

**VOLUME 10 NUMBER 2 May 2018**

**ISSN 2076-9202 (Print)  
ISSN 2218-046X (Online)**

---

# **International Journal of Information, Business and Management**



**ELITE HALL PUBLISHING HOUSE**

### ABOUT JOURNAL

The International Journal of Information, Business and Management (IJIBM) was first published in 2009, and is published 4 issues per year. IJIBM is indexed and abstracted in **EBSCO, ROAD, OALib, Ulrich's Periodicals Directory, ProQuest (ABI/INFORM Global) , ZORA (Zurich Open Repository and Archive), IndexCopernicus, JournalSeek, New Jour, getCITED, Directory of Research Journals Indexing, Open J-Gate, Universal Impact Factor, CiteFactor, ResearchBib, EBSCO Open Access Journals, Scientific Indexing Service, InnoSpace - SJIF Scientific Journal Impact Factor, The Index of Information Systems Journals, National Central Library Taiwan, National Library of Australia , National Science Library (Chinese Academy of Sciences), German National Library of Economics, Eurasian Scientific Journal Index, INTERNATIONAL INSTITUTE OF ORGANIZED RESEARCH (I2OR), Stanford University (USA), The University of New South Wales (Australia)**. Since 2013, the IJIBM has been included into the EBSCO (Business Source Corporate Plus database), one of the largest full-text databases around the world. Since 2013, the IJIBM has been included into the ProQuest (ABI/INFORM Global) list. Since 2014, the IJIBM has been included into the National Science Library (Chinese Academy of Sciences) one of the top databases in China.

IJIBM is an international journal that brings together research papers on all aspects of Information, Business and Management in all areas. The journal focuses on research that stems from academic and industrial need and can guide the activities of managers, consultants, software developers and researchers. It publishes accessible articles on research and industrial applications, new techniques and development trends.

IJIBM serves the academic and professional purposes for those such as scientists, professionals, educators, social workers and managers. It provides new methodology, techniques, models and practical applications in various areas.

**CONTENTS**

- 1 PUBLISHER, EDITOR IN CHIEF, MANAGING EDITOR AND EDITORIAL BOARD**
- 2 MODERATING EFFECT OF SELF-EFFICACY ON THE RELATIONSHIP BETWEEN WOMEN EMPOWERMENT AND NEW VENTURE CREATION IN BENUE STATE, NIGERIA**  
ASENGE EMMANUEL LUBEM, DIAKA HEMBADOON SARAH
- 3 ESTIMATING THE CAUSALITY BETWEEN REER AND TOURISM-LED GROWTH**  
TATJANA BOSHKOV, DIMITAR KOVACEVSKI, DUSHKO JOSHEVSKI, NIKOLA DIMITROV
- 4 PARADIGM SHIFT IN EMPLOYEE ENGAGEMENT – A CRITICAL ANALYSIS ON THE DRIVERS OF EMPLOYEE ENGAGEMENT**  
M.RUBAN ANTONY
- 5 THE BENEFIT OF STAKEHOLDERS MANAGEMENT IN NIGERIAN INDUSTRIES**  
ORAJAKA UGOCHUKWU PAUL
- 6 URBAN DEVELOPMENT - ENGINE FOR ECONOMIC GROWTH: EVIDENCE FOR MACEDONIA AND GREECE**  
TATJANA BOSHKOV, DIMITAR KOVACEVSKI, DUSHKO JOSHEVSKI
- 7 INTEGRATED INFORMATION SYSTEM FOR DISASTER MANAGEMENT: A CREATIVE CASE STUDY**  
SABBIR AHMAD, IKHTEAR RAHMAN, AVIJIT MALLIK, ARMAN AREFIN
- 8 IMPORTANCE OF AGRO-TOURISM FOR DEVELOPMENT OF TOURISM IN NORTHEASTERN MACEDONIA**  
TANJA ANGELKOVA PETKOVA, SUZANA DZORDZEVIC MILOSEVIC, CVETANKA RISTOVA
- 9 EU MARKET PERSPECTIVES FOR MACEDONIAN COMPANIES**  
TATJANA BOSHKOV
- 10 BLUE OCEAN STRATEGY FOR MICROENTERPRISES**  
ANGELA AU, JAN TUCKER
- 11 THE IMPACT OF PUBLIC DEBT ON ECONOMIC GROWTH OF PAKISTAN**  
AMARA AKRAM KHAN, ABDUR RAUF, MIRAJUL-HAQ, NIGHAT ANWAR
- 12 MANAGEMENT STYLES AND PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN MALAYSIA**  
Noor Syakirah Zakaria, Mohd Khairuddin Hashim, Sa'ari Ahmad
- 13 ACTIVITY ANALYSIS OF CONTROL FOR MICRO LENDING ON BANK NAGARI PASAR RAYA BRANCH PADANG**  
HERYANTO

