

Tourism firms operate in a business environment in which innovation is important for firm survival. In spite of this, this book and its chapters combine considerations about tourism development. The growth of tourism refers to the gradual evolution of tourism which is an important factor for the productivity of a country's economy. When is measured the economic impact of tourism, it should be underline the essential causality among real GDP, REER and international tourism. 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. So, tourism should be seen as a moving factor with an important contribution for the economies.



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## Investment Driven Strategies in Tourism – Engine For Economic Growth



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**INVESTMENT DRIVEN STRATEGIES IN TOURISM SECTOR  
ENGINE FOR ECONOMIC GROWTH**

*By*

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Tourism firms operate in a business environment in which innovation is important for firm survival. In spite of this, there is an apparent lack of knowledge concerning innovation processes in tourism firms. This book and its chapters combines considerations about tourism development, such a change in thinking about tourism can contribute to two important changes in the planning and management of tourism in regional destinations — the use of a different set of assessment criteria for evaluating tourism development proposals, and the development, and more extensive use, of sustainability monitoring systems.

Also, chapters analyze the fact that Cities are the places where unbalance in the use of resources is most evident (they consume more resources than they generate), but at the same time they are the core of economic and societal innovation. Sustainable urban development makes it necessary to strike a balance, achieving the maximum of development opportunities and preserving at the same time the assets and the intangible elements that constitute the cultural identity of a country.

The growth of tourism refers to the gradual evolution of tourism which is an important factor for the productivity of a country's economy. 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 addition, the study covers estimation which measured the effect of tourism on economic development in Macedonia and Greece. 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. In this way, tourism should be seen as a moving factor with an important contribution for the economies.



## **Chapter IV**

### **EMPIRICAL ESTIMATION BETWEEN REER AND TOURISM-LED GROWTH**

by  
Tatjana Boshkov, PhD<sup>4</sup>

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.

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## 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. 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.

### **3.6 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. 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. 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.

	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.
<b>Real effective exchange rate index (2005 = 100)</b>	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.
<b>Air transport, registered carrier departures worldwide</b>	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).

## 7. Data and Methodology

In the analysis it is used World bank data<sup>7</sup> from 1993 to 2012 to estimate the effect of tourism visits in the capital city on the selected countries in the sample :Macedonia and Greece. As a proxy variable for tourism is used tourist receipts, in the analysis is also included 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 the models is per capita GDP growth variable. OLS regression is applied with country effects and its estimated three models, and also here is used Dickey fuller technique on the residuals from the first model in the OLS regression to check for the co-integration of the variables.

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<sup>7</sup> <http://data.worldbank.org/>

## 9. 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.

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