TOURISM DEVELOPMENT AND ECONOMIC GROWTH NEXUS: NIGERIA'S EXPERIENCE

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ABSTRACT: *Nigeria has over 7000 tourist centres and with the concerted efforts of government, tourism is becoming an essential part of the country's economy. The World Travel and Tourism Council (WTTC) in 2014 also envisaged a growth of 6 percent per annum for period of ten years for the Nigerian tourism industry. In view of this, the study focusses on empirical investigation of the contribution of the rapidly developing tourism sector to economic growth in Nigeria. The popular time series data for the period spanning from 1995 to 2013 was analyzed with econometric view statistical package. The findings reveal a unilateral causality and positive long-run between tourism development and economic growth. The tourism-led growth is also thus confirmed for Nigeria. The study recommends adequate security, increase investment in infrastructure and tourist centres to boost tourism activities in the country.*

KEYWORDS: Tourism Development, Economic Growth, E-View, WTTC.

INTRODUCTION

Tourism over the years has proven to be a surprisingly strong and resilient economic activity and a fundamental contributor to economic growth of nations by generating billions of dollars in exports and creating millions of jobs. Acknowledging these facts, many developing and developed countries today rely on tourism as an option for sustainable development of their nations. Tourism industry has now grown to be the world's largest industries and one of its fastest growing economic sectors. The recent publication of World Travel & Tourism Council (WTTC, 2014) showed that in 2013, travel & tourism's total contribution to the global economy rose to US$7 trillion, about 9.5 per cent of global GDP, not only outpacing the wider economy but also growing faster than other significant sectors such as financial and business services, transport and manufacturing and its total contribution to employment was nearly 266 million jobs about 8.9 percent of world employment. The sustained demand for travel & tourism, together with its ability to generate high levels of employment continues to prove the importance and value of the sector as a tool for economic development and job creation.

In Sub-Saharan Africa, particularly Nigeria, organized tourism dates back to 1962 with the creation of Nigeria Tourist Association by group of tourism practitioners in the country (Ashikodi 2010). Tourism was officially recognized by government as a potential economic activity in 1976 with the establishment of Nigeria Tourism Board (NTB). In 1992, the Nigerian Tourism Development Corporation (NTDC) was established to replace NTB because the latter failed to create any meaningful impact on the country's tourism industry. To strengthen and revitalize the tourism industry, the government in conjunction with United Nations World Tourism Organization (UNWTO) and the United Nations Development Programme (UNDP) in 2006 produced a National Tourism Development Master Plan (NTDC, 2006). The master

plan produced in three volumes focused on the institutional and capacity strengthening support to tourism sector. And since then tourism activities had gathered momentum in Nigeria.

Tourism today has become one of the engines of growth for Nigerian economy with a contribution of 3.20 per cent to national Gross Domestic Product (GDP) and providing 2.70 per cent of total employment in 2013 (WTTC, 2014). Tourism industry contribution to GDP, according to World Travel and Tourism Council (WTTC) is envisage to rise by 1.9 per cent in 2014 and rise by 6.1 per cent per annum from 2014 to 2024. Nigeria tourism sector is therefore growing and it is capable of generating employment and earning large amount of foreign exchange that rivalled agriculture and petroleum sectors.

Despite tourism's increasing importance in Nigeria economy, the sector has attracted limited attention in terms of empirical research. Thus, this lack of research on the impact of tourism on economic growth in Nigeria is the major motivation for this study. With this backdrop, the objectives of this study are three-fold. First, the paper provides an account of the economic contribution of tourism sector to the economy of Nigeria. The contributions are categorized into three areas namely to GDP, employment and export earnings. Second, the study empirically investigates the dynamics of the relationship between tourism sector development and economic growth of Nigeria for the period of 1995 to 2013. Third and lastly, the paper recommends possible strategic initiatives that stakeholders in tourism industry and government can adopt and implement in an effort to rejuvenate the potential of tourism as a veritable tool for economic growth in Nigeria. This study is limited by insufficient data on tourism activities in Nigeria.

TOURISM IN NIGERIA: AN OVERVIEW

Trends in International Arrivals

Tourism is one of the fastest growing industries in the world and although Nigeria is reaping some the benefits of this trend, the sector still remains a minor player in the national economy. In terms of absolute figures, international tourist arrivals rose marginally in 2001 from 850000 to 1550000 in 2010 and fell to 486000 in 2012 (Fig1). This reduction was attributed to the Boko Haram insurgency in the northern part of Nigeria. However tourism activities picked up in 2013 with 23 per cent increase over the previous year arrivals.

