Tourism Management Perspectives 40 (2021) 100896

Contents lists available at ScienceDirect

Tourism Management Perspectives

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

International tourism and economic growth in Africa: A post-global financial crisis analysis

Davidmac O. Ekeocha, Jonathan E. Ogbuabor *, Anthony Orji, Ugbor I. Kalu

Department of Economics, University of Nigeria, Nsukka, Nigeria

ARTICLE INFO

JEL classifications:
L83
F43
C23
E32

Keywords:
International tourism
Economic growth
System GMM
Panel granger causality
Global financial crisis

ABSTRACT

Unlike the extant literature, this study revisited the tourism-growth relationship in Africa and accounted for the moderating effects of climatic factors, infrastructural development and political risk on this relationship. The study used the system GMM technique, the panel Granger causality framework, and annual panel data of 41 African countries from 2009 to 2018. Contrary to the tourism-led growth hypothesis, we find that the role of tourism as a driver of economic growth in Africa is predominantly negligible, which in turn suggests that Africa is yet to exploit its tourism potentials to drive growth during the post-Global Financial Crisis period. The study concludes that there is need for African leaders to coordinate policy efforts towards harnessing the tourism potentials on the continent in order to diversify their economies, counter instability in global commodity markets, drive sustainable growth, and fight the twin evils of poverty and unemployment.

1. Introduction

The tourism sector offers an important channel through which African economies can achieve economic development and structural transformation in terms of economic diversification that will enhance non-oil wealth and economic stability. Indeed, the role of the tourism sector in job creation, income generation, poverty alleviation, and countering instability in global commodity markets cannot be over stressed. It is well documented that Nigeria, which is Africa's largest economy, went into a recession in 2016 following the oil price shocks that started in 2013 (Marshal & Solomon, 2017). Thus, the tourism sector offers African economies, most of which depend on the export of basic minerals and primary products, a means of insulating themselves against unexpected shocks in demand. The United Arab Emirates presents a profound example of how an oil-rich economy can be successfully diversified through international tourism (Shadab, 2018; Sharpley, 2002).[1] This means that as African economies continue to grapple with shocks arising from volatilities in the demand for their export commodities, there is need for them to also explore the tourism sector as a potentially effective vehicle for achieving economic diversification and sustainable growth.

Apart from the ongoing COVID-19 Pandemic, the 2007–08 Global Financial Crisis (GFC) remains the worst economic crisis the global economy has witnessed in recent years (Islam & Verick, 2011). The crisis not only affected the real and financial sectors in Africa, but also exposed the vulnerabilities of African economies. In fact, as a result of the crisis, economic activities within the continent shrank to unprecedented levels leading to GDP losses, increased levels of unemployment, crash in commodity prices due to fall in demand, abandonment or suspension of large investment projects as trade credits and corporate borrowings dried up, contraction in trade volumes, liquidity challenges in the financial system and failure of several banks (Ogbuabor, Orji, Aneke, & Manasseh, 2018; Osakwe, 2010). Even though the impacts of the crisis on the continent are yet to be fully evaluated and understood, some stylized facts are quite obvious in the aftermath of the crisis. For instance, many African countries are yet to return to their pre-crisis economic growth rates till date, while unemployment and poverty have remained serious challenges for most economies on the continent. Nigeria is presently the poverty capital of the world with over 93 million people living in poverty, while South Africa, which is the second largest

* Corresponding author.
E-mail addresses: olisa.ekeocha@unn.edu.ng (D.O. Ekeocha), jonathan.ogbuabor@unn.edu.ng (J.E. Ogbuabor), anthony.orji@unn.edu.ng (A. Orji), kalu.ugbor@unn.edu.ng (U.I. Kalu).

