UNIVERSITY OF GHANA

COLLEGE OF HUMANITIES

WELCOME THE STRANGERS ! TOURISM DEVELOPMENT, FOREIGN DIRECT INVESTMENTS AND ECONOMIC GROWTH IN SUB-SAHARAN AFRICA

BY

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DECLARATION

I do hereby declare that, except for references to other people's work which have been cited accordingly, this thesis is the outcome of my own research undertaken under the directives of my supervisors. This is the result of my own investigations and has not been presented either in part or in full for any other degree.

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CERTIFICATION

I hereby certify that this thesis was supervised in accordance with procedures laid down by the University of Ghana.

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DATE…….	**DATE……..**

DEDICATION

I dedicate this work to the Almighty God for His strength and provisions, and to my late mother, Miss Philomena Efua Asankowaa Baidoo.

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LIST OF ABBREVIATIONS

APTA	-	Association for the Promotion of Tourism to Africa
FDIs	-	Foreign Direct Investments
GMM	-	Generalised Methods of Moments
GTA	-	Ghana Tourism Authority
IATA	-	International Air Transport Association
ICT	-	Information Communication Technology
IMF	-	International Monetary Fund
MNCs	-	Multinational Corporations
MNEs	-	Multinational Enterprises
OECD	-	Organisation for Economic Co-operation and Development
SAGTA	-	South African Golf Tourism Association
SSA	-	Sub - Saharan Africa
UNCTAD	-	United Nation Conferences on Trade and Developments
UNECA	-	United Nations Economic Commission for Africa
UNDP	-	United Nations Development Programme
UNWTO	-	United Nations World Tourism Organisation
WTTC	-	World Travel and Tourism Council
ZTB	-	Zambia Tourism Board

ABSTRACT

Conventionally, an increase in international tourism receipts coupled with an upsurge in foreign tourist arrivals, into regions with many untapped investment opportunities, is naturally expected to trigger an influx of foreign direct investments (FDI) into such regions. Also, the resulting increase in FDI flows is believed to boost developments across many "green" and viable sectors, including tourism, within the host country upon equitable allocations of such foreign capital. The benefits from these mechanisms potentially include a holistic increase in economic growth in accordance with tourism-led economic growth, and FDI-growth hypotheses. Do these well embraced trends of arguments in literature hold in the case of Sub-Saharan Africa (SSA), in spite of the massive discoveries and booms within the natural mineral resource extraction industries among most SSA countries? Using data from the World Development Indicators (WDI), the study addresses this question by employing System Generalised Methods of Moments (GMM) estimation technique on a dynamic panel data from 42 SSA countries from the year 2000 through 2016.

Results show a bilateral causation between FDI and tourism developments, even though, the relationship is negative from FDI to tourism development, and positive from tourism development to FDI. This confirms the tourism-led FDI hypothesis. Further investigations reveal that the impact of general FDI on tourism development is particularly lesser for SSA countries with booming natural mineral extraction sector, and greater for countries with no booming natural mineral extraction sector. This also confirms the presence of the Dutch Disease Syndrome in SSA. Meanwhile, the tourism-led economic growth hypothesis is also evident from this study.

Key Words: *Dutch Disease, Economic Growth, Foreign Direct Investments, Sub-Saharan Africa, System Generalised Methods of Moments, Tourism Development.*

CHAPTER ONE

INTRODUCTION OF THE STUDY

1.1 Introduction

This chapter of the study introduces the concepts of Tourism Development, Foreign Direct Investments (FDIs), and Economic Growth, both in the global and Sub-Saharan African (SSA) perspectives. A problem statement which translates into the objectives of the study and research questions, with the accompanying significance of the study and resulting research hypotheses, are also discussed. The chapter then concludes with the dispositions of the entire work.

1.2 Background of the Study

Tourism, an interdisciplinary sector of the economy, has remained a significant contributor to global economic growth over the past three decades (Cao, Li, & Song, 2017; Yazdi, Nateghian, & Rezaie, 2017). Consequentially, tourism-led economic growth has trickled down to the world's major regions such as Sub-Saharan Africa (SSA), Asia, Europe, North and South America, just to mention a few (Obi, Martin, & Obi, 2016; United Nations Conference on Trade and Development (UNCTAD), 2016; World Tourism Organisation (WTO) tourism highlights, 2017).