- 14      **EFFECT OF LIQUIDITY AND PROFITABILITY TO BANK STOCK RETURN IN INDONESIA STOCK EXCHANGE (IDX)**  
HERYANTO
- 15      **CHANGES IN ATTORNEY IN THE PROCESS OF PRELIMINARY EXPLORATION AND INVESTIGATIONS ACCORDING TO CODE OF CRIMINAL PROCEDURE ADOPTED IN 2013 IN THE ISLAMIC REPUBLIC OF IRAN**  
MOHAMMAD HABIBI
- 16      **CONTINUOUS ASSESSMENT BASED ON ACADEMIC ACHIEVEMENT**  
OSMAN MAVLAVIKANI, MAJED MAVLAVIKANI, KAMAL ASAD, NAMAGH HUSSEIN PANAH
- 17      **THE IMPACT OF BUDGETING ON THE PERFORMANCE OF MAHA CEMENTS (MY HOME INDUSTRIES PVT LTD)**  
ARUNA POLISETTY, AKKENA MOUNICA
- 18      **CONCEPTUAL MODEL OF EMPLOYEE TRUST IN MANAGEMENT AND ORGANIZATIONAL JUSTICE IN INTERNATIONAL COMPANIES**  
MUHAMMAD KHALEEL, SHANKAR CHELLIAH, JAMSHED KHALID, MUHAMMAD JAMIL, FARYAL MANZOOR
- 19      **CROSS INDUSTRY CAPITAL STRUCTURE AND FIRM CHARACTERISTICS IN PAKISTAN**  
SAMAR WAQAR MUFTI, SHEHLA AMJAD
- 20      **INTELLIGENT LIFE CYCLE ASSESSMENT IN ENVIRONMENTAL SUSTAINABILITY**  
ÖZLEM ŞENVAR
- 21      **E GOVERNMENT SYSTEMS AND ITS IMPACT ON QUALITY OF SERVICE AT PUBLIC HOSPITALS IN AMMAN (FILED STUDY)**  
ALAA TAWFIQ AL-ZYADAT

**Publisher: Elite Hall Publishing House****Editor in Chief:**

Dr. Muzaffar Ahmed (Bangladesh)  
E-mail: [muzaahme1@gmail.com](mailto:muzaahme1@gmail.com)

**Managing Editor:**

Dr. Jia Chi Tsou  
Associate Professor, Department of Business Administration  
China University of Technology, Taiwan  
E-mail: [tsou.tw@yahoo.com.tw](mailto:tsou.tw@yahoo.com.tw)

**Editorial Board:**

Dr. Claudio De Stefano  
Professor, Department of Computer Science  
University of Cassino, Italy.  
E-mail: [destefano@unicas.it](mailto:destefano@unicas.it)

Prof. Paolo Pietro Biancone  
Professor of Financial Accounting, Faculty of Management  
and Economics  
University of Turin, Italy  
Email: [biancone@econ.unito.it](mailto:biancone@econ.unito.it)

Dr. Michael A. Hignite, Ph.D.  
Professor, Department of Computer Information Systems,  
College of Business  
Missouri State University, USA  
Email: [mikehignite@missouristateuniversity.com](mailto:mikehignite@missouristateuniversity.com)

Dr. Seema Varshney  
Assistant Professor, Wajjat college of applied sciences  
Muscat, Oman  
E-mail: [smvarster@gmail.com](mailto:smvarster@gmail.com)

Dr. Morteza Rasti Barzoki  
Assistant Professor, Department of Industrial Engineering  
Isfahan University of Technology, Iran  
E-mail: [rasti@cc.iut.ac.ir](mailto:rasti@cc.iut.ac.ir)

Mr. Mohsen Fathollah Bayati  
Department of Industrial Engineering  
Iran University of Science and Technology, Iran  
E-mail: [mfbayati@ind.iut.ac.ir](mailto:mfbayati@ind.iut.ac.ir)

Dr. Edgardo Palza Vargas  
Telfer School of Management  
University of Ottawa, Canada  
Email: [edgardo.palza-vargas.1@ens.etsmtl.ca](mailto:edgardo.palza-vargas.1@ens.etsmtl.ca)

Dr. Solomon Markos  
Assistant Professor, School of Commerce  
Addis Ababa University, Ethiopia  
Email: [solomonmarkos5@yahoo.com](mailto:solomonmarkos5@yahoo.com)

Dr. Olu Ojo  
Lecturer, Department of Business Administration  
Osun State University, Nigeria  
Email: [oluoioe@yahoo.com](mailto:oluoioe@yahoo.com)

Dr. Mohammed-Aminu Sanda  
Visiting Research Fellow, Lulea University of Technology,  
Sweden  
Senior Lecturer, Department of Organization and Human  
Resource Management, University of Ghana, Ghana  
Email: [masanda@ug.edu.gh](mailto:masanda@ug.edu.gh)

Dr. Khalid Zaman  
Assistant Professor, Department of Management Sciences  
COMSATS Institute of Information Technology, Pakistan  
Email: [khalidzaman@ciit.net.pk](mailto:khalidzaman@ciit.net.pk)

Dr. Kartinah Ayupp  
Deputy Dean, Economics and Business  
Universiti Malaysia Sarawak, Malaysia  
Email: [akartinah@feb.unimas.my](mailto:akartinah@feb.unimas.my)

Dr. Malyadri. Pacha  
Principal, Government Degree College  
Affiliated to Osmania University, India  
Email: [dpm16@yahoo.co.in](mailto:dpm16@yahoo.co.in)

Dr. Arif Anjum  
Assistant Professor, M.S.G. Arts, Science & Commerce  
College, Malegaon, India  
Managing Editor, International Journal of Management  
Studies  
Email: [infoijcms@gmail.com](mailto:infoijcms@gmail.com)

Mr. Andrew McCalister  
Global Research Awardee, Royal Academy of Engineering,  
University of Cambridge, UK  
Email: [andrewmccalister@gmail.com](mailto:andrewmccalister@gmail.com)

