
Economic Environment	0.0358** (0.0132)
Capital Expenditure	0.1020 (0.1235)
Air	0.6321*** (0.1672)
Constant	4.9614*** (1.3482)
R-squared	0.9356
Adjusted R-squared	0.9074
S.E of regression	0.1404

Standard error in parenthesis

Source: Author's Computation

Post-estimation Analysis

Some additional residual diagnostic tests were applied, including the Normality test and the Correlogram of residuals. The result of the former, as presented in Figure 6 (see appendix), showed that the Jarque-Bera statistics of the normality test were insignificant, which indicates a normal distribution of the residuals. Besides, the correlogram of residuals, displayed in Table 6 (see appendix), revealed that the probability value of the Q-statistics was insignificant, which confirms the non-existence of a serial correlation problem in the residual of the regression results.

Nature of Tourism-Growth Nexus in Nigeria

The empirical result presented in Table 7 relates to the result of the nature of the tourism-growth nexus in Nigeria using the Pairwise Granger Causality test. The result shows that the null hypothesis of economic growth not causing a change in tourism development should be rejected at the 1% level of significance while that of tourism development not causing a change in economic growth should not be rejected. In other words, there is a unidirectional causality between tourism development and economic growth in Nigeria, running from economic growth to tourism

development, an indication of growth-led tourism development. The implication is that, while changes in economic growth cause changes in tourism development, changes in tourism development do not have significant influence on economic growth in Nigeria. This could be attributed to the low performance of the sector, due to underlying challenges hindering its growth and development.

Table 7. Granger Causality Result

Null Hypothesis:	Obs	F-Statistic	Prob.
EG does not Granger Cause TOUR	23	8.32967	0.0027
TOUR does not Granger Cause EG		0.93377	0.4113

Source: Author's Computation

Conclusion

The study has investigated the potentials of the tourism sector for economic growth and economic diversification in Nigeria. The global tourism industry is witnessing significant growth. It remains an undeniable fact that, when fully developed, the tourism sector can significantly contribute to employment, revenue and overall economic growth. However, empirical evidence from this study revealed that this has not been the situation in the Nigerian case.

First, the performance of the Nigerian tourism sector has been unimpressive, with an insignificant contribution to employment and economic growth, to the point that Nigerians now pay more for international tourism than what the country receives from both domestic and international tourists. Indications are that this could be the result of sub-standard tourism assets and the underdevelopment of the Nigerian tourism sector in general, in terms of policy framework and uniqueness of the assets the country is blessed with. Secondly, the study found that infrastructural development is key to tourism development, as security, electricity and air transport infrastructure were found to be positive determinants of tourism development. Finally, a growth-led tourism development hypothesis was found implying that economic growth and stability matter to engender domestic and foreign investment needed for stimulating tourism development in Nigeria. The growth-led tourism result is in agreement with the findings of Oh (2005), Payne and Mervar (2010), and Lee (2012), but disagrees with Ighodaro and Adegboye (2020), who found a tourism-led-growth result for Nigeria.

Despite the insignificant contributions of tourism to economic development in Nigeria, the sector should not be written off. Instead, the focus should be on resolving the underlying challenges hindering its development. The sector should be given adequate attention to fully maximise its potential and contribute to the economic

diversification drive of the government. A great incentive for the government to invest in tourism in Nigeria can be the fact that a growth-led tourism development hypothesis was very evident in this study. This means that, when government addresses structural bottlenecks, such as poor infrastructure and terrorism, tourism's contribution to the GDP will come up as a positive externality. In other words, investing in Nigeria's economic growth is the first step to boosting tourism development.

