Research Journal of Finance and Accounting
ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online)
Vol.6, No.5, 2015

International Tourism and Fiscal Revenue Earnings in Nigeria

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Abstract
The impact of international tourism on the revenue generation of developing countries has largely been shown to be positive. This is in contrast with the popular view that engaging in tourism is a luxury. This study is designed to investigate the contribution of international tourism in Nigeria to the country's fiscal earnings during the period 1995 2010. Ordinary least square (OLS) method of regression analysis is used to examine the impact of international tourism on Nigeria's fiscal earnings. Data were sourced from the World Bank data bank, 2011. This is a validated and reliable source of statistical data involving macroeconomic variables. The results indicate a positive but insignificant relationship between international tourism and fiscal earnings. Accordingly, the null hypothesis was not rejected at a 5 percent confidence level. Fiscal earnings in Nigeria increased with increase in international tourism. It was concluded that international tourism increases fiscal revenue earnings but such earnings are sub-optimized. We therefore recommend among others that there should be deliberate policy actions towards increased funding of the tourism sector through annual budgetary allocations.
Key words: International tourism, tourism receipts, tourism expenditures, fiscal earning, economic growth, inbound and outbound, revenue generation

1. Introduction

Tourism (domestic, inbound or outbound) is considered one of the important variables that promote the economic growth through fiscal earnings and revenue generation of any country. According to Robert (2010), tourism is a principal export for 83 percent of developing countries and the most significant source of foreign exchange after petroleum. Inbound and outbound tourism are forms of international tourism involving the traveling of people to a country other than that in which they have their usual residence (OECD, 2009). The potential of international tourism to contribute to economic growth and development via revenue earnings, cultural preservation, environmental protection, job creation, as well as poverty reduction cannot be unprecedented in recent times. It is a veritable source of foreign exchange earnings for less developed countries, accounting for about 55 percent of the service sector exports in the sub-Saharan Africa (UNWTO 2011). International tourism affect both receipts and payments sides of the national income in line with its inbound and outbound dualistic flow.

The receipts are expenditures by international inbound visitors, including payments to national carriers for international transportation. They include any other prepayment made for goods or services received in the destination country. It is often measured as percentage of a county's total exports because it is income for the receiving economy. On the other hand, international tourism expenditures are those of international outbound visitors to other countries measured as a percentage of total imports because it is a leakage from the economy (World Bank, 2011). Tourism sector in Nigeria is made up of hotels, catering, events, natural attractions (which include savannah, waterfalls, and rain forests), entertainment, and other forms of hospitality activities. Geographical sites, nature sites, religious sites, native sites, tourist zones and national parks are among the tourist sites in Nigeria. However, the international segment of tourism in the country began to develop from 1995. Since then, it has been one of the sources of revenue generation for Nigeria like other developing countries of the world. In spite the volatility in the rate of revenue generated from inbound tourism, the performance of this sector has been encouraging. For instance, between 1995 and 2000, revenue from international tourism averaged US$51.5 million. It increased to US$67 million between 2001 and 2005. This impressive performance became more glaring between 2006 and 2010 when the revenue generated from inbound visitors to Nigeria skyrocketed to US$427.8 million. Though it constituted only about 0.4 percent of the country's total exports in 1995, by 2000, it formed 9 percent of the total exports.

Amazingly, a downward trend rocked the contribution from this sector in 2004 to 1 percent of the total annual exports. However, between 2008, 2009, and 2010, it constituted 11 percent, 14 percent, and 10 percent of the total annual domestic exports respectively. According to Akama & Kieti, (2007), as tourism creates employment and income, it stimulates domestic consumption which impacts positively on the economic growth of the receiving economy. Several researches have been carried out on the relationship between tourism receipts and economic growth of both single country and large number of countries. Most of the studies using panel data arrived at the conclusion that positive relationship exists for such countries. This study is aimed at investigating specifically, the impact of international tourism receipts and expenditure on the fiscal revenue earnings of the Nigerian domestic economy using time series data from 1995 to 2010. The study is limited by scarcity of existing data.