Dr. Mohsin Shaikh  
Professor & Head, Department of Management Studies  
SKN College of Engineering, Pune, India  
Email: [skmohs@yahoo.co.in](mailto:skmohs@yahoo.co.in)

Dr. M. Razaullah Khan  
Associate Professor, Department of Commerce &  
Management Science  
Maulana Azad College, Aurangabad, India  
Email: [drzakhan@sify.com](mailto:drzakhan@sify.com)

Mr. Kai Pan  
Research Assistant & Ph.D. Candidate, Department of  
Software and Information Systems  
University of North Carolina (UNC Charlotte), USA  
Email: [kpan@uncc.edu](mailto:kpan@uncc.edu)

Dr. Sundar Kumararaj  
Associate Professor, Commerce Wing, Directorate of  
Distance Education,  
Annamalai University, Annamalai Nagar, Tamil Nadu, India  
E-Mail: [commercesundar@gmail.com](mailto:commercesundar@gmail.com)

Dr. Mohammad Alawin  
Associate Professor, Business Economics Department  
The University of Jordan, Amman, Jordan  
E-mail: [m.alawin@ju.edu.jo](mailto:m.alawin@ju.edu.jo)

Mr. Dinh Tran Ngoc Huy  
Visiting lecturer, PhD candidate, Banking University HCMC,  
Vietnam  
Email: [dtnhuy2010@gmail.com](mailto:dtnhuy2010@gmail.com)

Dr. Cüneyt AKAR  
Associate Professor, Department of Business Administration  
Bandirma Onyedi Eylül University, Turkey  
Email: [cakar@bandirma.edu.tr](mailto:cakar@bandirma.edu.tr)

**Web:** <http://ijibm.elitehall.com>

ISSN 2076-9202 (Print)

ISSN 2218-046X (Online)

# ESTIMATING THE CAUSALITY BETWEEN REER AND TOURISM-LED GROWTH

---

**Tatjana Boshkov, PhD<sup>1</sup>**, tatjana.boskov@ugd.edu.mk;tatjana.boshkov@gmail.com

**Dimitar Kovacevski, PhD<sup>2</sup>**, dimitar.kovachevski@gmail.com

**Dushko Joshevski PhD<sup>1</sup>**, dusko.josevski@ugd.edu.mk

**Nikola Dimitrov PhD<sup>1</sup>**, nikola.dimitrov@ugd.edu.mk

**Corresponding author: Tatjana Boshkov – [tatjana.boshkov@gmail.com](mailto:tatjana.boshkov@gmail.com)**

## Abstract

The growth of tourism refers to the gradual evolution of tourism which is an important factor for the productivity of a country's economy. There is need to understand the essential meaning of international tourism and trade, which are expected to be quite dependant on the exchange rate regimes. The international trade is another argument commonly used to justify the exchange rate policy. When is measured the economic impact of tourism, it should be underline the essential causality among real gross domestic product, real effective exchange rate and international tourism. In this way, tourism should be seen as a moving factor with an important contribution *for the economies*.

**Key words:** Economic growth, Managing, Tourism, OLS regression, GDP, REER.

JEL:F31,011.

## 1. INTRODUCTION

The growth of tourism refers to the gradual evolution of tourism which is accomplished with the complete evaluation and the rational exploitation of tourism resources, with the increase of tourism productivity and its qualitative improvement as with its adjustment to the needs or desires of tourists. The role of tourism to the economic growth and to the progress of modern societies has become a common awareness in political authorities worldwide. For this reason many attempts are being made in order to develop tourism, being amongst the most important sectors of economic activity, to the benefit of their economies as quickly and as effectively as possible. The contribution of the tourist sector is beneficial for a country's economy due to its influence on sectors other than the foreign exchange sector. Here are included, for example, the employment sector, the business sector, the income sector, the cultural sector and the fiscal sector. Also, there is need to underline the essential meaning of international tourism and trade, which are expected to be quite dependant on the exchange rate regimes. The international trade is another argument commonly used to justify the exchange rate policy. In this sense, more fixed exchange rates are expected to promote international trade and tourism via reduced uncertainty in the international transactions.

---

<sup>1</sup>University Professors at Faculty of Tourism and Business Logistics, Goce Delcev University - Stip, Macedonia

<sup>2</sup> University Professor at School of Business Economics and Management, University American College, Skopje, Macedonia

However, the empirical literature is not conclusive in this task. The evidence about the effect of less exchange rate volatility on trade is mixed (McKenzie, 1999). The results are very sensitive across studies, depending on countries and periods considered.

In addition, the study covers several countries and explains the impact of tourism on their economy. Also, here is made an estimation which measured the effect of tourism on the following countries: Spain, Greece, Ireland, Italy, Malta and Macedonia.

## **2. LITERATURE REVIEW**

Sustainable tourism is a sub-branch of sustainable development that was put on the world agenda. Research investigating the competitive advantage of small tourism business has consistently emphasized the importance of high-quality entrepreneurship as key factor in business survival and growth. The ability to identify and operate in a particular market niche enables the firm to exploit a range of specializations and being competitive (Tinsley and Lynch, 2001). Tourism businesses have been identified as essential actors for creating jobs and generally growing the economy. Also here is attempt to identify the constructs that influence in building high-quality entrepreneurship in tourism industry.