International Tourist Arrivals in Nigeria

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Series1	0.85	0.887	0.924	0.962	1.01	1.111	1.212	1.313	1.414	1.555	0.715	0.486	0.6

Fig. 1. International Tourist Arrivals in Nigeria

Source: World Development Indicators

Economic Contributions of Tourism to Nigeria Economy

Table 1 provides 15-years trend of economic contributions of tourism sector to the nation's economy as measured by contribution to gross domestic product (GDP), employment and visitors export. The table revealed that the contributions are not consistent and do not show either an increasing or decreasing trend over the period considered. In fact the percentage share of tourism sector to total GDP ranged from 5.60% in 2005 and fluctuated within the intervening years to fall to 3.10% in 2014. As evident from the table, the share of the sector in the total exports was so meagre despite having more than 7000 tourist sites in the country. The table further revealed that the contribution of the sector to employment generation is still very low, the percentage share of the sector to total employment ranged from 4.9% in 2005 and zigzag in the subsequent years to fall to 2.70% in 2014. This abysmal performance might be attributed to low business confidence index in the country's travel & tourism sector as found in the study of Bello et.al (2014).

Table 1: Economic contributions of tourism to Nigeria economy: 2000-2014

Period	Total contribution to GDP	% share of GDP	Total visitor exports	% share of total Exports	Total contribution to employment	% share of total employment
2000	209.09	4.40	18.92	0.70	1643.70	3.80
2001	219.56	4.40	18.69	0.80	1700.40	3.90
2002	356.95	5.00	30.87	1.20	1960.90	4.30
2003	379.48	4.30	7.50	0.20	1773.60	3.70
2004	652.96	5.50	6.51	0.10	2349.60	4.80
2005	832.69	5.60	18.25	0.30	2445.60	4.90
2006	494.11	2.60	26.89	0.30	1209.00	2.30
2007	879.29	4.10	42.40	0.60	1988.80	3.60
2008	1870.4	5.40	159.0	1.10	2616.40	4.40
2009	1686.9	4.40	172.2	1.50	2266.60	3.80
2010	1315.8	2.90	149.8	0.80	1583.20	2.40
2011	1291.2	2.80	129.8	0.60	1595.10	2.50
2012	1460.0	2.90	109.0	0.60	1779.50	2.50
2013	1559.5	3.10	107.1	0.70	1836.80	2.70
2014	1589.6	3.10	106.2	0.70	1811.00	2.70

Source: World Tourism Council data base online

LITERATURE REVIEW

Keeping in view the positive impact of tourism on economic growth, a host of researchers across the world have investigated the dynamic relationship between tourism sector development and economic growth in a country and across regions employing different methods. In their analyses conducted on a single country basis, Balaguer and Cantavell-Jorda (2002) employ cointegration and causality tests on Spain's economic data to examine the role of tourism sector in the long run economic development of the country and conclude that the increase in tourism income affects economic growth.

Khalil et.al (2007) investigates the role of tourism in the short run economic development for Pakistan economy. Using error correction model and causal relationship between tourism receipts and economic expansion, the result reveals a strong relationship among tourism, receipts and economic expansion which means that economic expansion is necessary for tourism development in Pakistan.

Zortuk (2009) examines the relationship between expansion in tourism and economic growth in Turkey with Granger Causality Test Based on vector error correction model (VECM) and discovers a unidirectional causality from tourism development to economic development.

The study of Kreisan (2010) on the causality relations between tourism earnings and economic growth for Jordan reveals that there is a positive relationship between tourism development and economic development in the long run. The Granger causality test result reveals the presence of unidirectional causality from tourism earnings to economic growth.

Aliquah and Al-rfou (2010) applied descriptive statistical approach to determine the impact of the tourism sector on economic growth in Jordan during the period1990 to 2008. The findings revealed that the tourism sector witnessed significant growth in tourism services, tourism infrastructure, tourism legislations, institutional framework and the number of tourist arrivals. The study further revealed that the contributions of tourism sector in GDP for the years 1990-2008 have seen variation ranged from 12.3 per cent to 14.6 per cent.

Mishra et.al (2011) also found in their study of causality between tourism and economic growth in India, a long run unidirectional causality from tourism activities to economic growth of the country.