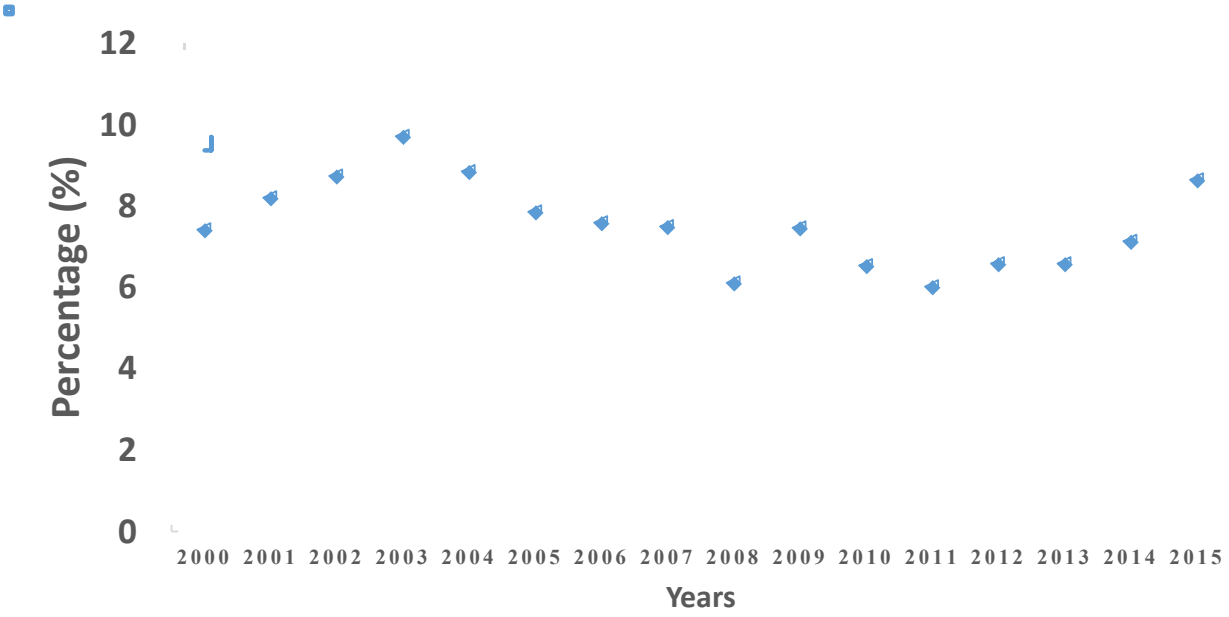
On a global perspective, tourism is responsible for 9.1 percent of the world's Gross Domestic Product (GDP), contributing about US$ 6 trillion (WTTC, 2011). Already accounting for 8.8 percent of the world's total employment, 5.8 percent of the world's total exports coupled with a 4.5 percent of global investments and production capacity expansion, the World Travel and Tourism Council (WTTC) convincingly estimates the contribution of tourism in job creation to be

3.8 million in SSA alone from 2013 to 2023 (WTTC, 2013). This confirms that tourism is growing faster in most developing regions, especially in SSA, whose number of tourist arrivals increased by 3.7 percent, even though that of the world experienced a decline of - 4.3 percent during the 2008 and 2009 economic crises (World Bank, 2011; UNWTO, 2010).

Inferring from the numerous economic benefits derived from tourism, it is evident that the potential contributions of the sector to economic growth within the sub-region is remarkable, and may possibly take a geometric trend in the future. For instance, in 2007 alone, tourists spent US$ 295 billion in global emerging countries (World Bank, 2011). This placed SSA as the second most growing region in tourism next to Asia Pacific, with tourism receipts recording an average of 7.54 percent of the region's total export proceeds over the years from 2000 through 2016 (UNWTO, 2010; Samimi, Sadeghi, & Sadeghi, 2013; UNCTAD, 2017). Furthermore, tourism contributed 2.7 percent of the GDP of countries within SSA in 2011 (World Bank, 2013).

Diagrammatically, the constant appreciable contribution of total international tourism receipts as a percentage of export proceeds to the SSA sub-region is depicted in figure 1.1 below.

Figure 1.1: Percentage of International Tourism Receipts on Total Exports for SSA



Source: Author's Output with WDI data

In addition to the above facts, tourism is noticed to be playing significant role in multi-sector economic growth, evidenced in sectors such as mining, construction, light-manufacturing, agro-business, information communication technologies (ICT), education, just to mention a few. To this effect, tourism is said to be a catalyst for the increase in domestic consumption in the transport, real estate, retailing, and even agriculture sectors, by foreigners (Akinboade & Braimoh, 2010; Antonakakis, Dragouni, & Filis, 2015; Oh, 2005; Webster, 2007). According to Michell and Ashley (2009), improvements in tourism also help alleviate poverty in host countries through direct earnings from formal and informal jobs, and indirect spillover effects from non-tourism related trades. Tourism also empowers women, changes adverse notions about nations, as well as causes inflows for the conservation of cultural and monumental heritages (World Bank, 2011).