Whether we analyze profit business or a non-profit entity, one of the steps necessary to complete is the preparation of a business plan for tourism development opportunity. Based on the preparation and analysis of financial projections in the business plan, there should have identified both the amount and type of financing that are required to carry out the project. Some form of financing is needed to assist with the initial construction and start-up costs associated with your new and/or expansion tourism project. In addition, you may need financing assistance to support your organization's working capital requirements. There are a number of different sources available to help finance tourism venture. This will help to identify a wide range of economic, social, policy, and firm factors that may affect the development of high-quality entrepreneurship. Also it will enable entrepreneurs to uncover the critical role of high-quality entrepreneurship in economic growth and in rural development too. One of the associations for entrepreneurs is the fact that they innovate. In this way they create and employ (ACCA, 2012a).

In context for new ventures, according to the researchers, are far more important in bringing new ways into economic process than are established firms (Porter 2001). High-growth and high-potential small tourism businesses have positive impacts on economic growth. Possibility to understand entrepreneurship quality is very important in a way to discuss about essential meaning of entrepreneurial leadership, market and marketing orientation, differentiation and tourism destination development. This will enhance accessing high-quality entrepreneurship in tourism industry. Growth in the tourism industry will bring benefits which will facilitate job creation (Ayyagari et al., 2003). The government views this as an opportunity to create employment and to bring in equality in the country's job market.

## **3. SNAPSHOT THE COUNTRIES – GENERAL DATA**

### **3.1 Spain**

Taking in advance the existing research by considering both exports and tourism as potential influencing factors for economic growth in Spain, there is an analysis where is used CGE model. This model helps to show the economic influence of tourism. In this way it's quantified the effects of an additional increase in tourist demand. Increased tourism expenditure leads to adjustments through a real exchange rate appreciation that reduce exports from other exporting sectors and increases imports. When this will be mixed with other general equilibrium effects through intermediate demands, factor markets and consumption, leads to reductions in output in some sectors. The exact effects on different sectors are a result of positive and negative effects, so the actual results are difficult to predict without numerical simulation. The gain in welfare following a tourism boom was found to be relatively small. This is because tourist expenditure doesn't in itself create value. That is done by factors that provide services for tourists. In absence of tourism boom, these factors could be employed in other sectors. The tourism boom increases productivity of these factors, hence their wage, by increasing the possibilities of employment open to them. So the CGE model doesn't assess the importance of tourism in terms of what proportion from GDP is attributable to tourism. One the results offer from Kehoe (Kehoe et al., 1995), design to analyze the impact of tourism, is a simple shock to the demand for foreign tourism, of +10%. As a result of the increase in tourism, welfare increases by 27.7 billion pesetas, or 0.05% of GDP. Also in his research he determines that the aggregate trade demonstrates that reductions in the value of non-tourism exports and increases in imports offset the increased revenues from tourism.

### **3.2 Greece**

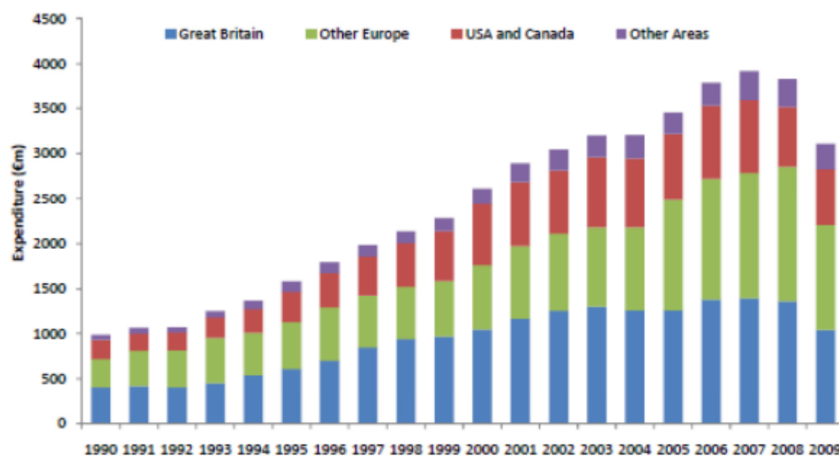
Another analysis which focuses on economic impact of tourism, is maden for Greece. In this study is empirically shown the tourism impact on the long-run economic growth of Greece by using the causality analysis among real gross domestic product, real effective exchange rate and international tourism earnings. So, it's applied VAR model to gain the main objective - examining to what extent the Greek economic growth responded to the evolution of external international tourist activity during the period 1960-2000. In this study to be tested the causal hypotheses are used a few variables, which include international tourism earnings, economic growth and real effective exchange rate. For this aim are investigated the possible causal relationships between the examined variables in order to provide answers for drawing conclusions for economic growth of the studied country. So, the author Papatheodorou (2005) to test these variables used the Johansen cointegration test and then Granger causality tests based on a vector error correction model. The results of the cointegration analysis suggest the existence of cointegration relationship between the three variables- the relationship among international tourism earnings, real exchange rate and economic growth in one tourist country. The results of the cointegration analysis suggest the existence of cointegration relationship between the three variables. This indicates the presence of common trend or long-run relationships among these variables. The results of the causality analysis denote that international tourism earnings and real exchange rate cause economic growth with a strong causal relationship, while economic growth and real exchange rate cause international tourism earnings with a simply causal relationship.

Generally, the significant impact of tourism on the Greek economy justifies the necessity of public intervention aimed, on the one hand, at promoting and increasing tourism demand, and, on the other hand, providing and fostering the development of tourism supply. The intense state intervention for tourism growth and especially for tourist economy, arises either directly from the performance of tourist infrastructure works or indirectly from the mechanism of funds and incentives. This is a characteristic feature of modern tourism, but also it is factual evidence that the state tries to develop tourism, which is regarded as one of the most important sectors of economic activity.