Several studies on tourism development and economic growth relationship on regional basis also confirmed tourism-led growth hypothesis. Makochekanwa (n.d) examines tourism contribution to economic growth of Southern African Development Community (SADC) and found that the contribution of tourism to GDP, employment, export receipts and investment is significant, though the sector's contribution to the economy varies among SADC countries. Caglayan et.al (2010) employs panel ganger causality analysis on 11 groups of countries and covering 135 countries across the world to investigate the causal relationship between tourism revenue and economic growth for the period 1995 to 2008. Their result shows bidirectional causality in Europe between tourism revenue and GDP, unidirectional causality in America, Latin America & Caribbean and World from GDP to tourism revenue while in case of East Asia, South Asia and Oceania the reverse direction of causality from tourism revenue to GDP is shown, no causal relationship is found in Asia, Middle East & North Africa, Central Asia and Sub- Saharan Africa. The study of Fayissa et.al (2007) using panel data of 42 African countries however shows that receipts from tourism industry significantly contribute to economic growth of Sub- Saharan African countries. Seetanah et.al (2011) using panel auto regressive model to investigate the dynamic and endogenous contribution of tourism to output based on 40 African countries for the period 1990-2006, revealed that tourism contributes largely to African development, although private investment, openness and human capital remains the main drivers. The study further found reverse causation from economic growth to tourism development. Samimi et.al (2011) as well as Havi and Enu (2013) similarly found positive relationship between economic growth and tourism.

In Nigeria, few researchers have examined various developments in tourism industry but none has investigated the dynamics of the relationship between tourism sector expansion and economic growth. This study therefore attempts to bridge this research gap.

THE MODEL AND DATA DEFINITIONS

Model

Based on the available data and the previous research of Zortuk (2009) we specify the tourism-growth model in Nigeria as follows:

$$InRGDP = B_0 + B_1 InTOAR + B_2 InRER + U$$

All the variables of the study are expressed in their natural logarithms to avoid the problem of heteroscedasticity; B's are the parameters of the model to be estimated and relying on the literature it is expected that estimates of $B_1 > 0$ and $B_2 > 0$; GDP is real gross domestic product;

TOAR is number of international tourist arrivals; ER is the real effective exchange rate and U is the error terms with the conventional statistical properties.

Data

The study uses annual data of the variables- Real Gross Domestic Product (GDP) which measures the overall economic growth of the country; International Tourist Arrivals (TOAR) as a measure of tourism development and Real Effective Exchange Rate (RER) as a measure of external competitiveness. The data on RGDP was obtained from Central Bank of Nigeria Statistical Bulletin 2013 while data on TOAR and RER were obtained online from World Development Indicators of the World Bank.

Empirical Result and Discussions

Due to the stochastic trend process associated with most time series data, it is important that these series are tested for the presence of unit root. The result of the unit root stationarity test in tables 2a and 2b were conducted using Augmented Dickey Fuller (ADF) and Phillip Perron (PP). The result of the ADF test shows that all the variables except economic growth were not stationary at level while the PP test suggested the presence of a unit root for the variables at level. Therefore entire series were subjected to further test at first differencing. It is evidence that all the variables achieved a stationary trend process after the first differencing for both the ADF and PP tests. Hence the null hypothesis of unit root could no longer be accepted for the variables at this level. This means that the series could be regarded to be integrated to order 1 process.

Table 2a: Augmented Dickey Fuller (ADF) Unit root results

Variable	ADF Test @Levels	ADF Critical values	Test @ First Difference	ADF Critical values @ 1%	Remark
LGDP	-3.509078**	-3.040391	-1.944312	-3.052169	Integrated to order 1
LTOAR	-1.872503	-3.040391	-3.618588**	-3.052169	Integrated to order 1
LRER	-1.951964	-3.040391	-4.252289***	-3.052169	Integrated to order 1

Table 2b: Phillip Perrons (PP) Unit Root Test at Levels and first difference

Variable	PP Test @Levels	PP Critical values	Test @ First Difference	PP Critical values @ 1%	Remark
LGDP	2.868975*	-3.040391	-1.944312	-3.052169	Integrated to order 1
LTOAR	-1.641359	-3.040391	-3.618508**	-3.052169	Integrated to order 1
LRER	-1.926599	-3.040391	-4.252289***	-3.052169	Integrated to order 1

*, **, *** *Represents stationary trend at10%, 5% and 1% level of significance respectively*

Based on the result of the unit root tests, the study proceeded to test for the existence of any co integration among the model equation. The Johansen and Jesulius (1992) co integration approach was employed to determine whether there is a co integrating relationship between economic growth, tourism and real exchange rate for the Nigerian economic. This method utilized both the trace and maximum Eigen statistic in determining the significance or otherwise of the co integrated series as suggested by the unit root results. Evidence from the trace and maximum Eigen statistic as shown in the upper part of table 3 revealed at least one co integrated equation for both statistics. The existence of a co integrated series from the result above thus implies the existence of possible long run relationship among the variables over time.