[1] U.S.-UAE Business Council (2019) documents that in 2017, the tourism sector in United Arab Emirates welcomed 20.4 million tourists, provided 570,000 jobs and contributed 4.6% of the country's GDP.

https://doi.org/10.1016/j.tmp.2021.100896
Received 20 March 2021; Received in revised form 10 July 2021; Accepted 18 July 2021

economy on the continent, is currently battling with an economic recession occasioned by weak manufacturing and trade (Folarin & Adeniyi, 2019; Urama & Iheonu, 2019). This study takes the view that in the post-GFC era, the tourism sector in Africa can be used not only to fight the challenges of widespread poverty and lack of jobs, but also to drive economic diversification and sustainable economic growth. This view is considered tenable given that the tourism sector could play significant roles in Africa's economic performance in the post-COVID-19 era as countries around the world ease travel restrictions.

However, empirical studies on the tourism-growth relationship in Africa in the post-GFC era, which are supposed to guide policymakers on the continent, are quite scanty. In addition, the few available studies in Africa in the post-crisis period offer conflicting evidence. While some of these studies found that tourism enhances growth, others found evidence to the contrary. For instance, while Mitra (2019) and El Menyari (2020) found that tourism promotes growth among African countries, Sokhanvar, Aghaei, and Aker (2018) and Tugcu (2014) found that the role of tourism as a driver of growth in African countries is muted. Such conflicting evidence makes policy formulation a complicated venture. Thus, further empirical evidence is required on the tourism-growth relationship in Africa. It is the goal of this study to fill this gap in the literature. Furthermore, the post-GFC era is characterized by some events that may have altered the tourism-growth relationship in Africa. Examples of such events include the widespread acts of terrorism, banditry and kidnapping in Nigeria, the recent upsurge in xenophobic attacks in South Africa, and the Arab Spring crisis that affected many countries in the Middle East and North Africa. To ensure that the tourism-growth relationship obtained in this study reflects these recent events, the study focused on the post-GFC period. Besides, it has been argued that tourism could be sensitive to climatic factors, infrastructural development and political risk (Scott, Gössling, & Hall, 2012; Wamboye, Nyaronga, & Sergi, 2020). However, the moderating effects of these factors on the tourism-growth relationship are yet to be investigated in Africa as a region. Accounting for these factors is important for deeper policy insights. It is also the goal of this study to fill this gap in the literature.

Based on the foregoing paragraphs, the broad objective of this study is to investigate the role of international tourism as a driver of economic growth in Africa in the post-GFC period. The specific objectives include: (i) to examine the impact of international tourism (and its interactions with climatic factors, infrastructural development and political risk) on economic growth in Africa; and (ii) to determine the direction of causality between international tourism (as well as its interactions with climatic factors, infrastructural development and political risk) and economic growth in Africa. To achieve these objectives, the study used both system generalized method of moments (system GMM) technique and panel Granger causality in a GMM framework. This is unlike the bulk of the extant empirical literature which relied on only the Granger causality framework to investigate the tourism-growth relationship. The remaining sections of the paper are organized as follows. Section 2 presents an overview of the literature, while Section 3 shows the data and methods employed. Section 4 presents the results, while Section 5 concludes the paper with some policy recommendations.

2. An overview of the literature

A review of the extant tourism-growth literature indicates that there are three dominant aspects of this literature, namely: the tourism-led growth hypothesis, the conservation hypothesis (also known as the economic growth-driven tourism development) and the neutrality hypothesis. The tourism-led growth hypothesis explains that tourism acts as an engine that drives economic growth. In the pre-GFC period, some studies found evidence in support of this hypothesis (Balaguer & Cantavella-Jorda, 2002; Proença & Soukiazis, 2008; Sinclair, 1998; Soukiazis & Proença, 2008), and in the post-GFC era, some studies have also found evidence in support of the hypothesis (Akadiri, Akadiri, & Alola, 2017; Amin, Kabir, & Khan, 2020; Balsalobre-Lorente & Leitão, 2020; Ben Jebli, Youssef, & Apergis, 2015; Roudi, Arasli, & Akadiri, 2018; Sokhanvar, 2019; Sokhanvar, Çiftçioğlu, & Javid, 2018; Tu & Zhang, 2020).