### 3.3 Ireland

Irish tourism is facing its greatest challenge in several decades as a result of the impact of the recent global recession on international travel and the changing patterns of demand for holidays in Ireland. The short term outlook of slow economic recovery in Ireland’s principal source markets suggests a continuing difficult trading period for most businesses, with recovery to pre-recession levels at least 3 to 5 years away. However, tourism as an export industry can play an important part in restoring the Irish economy to growth. Tourism recovery is essential to the sustainability of many businesses and to maintaining employment. The speed of recovery for Irish tourism will depend on the success or otherwise of winning market share in a slow growth environment.

Figure 1. Overseas visitor expenditure in Ireland (€m) 1990-2009

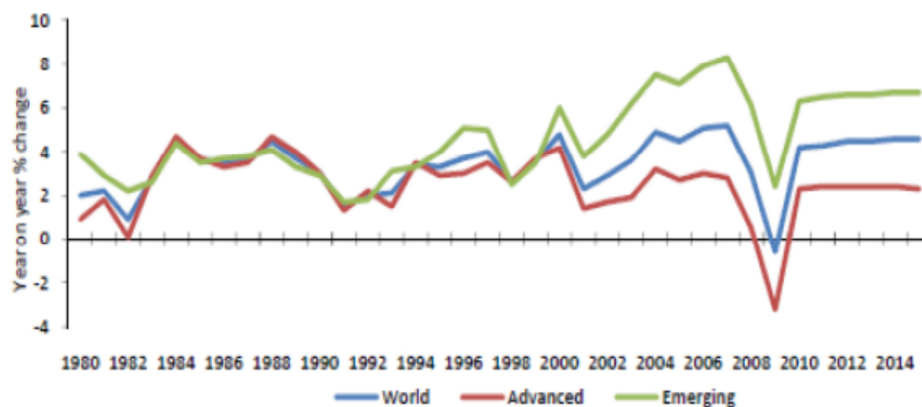


Source:CSO/Failte Ireland

In this context, the statistic for Ireland shows that despite the downturn, tourism earned €5.4 billion in 2009 with receipts from out of state visitors at just under €4 billion, plus a further €1.4 billion spent by domestic tourists. The explanation for this is that the main driver of the growth in demand over the past two decades has been primarily economic prosperity in source markets, coupled with supply side factors such as the expansion of the range of attractive holidays on offer, new routes and cheaper airfares, and

aggressive marketing. Also, here is the fact that economic recovery is key to renewed demand for travel. This means that the primary determinant of demand remains the economy in each source market. The outlook for a slow, economic recovery in most developed countries suggests that an upturn in demand for travel will also be slow. The euro zone crisis has the potential to at least stall the economic recovery underway in the developed world, while the continuing rise in unemployment is likely to dampen consumer confidence. Pick up in employment, while historically lagging economic recovery, may be more sluggish this time. The IMF has recently raised its forecast for global economic growth this year, from 4.2 % to 4.6%, while warning that the risk of a slowdown had increased sharply. The forecast rate of growth in the developed economies of Europe and North America is closer to 2% per annum over the next three years. Worries about sovereign debt and budget imbalances in the developed world continue as big threats to the recovery in Ireland’s top source markets.

Figure 2.Real GDP growth:% annual change 1980-2015



Source:IMF

The surveys show that the key challenges which Ireland’s tourism industry currently faces are:

- competitiveness of the Irish offering in key source markets;
- securing adequate and competitive air access services from all of the key source markets;
- ensuring that the marketing of Ireland by the agencies and businesses is effective and maximises the use of available funding.

### 3.4 Italy

As far as Italy is concerned, many studies suggest that a long run bi-directional temporal causality is assessed for international tourism and economic growth. When is measured the economic impact of tourism, it is found that only physical capital is influenced by economic growth, traditional exports and tourism in the long term. The findings also suggest the importance of physical and human capital

accumulation in the process. Furthermore, it is also found that traditional exports Granger cause economic growth in the short-run. Consequently, there is a strong influence from exports to economic growth, since it exists in both short and long terms. It is observed that the economic growth driven exports mechanism is also valid.

The results for Italy are consistent with its economic history. A study explains that by 1950 Italy had become the world's third most popular tourist destination after the United States and Canada (Jenkins, 2006). Between 1951 and 1965, tourism growth in Italy averaged 11.5% per annum, and tourism's share of exports rose from single figures to 19.3% (Formica and Uysal, 1996). During and after this period the international tourism scene changed dramatically as population growth and demographic changes, technological innovations and socio-economic developments encouraged international travelling and competition, and as tour operators began to invest heavily in the comparatively cheap coastal areas of the Mediterranean (e.g. Greece, Spain, Turkey). Also, some authors underline the fact that additional negative factors limited Italy's ability to attract tourists from the 1970s to the 1990s, such as Italy's lack of quality accommodation and transport services, negative publicity stemming from natural disasters and pollution, crowding and congestion in major tourist centres, or petty crime, amongst others (Cooper et al., 2005). Later on, the 1992 recession and the continued stagnation of the Italian economy created inflation in tourism. However the devaluation of the lira in September 1992, and the unstable political situations in the former Yugoslavia, the Middle East, Egypt, Turkey and Spain had positive impacts on international travel to Italy and promising projections were made for the period 1994-2000. So, the message is more than clear – tourism expansion has crucial role for long-run economic growth, and also, here is the importance of physical and human capital with respect to economic growth and tourism expansion.