2. Review of Empirical Studies

Lim (1997) observes that engaging in international tourism is consumption of a luxury good rather than a normal good, as in order to travel abroad, tourists must commit significant expenditure on non-necessity goods such as airfare and hotels. Yet, there is a plethora of literature on the side of revenue from international tourism stimulating economic growth, employment, and reduction of poverty rate in developing countries. This follows the rapid development of this sector above expectations, which has not only increased government export revenue geometrically but has also spurred the economic growth of both the developed and developing nations, reduced poverty rate, created employment, and generated foreign exchange earnings that further stimulated domestic consumption. The potential of tourism development as a tool to foster economic growth and reduce poverty rate emanates from many peculiar features of the sector (UNWTO,2003). Consequently, Croes & Vanegas (2008) posit that international tourism is an opportunity for economic diversification as well as income generation through the preservation of heritage values. Earlier, Modeste (1995) had found it to be positively and significantly related to economic growth via the stimulation of domestic consumption, generation of foreign exchange earnings, creation of employment and generation of further income through tourism's flow-on and perk-up effects. For Lanza and Pigliaru (2000), small states grow faster when they are highly specialized in tourism. Further corroborating this observation, Honey and Gilpin (2009) added that it has a snowball effect in its contribution to economic growth because development of new tourism destinations in most cases, attract new businesses. Caglayan, Sak, and Karymshakoy's (2010) study of the empirical relationship between tourism and economic growth using Panel Granger Causality method is quite revealing. In the study, panel data of 135 countries for the period 1995-2008 was used after grouping the countries into eleven categories. The results showed that there is a unidirectional causality between tourism revenue and gross domestic product in America, Latin America and Caribbean. For Sub-Saharan Africa, Asia, Middle East, North Africa, and Central Asia, reverse direction of causality was the case. Using Generalized Least Square panel data model, Kadiloy (2010) confirms the positive relationship between tourism and GDP. Apart from the improvement of the GDP, tourism revenue is observed to affect poverty reduction and food security. Contrasting from the findings, Zahra (2012) using correlation and principal component analysis with the aid of Minitab statistical package, ascertained that OECD countries with largest income from international tourism witnessed negative relationship between tourism revenue and economic growth while the reverse was the case for G77 countries. According to François (2011), both international and domestic tourism should be regarded as a key component of economic stimulus programmes, particularly during economic crisis. It should be central to measures designed to revamp economic growth as the trade flows generated by a strong tourism industry have a major impact on business and consumer confidence. Study of the indirect effects of tourism reveals the effects to be high in many countries getting to about 6 percent of the total GDP which was a significant proportion of the overall economy's output. This obtained for countries with strong link between tourism demand and agricultural food sector. This also stimulates agricultural food exports. International tourism helps to accelerate economic growth in countries with strong economic growth while countries with weak economic growth are indicated by the study not to meet expectations as a factor favouring economic growth. Thus, majority of the reviewed literature is supportive of the positive impact of tourism on economic growth, employment, and even poverty reduction for countries.

3. Method

The ordinary least square statistical technique is used to examine the relationship between international tourism and fiscal earnings in Nigeria specifically between 1995 and 2010. Time series secondary data from the World Bank data bank, 2011 were used in the multiple regression analysis. The source was validated and is proved reliable for data on macroeconomic variables. The estimation technique is feasible in terms of data requirements and less demanding as it focuses on a relatively small set of aggregate variables instead of requiring a full specification of all the explanatory variables. The quasi-experimental research design is used in the data analysis, and both *a priori* criterion and empirical observation are herein combined to elicit information from the data. It is an appropriate form of research design for ascertaining the effects of independent variables on the dependent. The tested hypothesis took the following null form: *There is no significant effect of international tourism on Nigeria's fiscal revenue earnings.* The decision rule is of the following form: Reject H_o if $p > 0.05$ or $a_{1+} a_2 = 0$

Model Specification

The study will adopt a stochastic model specification of a demand function of the implicit form:

$$noex = f(te, tr,)……(1)$$

This can be explicitly written as:

$$noex = a_0 + a_1te + a_2tr + \mu_1 ......(2)$$

Where: noex = non-oil export earnings (proxy for fiscal revenue earnings); $a_{0,}$ = Constant; a_1, and a_2 = coefficients of the parameter estimates; te = international tourism expenditure growth rate; tr = international tourism revenue growth rate; μ_1 = error term. The linear form of the equation gives the logarithm form as in the following equation:

$$lognoex = a + a_1logte + a_2logtr + e_t ......(3)$$

A priori, international tourism revenue is expected to have a positive sign while the expenditure is to be negatively signed.