In spite of the many derivable benefits, the tourism sector in SSA still remains one of the industries that has received less attention from local and foreign investors (UNCTAD, 2016). Indeed, Ankomah and Crompton (1990), Butler (2010), and Obi et al. (2016) emphatically opined that inadequate local and foreign investments into SSA's tourism industry is the root cause of the numerous limitations, such as inadequate access, weak institutions, and inadequate infrastructural base, within the sector.

Owing to this chief cause of hindrances in the tourism sector, various long-term plans and policy guides have been structured by most SSA countries on tourism developments, together with documentary directives from international bodies such as UNWTO, World Bank, and UNCTAD in the late 1990s and early 2000s, with the ultimate aim of employing innovative means to increase foreign capital flows in the form of Foreign Direct Investments (FDIs) into the sector.

As a harvesting response to SSA's adherence to these countless national and continental efforts and directives, composite and tourism-led foreign direct investments (FDIs) inflows into the region seem to have experienced remarkable increments over the last three decades (Sirakaya, Teye, & Sönmez, 2002; Sobral, Peci, & Souza, 2007; Toh, Khan, & Lim, 2004; World Bank, 1997, 2005, 2016). With the constant increments in the number of tourist arrivals into SSA over the decades, one will believe that these foreigners tend to bring foreign capital flows, both directly and indirectly, into the tourism industry of the host countries, thus a gateway for improvements within the tourism sector as well as the overall stance of economic growth in the sub-region (see Butler, 2010; Samimi, Sadeghi, & Sadeghi, 2013).

However, taking clue from the proponents of the Dutch disease theory (Capó, Font, & Nadal, 2007; Corden, 1984; Corden & Neary, 1982; Kremer, 1986; Davis, 1995), the mere influx of FDI into a sub-region like SSA may not necessarily lead to improvements in the tourism sector. This may be so because the booming natural mineral resource extraction sector present in most SSA countries may potentially absorb a chunk of such foreign investments. With most SSA countries depending heavily on revenues from natural mineral resources extractions, it is prudent for the sub-region to be cautious of this Dutch disease syndrome.

1.3 Problem Statement

The pursuit and quest for universal economic growth among SSA economies have compelled its member countries to employ efforts with the aim of concurrently improving the sub-region's tourism development and FDIs inflows.

Figure 1.2: A scatter plot showing the relationship between FDI, net (Balance of Payment (BOP), current US$) and International Tourism Receipts (current US$) in SSA, Year 2000 – 2016.

Source: Author's Output with WDI data

Observationally, these two vehicles and routes to the sub-region's holistic economic growth have experienced tremendous improvements over the two most recent decades. Figure 1.2 above exhibits the simultaneous improvements in tourism development (measured by International Tourism Receipts (current US$)), and net FDI inflows over the period of 2000 to 2016 in SSA.

Without setting out to investigate the likely impact of one route to regional economic growth improvement (say, FDIs inflows promotions) on the other equally pursued routes (in this case, tourism developments promotions) at the continental level, SSA countries have structured different strategies to simultaneously drive both FDIs inflows and tourism improvements towards economic growth. There is therefore a debate portraying an existence of duplication of efforts by SSA governments and non-governments agencies to achieve universal economic growth through numerous complementary routes. This has resulted into an unanswered question as to whether SSA member countries are truly duplicating efforts towards a concurrent improvements in FDIs inflows and tourism developments, in the name of achieving a holistic regional economic growth. Again, the debate as to whether the sub-region can attain success by channeling efforts into only one vehicle to economic growth; by either improving FDIs inflows, and/or tourism development, remains empirically unexplored.

Also, the current sparse literature (which even concentrate on regions other than SSA) that seek to explore the possible links among tourism developments, FDIs and economic growth have specifically concentrated on the impact of only tourism-related FDIs on tourism developments

(see Tang et al., 2007; Fauzel, Seetanah & Sannassee, 2016; Samimi et al., 2013). These studies ignored the potential full impact of "general or total" FDIs inflows on tourism developments. There is therefore an unturned stone of spillover effects in literature, which ought to be investigated empirically, with the aim of accounting for the full impacts of total FDI on tourism development and economic growth in SSA.

Moreso, Samimi et al. (2013), Sonne, Bécherel, Addo, Fabricius, Fletcher, Whitehead, and Ankama (2013), and UNWTO tourism highlights (2017) observed that empirical studies that seek to test and establish the potential two-way flows or bidirectional relationships between tourism developments and total FDIs are very scarce, if any, in literature, despite the various theoretical potential linkages.

