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Tourism, Migration, And Productive Capacity Growth In Sub-Saharan Africa

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Abstract: Productive capacity has emerged as a critical indicator of long-term economic development, particularly for regions undergoing rapid structural transformation, such as Sub-Saharan Africa (SSA). Despite increasing global interest, the key drivers of productive capacity in SSA remain insufficiently explored, especially within the context of tourism and migration. Existing studies predominantly rely on GDP-based growth models and often examine tourism and migration separately, overlooking their combined influence on structural development. Moreover, the role of institutional quality in shaping productive capacity is under-investigated. This study examines how international tourism and migration affect productive capacity growth in SSA, while also considering the contributions of urbanization, trade openness, and institutional quality. Using panel data from 38 SSA countries between 2011 and 2021, the analysis employs a dynamic System Generalized Method of Moments (System GMM) estimator to address endogeneity, unobserved heterogeneity, and simultaneity among variables. The results indicate that international tourism and migration exert positive and statistically significant effects on productive capacity. Institutional quality emerges as the most influential driver, followed by urbanization and trade openness. These findings underscore the importance of structural and governance-related factors in enhancing the region's productive capacity. Tourism and migration contribute meaningfully to productive capacity growth; however, their impact is substantially conditioned by the quality of governance and structural enablers. Policymakers should adopt sustainable tourism strategies, strengthen security and infrastructure, develop migration-friendly frameworks, enhance human capital, and prioritize institutional reforms to maximize long-term productive capacity in SSA.

Keywords: Productive Capacity, International Tourism Receipts, Net Migration, System GMM, Growth In Sub-Saharan Africa

JEL Codes: F14; F63;F22; C23; C33

1. Introduction

Africa is widely recognized for its cultural diversity, natural landscapes, and rich historical heritage, attracting millions of visitors annually and positioning tourism as a major pillar of economic activity on the continent (Signe, 2018). At the same time, the region continues to experience substantial migration flows, as individuals relocate within and beyond their home countries in search of economic, social, and security-related opportunities (Agu & Orji, 2017; Dogru & Bulut, 2018). In Sub-Saharan Africa (SSA) in particular, rapid urbanization and evolving economic structures have intensified the need to understand how tourism and migration shape long-term development outcomes. As these sectors continue to grow in scale and complexity, examining their collective implications for sustainable economic transformation becomes increasingly important.

Although tourism and migration have been extensively studied, much of the existing literature treats them as independent economic forces and relies predominantly on gross domestic product (GDP) as the central measure of economic performance. However, in the context of SSA, a region characterized by rapid urban expansion, commodity price volatility, and persistent infrastructure deficits, GDP may provide an incomplete picture of development. GDP captures short-term production cycles and is highly susceptible to external shocks, making it less suitable for assessing structural transformation. This study, therefore, shifts the focus toward productive capacity growth, a more robust and long-term indicator of economic development that reflects the ability of an economy to produce goods and services efficiently. Notably, only a limited number of studies have explored the link between tourism, migration, and productive capacity, creating a critical gap in the literature.

According to UNCTAD (2021), sustainable economic growth depends on continual improvements in national productive capacity through advancements in technology, infrastructure, human capital, and overall productivity. The Productive Capacities Index (PCI) provides a multidimensional assessment of these components and is particularly relevant for SSA because it incorporates institutional quality, infrastructural development, and human capital, factors that underpin structural and inclusive growth (Yaya, 2024). By employing PCI, this study is able to evaluate how tourism and migration contribute not only to immediate economic outcomes but also to long-term resilience and diversification. This distinction is significant, as both tourism and migration are highly vulnerable to global shocks, including health crises such as the COVID-19 pandemic and fluctuations in international markets. Introducing PCI into this analytical framework thus adds conceptual depth and methodological value to existing scholarship.

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Recent trends underscore this need for a deeper investigation. Productive capacity growth in SSA declined from 4.1% in 2021 to 3.6% in 2022, with projections pointing to a further reduction to 3.1% in 2023. Despite its importance, empirical research examining the interaction between tourism, migration, and productive capacity remains scarce. Existing studies have primarily focused on tourism's role in stimulating job creation, foreign exchange earnings, and economic expansion. For example, the tourism sector contributed 8.5% to Africa's GDP in 2019 and generated over 24 million jobs (World Travel & Tourism Council, 2021). Although many scholars find a positive relationship between tourism and economic growth (e.g., Matthew et al., 2021), others highlight potential long-term risks, including overdependence on tourism revenues and the so-called "tourism resource curse" (Aliyev & Ahmadova, 2020). Moreover, tourism's effects differ across development levels, with some countries experiencing tourism-led growth and others displaying the opposite causal pattern (Ekeocha et al., 2021; Cárdenas-García, Brida, & Segarra, 2024).

