

Tourism and GDP Growth Linkage: Evidence from Developed and Developing Countries

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Abstract: *Tourism is still the world's huge industry and one of the fastest growing sectors. The importance of the contribution of tourism to an economy is a vital subject for policy makers. According to the World Tourism Organization (WTO), international tourism receipts generate approximately 6-7% of worldwide exports. Also it cannot be calculated true that the social benefits of tourism. For developed and developing countries Tourism is an important industry in terms of export earnings and employment. International tourism movements hold its righteous place in that they fix balance of payments, provide the necessary financial tools for the technological equipment used in the manufacturing process, increasing the employment and leading to economic growth (Arslanturk and Atan, 2012).*

International tourism receipts are major source of foreign exchange, especially for less-developed countries confronted by foreign exchange constraints. Therefore, promoting tourism industry in those countries has become a primary development strategy because tourism receipts together with export revenues that well ameliorate current account deficits (Oh, 2005 and Savas et al, 2010). It is possible that the increase (decrease) in tourism may or may not increase (decrease) the economic growth. Following the literature, three hypotheses can be categorized: first reciprocal causal hypothesis means that there is bidirectional causality between economic growth and tourism relationship. Second tourism-led economic growth hypothesis supported a unidirectional causality from tourism to economic growth. And the last economic-driven tourism growth hypothesis accepted if there is a unidirectional causal relationship from economic growth to tourism (Oh, 2005). Also it can be found that there is no causality between tourism and economic growth. In this paper we aim to investigate the nexus between tourism expenditure and real gross domestic product on developing and developed countries as a panel.

Keywords: *Tourism, GDP, economy, developed countries.*