### **3.5 Malta**

Malta depends on imports of many foods and animal feeds. It is also highly dependent on imports of fuel, and many manufacturing industries must import raw materials such as chemicals and other intermediate goods. Services dominate the economy, accounting for over 70% of GDP. Tourism is of primary importance, and the fact is that the number of visiting tourists fluctuates significantly, depending on outside factors. The direct contribution of tourism to the economy can be measured in terms of its contributions to GDP, to the balance of payments and to gainful employment. In recent years, tourist expenditure directly contributed around 15 percent of the Maltese GDP and 25 percent of foreign exchange inflows from exports of goods and services. Multiplier analysis related to Maltese incoming tourism would seem to indicate that tourism expenditure tends to have a higher multiplier effect than the bulk of merchandise exports, since the value added content of production associated with tourism tends to be relatively high (Briguglio et al., 2006). Tourism also contributed to the domestic economy through international transportation, since a considerable amount of incoming tourists use the national carrier, Air Malta, in scheduled flights and charter hire. In recent years, transportation expenditure associated with tourism amounted to an estimated 5 percent of foreign exchange inflows from exports of goods and services. At present, tourism does not contribute as much as manufacturing to the Maltese economy, in terms of

income and employment. However, the economic contribution of tourism is growing while that of, manufacturing is declining, and it is quite possible that within a decade the share of GDP originating from tourism will overtake that originating from manufacturing.

### **3.6 Macedonia**

Macedonia is a country with enormous tourism potential, with attractive and very diverse scenery in many places, interesting old towns and villages, a good local cuisine and welcoming people. However, tourism, especially international tourism, i.e. the export of tourism services, is extremely competitive, and standards of facilities offered elsewhere, including in neighbouring European countries, the most natural competitors for Macedonia, have risen substantially in the past two decades. Macedonia has not matched this progress. Moreover, is not an especially easy country to reach by air, with very few inexpensive flights, and has sub-standard road and rail links with most neighbouring countries. Quite clearly, the 2001 political crisis in the country, a time of serious tension between the country's ethnic Albanian and Macedonian populations, had a major negative impact on tourism. The number of tourists visiting Macedonia was generally over a million for each year of the 1980s, with total bed-nights averaging over 3.5 million per year. In the 1990s there was already some decline, but numbers collapsed in 2001 to 333,000 tourists and only 1.25 million bed-nights. Since 2001, numbers of tourists have come up again, reaching about half a million in 2006, with 1.9 million bed-nights. Even now, therefore, tourist numbers have only recovered to about half their 1980s levels. Moreover, within all the above totals, foreign tourist numbers fell further and have recovered less well than have domestic tourists. However, a study which emphasis the economic influence of tourism in Macedonia is shown by Petrevska (2012). The author's analysis show empirical evidence that tourism contributes to Macedonian economy and might be classified as important industry. The results suggest that Macedonia was not immune to negative shocks and it is normally to continue to face numerous and unexpected challenges in future. The undertaken in-depth analyses confirmed that tourism in Macedonia was infected by the world financial crisis. More specifically, the negative impacts were detected in the GDP created in tourism, as well as within the employees from tourism industry, thus producing series of damaging effects on the overall economy. Also, Petrevska underline that the domestic tourists, as well as the foreign ones, were faced with rapid decrease in consumer landing which consequently led to reducing the tourist inflows and outflows for 30% and 40% respectfully. Although some governments decreased taxes referring tourism and hospitality services in the line of assisting their tourism industries easier and quicker to recover, that was not the case with Macedonia. Regardless the discouraging shocks of the last financial recession and the declined projections for the current year, the forecasts predict that the upward trend in tourism development in Macedonia will continue.

Given this background, planning a better future for the tourism sector should entail at least the following steps within the framework of the recently adopted tourism development strategy which include promoting itself actively as a safe and welcoming tourist destination; building infrastructure relevant to the tourism industry; upgrading the skills needed for the tourism industry through well targeted training

programs focusing on language skills, service standards, etc.as well the financial infrastructure of the country (need for establishing upgrading modern standards that international visitors increasingly expect.

#### 4. DATA AND METHODOLOGY

We use World bank data<sup>1</sup> here from 1993 to 2012 to estimate the effect of tourism on the selected countries in the sample :Macedonia, Malta, Ireland, Spain, Italy, Greece. As a proxy variable for tourism we use tourist receipts, in the analysis we include and exchange rate as proxy for international prices this is REER (Real effective exchange rate) and Air departures as a proxy for transport infrastructure which is of importance for the tourism industry and the growth of the country. As a dependent variable in our models is per capita GDP growth variable. We apply OLS regression with country effects and we estimate three models, and also we use Dickey fuller technique on the residuals from the first model in the OLS regression to check for the cointegration of the variables.

##### 4.1 Definitions of the variables

Definitions of the variables that are being used in our models are given in the following table:

Table 1. Definitions of the variables

<b>GDP per capita growth(annual rate %)</b>	Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is gross domestic product divided by midyear population.
<u><a href="#">International tourism, receipts (% of total exports)</a></u>	International tourism receipts are expenditures by international inbound visitors, including payments to national carriers for international transport. Their share in exports is calculated as a ratio to exports of goods and services, which comprise all transactions between residents of a country and the rest of the world.
Real effective exchange rate index (2005 = 100)	Real effective exchange rate is the nominal effective exchange rate (a measure of the value of a currency against a weighted average of several foreign currencies) divided by a price deflator or index of costs.
Air transport, registered carrier departures worldwide	Registered carrier departures worldwide are domestic takeoffs and takeoffs abroad of air carriers registered in the country.