4. Results and discussions

The results of the regression analysis are given below.

Table 1. Descriptive Statistics

	Mean	*Standard deviation*	*N*
noex	*5.1500*	*2.92073*	*16*
Tegr	*60.6875*	*153.63592*	*16*
Trgr	*50.8688*	*59.29935*	*16*

Source: SPSS 17.0

Table 2. Descriptive and Correlations analysis summary

		noex	*tegr*	*trgr*	*Mean*	*Std Dev.*
Pearson correlation	*noex*	*1.000*	*0.153*		*5.1500*	*2.92*
	tegr	*0.153*	*1.000*		*60.6875*	*153.63*
	trgr	*0.200*	*-.018*		*50.8688*	*59.29*
Sig. (1-tailed)	*noex*	*0.000*	*0.286*			
	tegr	*0.286*	*0.000*			
	trgr	*0.229*	*0.474*			
	noex	*16*	*16*	*16*		
	tegr	*16*	*16*	*16*		
	trgr	*16*	*16*	*16*		

Source: SPSS 17.0

Table 3. Inferential statistics summary

R^2	**f-test**	**Sig. (f-test)**	**Para-meters**	**Indep. Variables**	**Coef.**	**t-test**	**Sig (t-test)**
.064	*.448*	*.649[a]*	a_o	*Constant*	*4.461*	*4.195*	*.001*
			a_1	*tegr*	*.156*	*.582*	*.570*
R			a_2	*trgr*	*.203*	*.756*	*.463*
.254							

Dependent variable = NOEx; Source: SPSS 17.0

The results reveal the independent variables in the equation as having a 64.9 percent power to explain the variations in the non-oil export earnings in this country between 1995 and 2010. As was expected *a priori*, international tourism revenue has the expected positive sign suggesting that increase in the revenue translates to increase in the economic growth of the Nigerian economy. It supports the finding by Kadiloy (2010) which confirms the positive relationship between tourism and economic growth particularly in Sub-Saharan African etc. However, in spite of the positive relationship, international tourism revenue in Nigeria was found to be insignificantly related to its fiscal revenue. This means that the null hypothesis is not the rejected. Conversely, tourism expenditure was shown to be positively related to fiscal revenue in the country as opposed to the a priori expectation. This phenomenon may have emanated from airfare for domestic flights used by outbound visitors to their tourist destinations which has a multiplier positive effect (in the payment of staff salary, and increase in demand) leading to increase in the quality and quantity of the output produced in the domestic economy.

5. Major Findings

The study made significant contribution to knowledge from the point of view of its findings which include discovering the impact of international tourism revenue on the growth of Nigeria in particular, confirming a positive relationship between tourism expenditure and economic growth in Nigeria, and revealing the insignificant but direct relationship between international tourism and economic growth in Nigeria.

6. Conclusion

Tourism revenue has been discovered in many empirical studies as having a direct link with economic growth. This it does through increasing employment rate, reducing poverty, demand for domestic products, increase in income, and the gross domestic product of any economy (developed as well as developing). With its recent rapid development, the service sector of many economies has received a boost. But does the impressive performance of the tourist revenue imply same for the tourism expenditure? Like many developing countries of the world, there is no difference between the effect of the tourism revenue on economic growth and the effect of tourism expenditure on the dependent variable in Nigeria. Both revenue and expenditure have multiplier effects that help to actuate fiscal earning, leaving more money with our governments to spend.

7. Recommendations

Given the findings therefore, the study recommends policy actions in the following areas: adequate funding of the tourism sector through annual budgetary allocation, development of more tourist sites, zones, and parks in the country, and promotion of good ethical conduct, discipline and decency as we open our borders open for foreigners.

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