Analysis of the normalized coefficients as shown in last part of table 3 reveals a significant long run relationship between tourism arrival, real exchange rate and economic growth in Nigeria. Specifically a percentage change in tourism arrival results to 1.06 percentage change in Nigerian economic growth. This indicates that the degree of the responsiveness of economic growth to changes in tourism arrival is elastic. Real exchange rate shows a significant relationship with economic growth such that a percentage change in real exchange rate leads to 0.121 percentage change in economic growth holding other factors at constant. Further analysis of the estimated real exchange rate coefficients shows that the degree of the responsiveness of economic growth to changes in real exchange rate is inelastic within the scope of the current study.

Table 3: Co integration Result

Hypothesized No. of CE(s)	Eigen Value	Trace Statistics	0.05 Critical Value	Prob.**	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.785865	38.60064	29.79707	0.0038	24.65838	21.13162	0.0153
At most 1	0.536427	13.94226	15.49471	0.0845	12.30065	14.26460	0.0999
At most 2	0.097513	1.641613	3.841466	0.2001	1.641613	3.841466	0.2001

Normalized co integrating coefficients Variables	Log likelihood	57.88075
LGDP	Coefficients	T-Statistics
LTOAR	-1.055456	-17.03173
LRER(1)	-0.120971	-4.09100

The error correction modeling allows for the determination of the short run adjustment process towards the long run equilibrium state in the system. The result of the error correction term in table 4 suggests that over 11 percent of the disequilibrium errors in the system arising from the influence of external shocks are corrected per time. In other words the system has the inertial of adjusting back to a state when acted upon by external forces hence it exhibits a convergence properties.

Table 4: Vector Error Correction Estimates

Error Correction:	C D(LGDP)	9.195936 D(LTOAR(1))	D(LRER)
CointEq1	-0.111197	0.934255	-3.011046
	(0.05045)	(0.95399)	(0.50147)
T-Statistics	[-2.20415]	[0.97931]	[-6.00449]

We further conducted Wald test to verify the significance of the parameter estimates of the vector error correction process. Table 5 provides evidence for the rejection of the null hypothesis on the parameter restriction test assigning zero values to the economic growth, tourism arrival and real exchange estimates. The rejection of the null hypothesis as indicated in the above table for all the variables provides empirical evidence in support for the existence of a statistically significant estimate for the individual series in the estimated growth model. This further implies that the estimated parameters are statistically different from zero given their respective level of significance at 1 percent.

Table 5: VECM Wald co efficient test for significance

Estimated parameter $0 = \beta_0 \ln GDP_t + \beta_1 \ln TOAR_t + \beta_2 RER_t$

Coefficient restriction	Chi-square test statistic	Probability
β(1,1)=0	20.98595	0.000005
B(1,2)=0	23.48371	0.000001
B(1,3)=0	8.488602	0.003574

To determine the nature of the causal relationship among the included variables in the growth model, the study is further subjected to a granger causality test. The vector error correction mechanism was applied given the existence of a co integration it thus become imperative to determine the direction of causality between economic growth, tourism arrival and real exchange rate.

Table 6: VECM Granger Causality Result

Null hypothesis	X^2-square	Probability
LTOAR does not Ganger Cause RER	4.382988	0.1117
LTOAR does not Ganger Cause RER	0.303395	0.8592
LGDP does not Ganger Cause LRER	0.341879	0.8429
LRER does not Ganger Cause LGDP	0.650618	0.7223
LGDP does not Ganger Cause TOAR	2.919522	0.2323
LTOAR does not Ganger Cause GDP	45.22012	0.0000

Result of the causal relationship between tourism arrival and real exchange rate indicates no causality from either side as shown in table 6. Also it could be observed that neither economic growth granger causes real exchange rate nor real exchange rate granger causes economic growth. However it is important to note here that unidirectional causality runs from economic growth to tourism arrival evident at 1 percent level of significance. This implies that tourism granger causes growth though no evidence of causality is observed from tourism arrival to growth meaning that growth does not granger causes tourism arrival.

CONCLUSION AND RECOMMENDATION

This study examined the dynamic relationship between tourism and economic growth in Nigeria for the period 1995 to 2013. Adopting the concepts and methods of the cointegration and Granger causality test, the study investigated the short-term dynamic relations and long-run equilibrium conditions. Similar to the findings of Zortuk (2009) using data for Turkey, Kreishan (2010) using data for Jordan and Mishra et.al (2011) using data for India, a unilateral causality and positive significant long-run equilibrium relationship exist in Nigeria. The significant impact of tourism on Nigerian economy justifies the necessity of public intervention; the paper therefore recommends provision of adequate security for both domestic and foreign tourists, tax incentives to hotels and tourism related industries and investment in basic infrastructure such as roads, better air ports facilities and good transport system. These will go a long way to ensure stable tourism demand for the country.

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