Similarly, migration plays a significant yet complex role in shaping economic development. The number of international migrants reached 281 million in 2020, reflecting rising mobility worldwide (IOM, 2020). Evidence suggests that remittances, knowledge transfer, and human capital associated with migration can positively influence economic outcomes (Abeeb, Adewale, & Mathew, 2025; Azizi et al., 2024). Nonetheless, the effects of migration are heterogeneous and depend heavily on skill composition, policy frameworks, and host countries' absorptive capacities. Rapid urban migration can also strain public services and infrastructure, presenting governance challenges for SSA economies.

These mixed and often contradictory findings highlight the need for a more integrated analytical approach. The literature shows that the tourism–development and migration–development relationships vary significantly across contexts, suggesting that broader structural factors may condition these effects. Institutional quality, in particular, has emerged as a critical but understudied determinant. Although governance has been shown to influence tourism performance and migration outcomes, few empirical studies have comparatively examined its magnitude relative to tourism and migration within a dynamic, productivity-based growth framework (Adedoyin, Erum, & Bekun, 2022).

This study, therefore, introduces a key element of novelty by integrating tourism, migration, and six institutional quality indicators into a dynamic system GMM model to evaluate their collective and comparative effects on productive capacity growth in SSA. This approach allows for a more comprehensive assessment of the structural drivers of long-term development, moving beyond traditional growth metrics and isolated sectoral analyses. Through this framework, the study identifies the dominant policy levers necessary to enhance sustainable economic transformation in the region.

2. Literature Review

The relationship between tourism, migration, and productive capacity growth is anchored in several theoretical frameworks that together provide a strong conceptual foundation for the study's empirical model. These frameworks help explain both the direct and indirect channels through which tourism and migration influence long-term structural development in Sub-Saharan Africa (SSA).

A. Theories of Tourism

The study is primarily informed by the Tourism-Led Growth (TLG) Hypothesis, which posits a unidirectional causal relationship from tourism development to long-term economic expansion. According to this hypothesis, tourism receipts generate foreign exchange that can be reinvested in capital goods, infrastructure, and technology, thereby increasing productive efficiency through enhanced competition and economies of scale. Complementing this perspective is the Economic-Driven Tourism Growth (EDTG) Hypothesis, which reverses the causal pathway. This theory argues that tourism growth is a consequence, not a driver, of strong economic fundamentals. In this view, investments in human capital, institutional stability, and physical infrastructure create the conditions necessary for tourism to flourish.

Beyond these macroeconomic perspectives, micro-level theories provide further insight. Butler's Tourism Area Life Cycle (TALC) model describes the evolution of tourist destinations through predictable stages, from exploration and development to stagnation and decline or rejuvenation. This framework helps contextualize how tourism capacity, infrastructure, and institutional governance shape long-term development patterns. Additionally, Cultural Tourism Theory emphasizes the role of cultural assets as key attractors of international visitors. It suggests that the preservation and strategic utilization of cultural heritage can stimulate related industries, thereby improving local productive capacity and contributing to a more diversified economy.

B. Theories of Migration

Migration theories help explain both the determinants of human mobility and the economic implications for sending and receiving regions. The Push–Pull Theory provides a foundational explanation, attributing migration flows to adverse socio-economic conditions in home countries (push factors) and more favorable opportunities in destination regions (pull factors). This framework is particularly relevant for SSA, where inequalities in employment opportunities, political instability, and environmental conditions often drive migration decisions. From an economic standpoint, Neoclassical Economic Theory views migration as an individual, rational choice aimed at maximizing expected income. In contrast, the New Economics of Migration Theory expands this view by positioning migration as a household-level risk diversification strategy, especially in contexts where financial markets and insurance mechanisms are underdeveloped.

The Relative Deprivation Theory adds a sociological dimension, proposing that individuals migrate not solely to improve absolute income but also to enhance their status relative to peers or societal averages. This comparative motivation is especially pertinent in urban and rapidly developing contexts within SSA. Together, these theories highlight the complex motivations behind migration and the potential economic spillovers, from human capital accumulation to remittances, that may influence productive capacity over time.

C. Theories of Productive Capacity Growth

The study's focus on productive capacity growth is grounded in several structural development theories. Human Capital Theory provides a foundational explanation, asserting that investments in education, training, and skills development are critical drivers of productivity and innovation. In the context of tourism and migration, both sectors contribute to human capital