Source: State Statistical Office (various years, various publications).

#### 5. ANALYSES, RESULTS AND DISCUSSION

##### 5.1 Descriptive statistics

<sup>1</sup> <http://data.worldbank.org/>

Descriptive statistics of the model is of importance to have first insight in the values of the variables and their statistical properties.

Table 2. Descriptive statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
GDP per capita growth(annual rate %)	106	1.361604	2.966469	-7.95	6.21
<u>International tourism, receipts (current US\$)</u>	94	14.16819	9.142885	2.08	35.28
Real effective exchange rate index (2005 = 100)	114	4.581697	0.080826	4.39556	4.900076
Air transport, registered carrier departures worldwide	108	54.5	31.32092	1	108

Source: Authors' estimations

## 5.2 OLS regression and country effect analysis

In this section we do OLS regression on three models and we estimate cross-country effects. Three models are reported in the following table. We estimate the following functional forms

$$\gamma = \alpha + Tr + \eta + i + \varepsilon \quad (1)$$

Where  $\gamma$  is the economic growth in per capita terms variable,  $\alpha$  is the constant of the variable and are tourist receipts as percentage to export and  $\eta$  are the other two variables namely infrastructure variable and exchange rate. And  $\varepsilon$  is the usual error term, that is white noise error term that should follow normal distribution  $N(0 \sim \sigma^2)$  for the estimated coefficients to be BLUE(Best Linear Unbiased Estimators). And  $i$  are the countries that we control for.

Table 3. Reported regression results

Growth of GDP per capita is dependent variable						
	(1)		(2)		(3)	
Independent variables	Coef.	P> t	Coef.	P> t	Coef.	P> t
Tourism receipts	0.35	0.14	0.51	0.04	0.44	0.09
Exchange rate			-2.76	0.05	-2.85	0.04
Air departures					0.18	0.16
Malta	0.92	0.11	0.73	0.20	0.76	0.18
Ireland	-0.38	0.31	-0.80	0.06	-0.78	0.06
Spain	0.75	0.16	0.61	0.25	0.45	0.41
Italy	0.50	0.13	0.12	0.76	0.11	0.77
Greece	0.07	0.83	-0.32	0.40	-0.25	0.51
Constant	-0.33	0.68	12.17	0.05	12.09	0.05

<b>Functional form (p-value)</b>	0.0224	0.1921	0.2694
<b>R<sup>2</sup></b>	0.2542	0.3023	0.3272

Source: Authors' estimations

\*Macedonia is benchmark country in the three regressions

From the results we can observe that tourist receipts in all three models are positive and significant or nearly significant, especially in the presence of exchange rate, and exchange rate influences negative and statistically significant on economic growth per capita, in the presence of infrastructure variable signs on the exchange rate variable and air departures are as expected while infrastructure exerts positive relationship with economic growth. When we examine country effects only Ireland and Greece show negative relationship between economic growth and tourist receipts or more precisely more negative relationship against the benchmark country Macedonia. Coefficients on the other countries are reported in the table above.

### 5.3 Cointegration of the variables economic growth per capita and tourism receipts

Cointegration refers to the fact that two or more series share a stochastic trend (James, 2007). Engle and Granger (1987) suggested a two step process to test for cointegration (an OLS regression and a unit root test), the EG-ADF test.

From the previous regression we save residuals and test for stationarity. If two series do not contain unit root they are cointegrated<sup>1</sup>

Table 4. Dickey-Fuller test for unit root

Dickey-Fuller test for unit root		Number of obs = 50	
Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value
Z(t) -6.059	-3.58	-2.93	-2.6
MacKinnon approximate p-value	for Z(t) = 0.000		