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Appendix

Table 1. Summary of descriptive statistics

	Mean	std. dev.	Skewness	Kurtosis	Jarque-Bera
Tourism	2710.272	1167.230	.091	1.681	1.848
Security	-1.680	.478	1.102	2.951	5.061*
Electricity	114.733	25.666	-.257	1.849	1.655
Economic Environment	5.286	3.645	.416	3.112	.733
Capital Expenditure	728.093	504.287	1.337	4.931	11.334***
Air	31920.64	26603.04	.450	1.383	3.568

Note: std. dev. indicates standard deviation

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation

Table 3. Unit Root Test Results

Variables		ADF	PP	Decision
TOUR	Level	3.0257	2.0547	
	1 st Diff	-5.8275***	-5.6444***	I (1)
CAPEX	Level	1.5096	1.8024	
	1 st Diff	-1.7026*	-3.3700***	I (1)
EE	Level	-1.0856	-1.0108	
	1 st Diff	-5.7729***	-5.7729***	I (1)
SEC	Level	0.4986	0.6722	
	1 st Diff	-2.0624**	-4.2994***	I (1)
AIR	Level	0.4145	0.6403	
	1 st Diff	-4.6265***	-4.6213***	I (1)
ELECT	Level	0.0296	0.0296	
	1 st Diff	-5.4293***	-5.4287***	I (1)

*** p<0.01, ** p<0.05, * p<0.1

Source: Author's Computation

Table 2. Correlation Coefficients

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Tourism	1.000						
(2) Security	-0.754	1.000					
(3) Investment	0.790	-0.754	1.000				
(4) Electricity	0.732	-0.801	0.649	1.000			
(5) Economic Environment	-0.207	-0.267	-0.112	0.143	1.000		
(6) Capital Expenditure	0.786	-0.614	0.782	0.455	-0.234	1.000	
(7) Air	0.806	-0.671	0.590	0.679	-0.298	0.741	1.000

Source: Author's Computation

Table 6. Correlogram of Residuals

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob*	
. * .	. * .	1	0.080	0.080	0.1733	0.677
. * .	. * .	2	0.102	0.096	0.4665	0.792
. .	. .	3	0.066	0.052	0.5949	0.898
. * .	. * .	4	-0.116	-0.136	1.0127	0.908
. .	. * .	5	0.071	0.080	1.1763	0.947
. .	. * .	6	0.067	0.081	1.3329	0.970
. * .	. * .	7	0.099	0.092	1.6957	0.975
. .	. .	8	0.048	-0.007	1.7873	0.987
. .	. .	9	0.058	0.047	1.9258	0.993
. ** .	. ** .	10	-0.244	-0.269	4.5723	0.918
. ** .	. * .	11	-0.217	-0.200	6.8310	0.813
. * .	. * .	12	-0.139	-0.099	7.8368	0.798

*Probabilities may not be valid for this equation specification

Source: Author's Computation

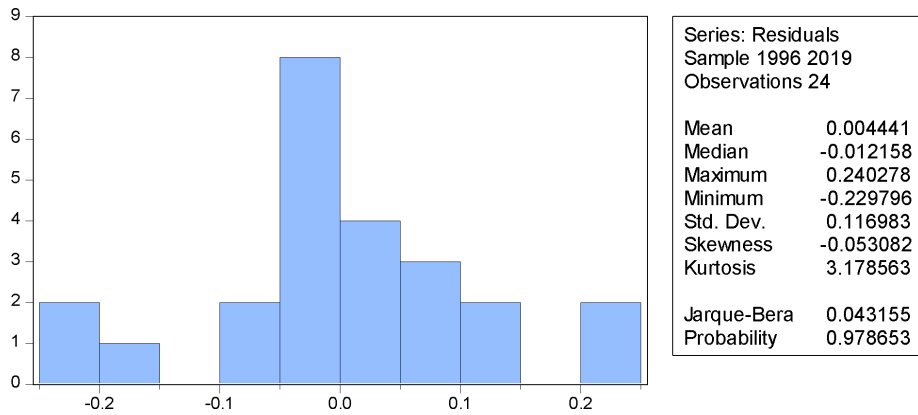


Figure 6. Histogram of Normality Test

Source: Author's Computation