The conservation hypothesis explains that economic growth drives international tourism. Empirical studies that have validated this hypothesis include: Oh (2005); Massidda and Mattana (2013); Suryandaru (2020); and Folarin and Adeniyi (2019). Interestingly, some studies also obtained mixed evidence showing the existence of both the tourism-led growth hypothesis and the conservation hypothesis (Anser, Yousaf, Nassani, Abro, & Zaman, 2020; Ben Jebli & Hadhri, 2018; Bouzahzah & El Menyari, 2013; El Menyari, 2020; Mitra, 2019; Roudi et al., 2018; Tang & Ozturk, 2017; Tang & Tan, 2018; Wu & Wu, 2018; Wu & Wu, 2019). Such mixed evidence may be viewed as a bidirectional relationship between tourism and growth. Further still, other studies have also obtained evidence in support of the neutrality hypothesis, which posits that tourism and economic growth do not influence each other (Akadiri, Eluwole, Akadiri, & Avci, 2020; Akadiri, Lasisi, Uzuner, & Akadiri, 2020; Balsalobre-Lorente, Driha, & Sinha, 2020; Sokhanvar, Aghaei, & Aker, 2018; Tugcu, 2014; Wu, Wu, Liu, & Hsueh, 2018). Two stylized facts are discernible from these empirical studies. First, the diversity of these empirical findings indicates that the journey towards a more comprehensive understanding of the tourism-growth relationship has just begun. Second, the bulk of the extant literature used Granger causality framework to track the direction of the tourism-growth relationship, while fewer number of studies have focused on the impact analysis aspect of the literature. This study contributes to this aspect of the literature by using the dynamic system GMM framework to capture the impact of tourism on growth in Africa.

In terms of impact, the empirical literature shows that there is no consensus on the impact of tourism on economic growth. While some studies found that tourism impacts positively on economic growth, others found evidence to the contrary. Studies that found that tourism impacts positively on economic growth, and therefore stimulates growth, include: Cheng and Zhang (2020), Croes, Ridderstaat, Bąk, and Zientara (2021), Balsalobre-Lorente and Leitão (2020), Amin et al. (2020), Mitra (2019), El Menyari (2020), Anser et al. (2020), Fawaz, Rahnama, and Stout (2014), Roudi et al. (2018), and Wu, Wu, Wu, Liu, and Wu (2020), among others. Studies that obtained evidence that tourism impacts negatively on growth, and therefore impedes the economic growth process, include: Yazdi (2019), Ivanov and Webster (2007), Sequeira and Campos (2007), Nguyen (2020), and Eyuboglu and Eyuboglu (2020), among others. The controversy created by the conflicting evidence on the impact of tourism on growth indicates that more empirical evidence is required for more insightful understanding of the tourism-growth relationship. This study contributes to the literature in this regard.

However, apart from its impact on economic growth, tourism also impacts on the overall economy in various other ways. Wu et al. (2020) showed that international tourism influences trade positively; while Amin et al. (2020) and Roudi et al. (2018) established that tourism promotes energy consumption. Folarin and Adeniyi (2019) demonstrated that tourism has poverty reduction potentials. However, Wang, Huang, Gong, and Cao (2020) and Ali et al. (2020) showed that tourism could worsen environmental quality, for instance, by increasing the level of CO2 emission; while Farzanegan, Gholipour, Feizi, Nunkoo, and Andargoli (2020) studied a panel of 90 countries and found a positive correlation between international tourism and Covid-19 cases as well as the associated deaths from Covid-19. Beyond these dimensions, studies have shown that tourism may be sensitive to changes in climatic variables, infrastructural development and political risk (Scott et al., 2012; Wamboye et al., 2020). However, the moderating effects of these variables on the tourism-growth relationship have not yet been investigated in Africa as a region. This study addresses this gap in the literature.

Interestingly, following the theoretical model of Perles-Ribes, Ramón-Rodríguez, Sevilla-Jiménez, and Rubia (2016), an emerging