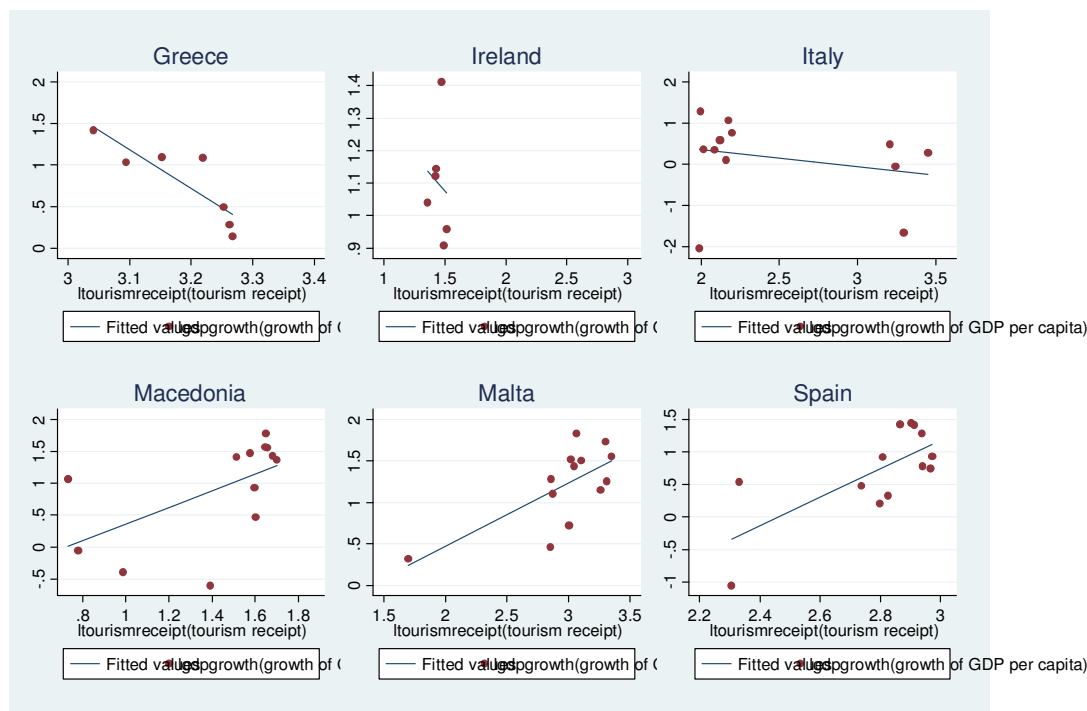
Source: Authors' estimations

Here we can see that the residuals do not contain unit root we reject the null hypothesis of unit root and accept alternative of stationarity.

### 5.4 Trend analysis

On the next graphs we just do visual inspection for a panel of countries to see in which panel we have positive and where there is a negative relationship between economic growth and tourism receipts.

<sup>1</sup> P-value is 0.000



From the above graphs we can see that Ireland, Italy and Greece have negative trends while in other countries such as Macedonia, Malta and Spain there is positive trend between these two variables.

## 6. CONCLUSION

From the above analysis, there is statistically significant proof, of the relationship between the tourism receipts and economic growth. This relationship is positive and merely significant. Also the residuals of this regression when tested for stationarity, proved that they do not contain unit root, i.e. that the two series (economic growth and tourism receipts) are co-integrated. This is in line with the proof for causality. On the other hand real effective exchange rate in presence of tourism receipts exerts negative and statistically significant relationship. While air departures as proxy for infrastructure exert positive relationship with economics growth in presence of exchange rate and tourism receipts. The implication is that international tourism expansion plays a relevant role for the economic growth in the economies mentioned above. The intense state intervention for tourism growth and especially for tourist economy, arises either directly from the performance of tourist infrastructure works or indirectly from the mechanism of funds and incentives. Generally, this is a characteristic feature of modern tourism, but also it is factual evidence that the state tries to develop tourism, which is regarded as one of the most important sectors of economic activity. Also, here is the meaning of the impact exchange rate arrangements on international tourism. All these countries are examples for economies that are moving faster with an important contribution of international tourism. In this way, governments should be aware of the potential positive role of tourism and thus how to gain a comparative advantage from such an economic activity.

## ACKNOWLEDGEMENT

This study was conducted as a part of the research project “Determination of tourist events in the East

region of Macedonia” financed by the Goce Delcev University - Stip, Macedonia (Ref. No. 0201-165/6 and 0801-139/31).

## REFERENCES

1. ACCA (2012a), SME Internationalisation in Central and Eastern Europe
2. Ayyagari, Meghana., Thorsten Beck, Asli Demirgüç-Kunt (2003), “Small and Medium Enterprises Across the Globe”, World Bank Policy Research Working Paper 3127, August, Washington D.C.
3. Briguglio L., Archer B., Jafari J., 1996, *Sustainable Tourism in Islands and Small States: Issues and Policies*. London: Cassell/Pinter
4. Cooper C, Fletcher J, Fyall A, Gilbert D, Wanhill S (2005) *Tourism: Principles and Practice*, Prentice Hall, Essex.
5. Engle, Robert F., Granger, Clive W. J. (1987) "Co-integration and error correction: Representation, estimation and testing", *Econometrica*, 55(2), 251-276.
6. Formica S, Uysal M (1996) The Revitalization of Italy as a Tourist Destination. *Tourist Management* 17, pp.323-331.
7. James H. Stock, Mark W. Watson., 2007. *Introduction to econometrics* 2nd ed., Boston: Pearson Addison Wesley.
8. Jenkins J (2006) The Role of the State in Tourism. In: Beech J, Chadwick S (eds) *The Business of Tourism Management*, Prentice Hall, Essex, pp 41-58.
9. Kehoe, T.J., C.Polo and F.Sancho (1995). An Evaluation of the performance of an Applied General Equilibrium Model of the Spanish Economy. *Economic Theory*, 6, 115-141.
10. McKenzie, M.D. (1999):"The impact of exchange rate volatility on international trade flows". *Journal of Economic Surveys* 13 (1), pp. 71-106.
11. Papatheodorou, A. (2005), The Demand for International Tourism in the Mediterranean Region, *Applied Economics*, Vol 31, 619 – 630.
12. Petrevska, B. (2012). *Tourism in Macedonia - Before and After the Crisis*, Conference Proceedings, International Conference “Faces of the Crisis”, Skopje, Macedonia, 63-70.
13. Porter, M. E. 2001. “Strategy and the Internet”, *Harvard Business Review*.
14. State Statistical Office of the Republic of Macedonia (various years). *Statistical Yearbook*, Skopje.

15. Tinsley , R . and Lynch , P . (2001) “Small Tourism Business Networks and Destination Development”, *International Journal of Hospitality Management* , 20, 4 , 11 – 14 .