In addition, the ensuing possibility for most SSA countries to be facing the popular Dutch disease syndrome, where discovered and booming natural mineral resource extraction sector within most economies may be obstructing the flow of FDIs into tourism developments, is also left unexplored in literature. This is because existing studies including Lea (1988), Sinclair (1998), Katircioglu (2011), and, Sinclair and Stabler (2002), which are even outside SSA, have exclusively and primarily explored only on the possible link between tourism development and FDIs, ignoring the potential different impacts FDIs might have on tourism developments in these two different categories of economies; economies with discovered and booming natural mineral resource extraction sector, and those with none. The clue is inherited from the findings of Davis (1995), Kremer (1986) and others who argued empirically that booming natural mineral resource

extraction sector potentially shrinks other sectors within the same economy (by snatching and attracting more resources) due to reallocation of foreign direct investments in such economies.

Further, Obi et al. (2016), Durbarry (2004), Odhiambo (2011), Oh (2005) and Webster (2007) also reiterated the fact that previous literature have under studied the contributions of tourism in economic growth in contemporary era even though international tourism receipts have consistently experienced upsurge in SSA and other sub-regions over the two most recent decades. To these earlier scholars, enough empirical works have not been put across to solidify the diverse ways through which tourism contributes to national and global economic growth.

To this effect, Butler (2010), Pablo-Romero and Molina (2013), and, Beghin, Maertens and Swinnen (2015) pointed out that sparse literature on the potential contributions of general FDI and tourism on economic growth is one of the key reasons why the tourism industry, especially those within developing sub-regions like SSA, have consistently received inadequate funding from both local and foreign investors. The quest for SSA countries to increase economic growth through developments in tourism and increase in FDI inflows may not be realized in a situation where there are limited empirical works in support of these theoretical claims. In addition, SSA countries with or without discovered and booming natural mineral resource extraction sector stand empirically uninformed on the exact specific interrelations among FDIs, tourism development, and economic growth, making it difficult to design and implement strategies and policies against the suspected and probable Dutch disease syndrome befalling the continent.

1.4 Purpose of the Study

Following the above gaps in literature, this study primarily seeks to explore the independent impacts of tourism development and total FDIs inflows on SSA's aggregate economic growth. Secondly, the potential bidirectional relationship between total FDIs and tourism in SSA is examined. Given that the impact of total FDI on tourism developments may be mild due the presence of booming natural mineral resource extraction sector in most economies within SSA, the potential presence of the Dutch disease syndrome will also be investigated.

1.5 Research Objectives

The core aim of this study is to investigate the nature of the relationship between foreign direct investment and tourism development, and their independent impact on economic growth, in the case of SSA using a dynamic panel data covering a period from 2000 through 2016. In line with these, the study focuses on the following specific objectives;

i. To investigate the impact of tourism development and foreign direct investments on economic growth in Sub-Saharan Africa.
ii. To determine if the relationship between tourism development and foreign direct investments is bi-directional in the case of Sub-Saharan Africa.
iii. To investigate whether natural resources moderate the effects of FDI on tourism in the case of Sub-Saharan Africa.

1.6 Research Questions

With the goal of achieving the above objectives of the study, the following questions shall serve as roadmaps.

i. Are the impacts of tourism development and foreign direct investments on economic growth statistically significant in the case of Sub-Saharan Africa?
ii. Is the relationship between tourism development and foreign direct investments bi-directional in the case of Sub-Saharan Africa?
iii. Do natural resources moderate the effects of FDI on tourism in the case of Sub-Saharan Africa?

1.7 Research Hypotheses

The study expects positive independent impacts from both FDI and tourism development on economic growth. This implies that as FDI flows and tourists' visitations increase in SSA, the sub-region experiences increment in economic growth. The first hypothesis is therefore set following Agbloyor, Abor, Adjasi, and Yawson (2014), and Samimi, Sadeghi, and Sadeghi (2013) who argued that increment in foreign private equity flows and tourism visitations leads to job creations in the host country, transfer of production oriented technologies, generation of revenues to governments as well as individual citizens, thus, translating into economic growth at large. This hypothesis is stated as:

H_0: There are no significant impacts of tourism and FDI on economic growth in SSA.

H_1: There are positive significant impacts of tourism and FDI on economic growth in SSA.

Again, following the findings of Tang et al., (2007), Bezic and Radic (2017), Yazdi, Salehi, and Soheilzad (2017), and Yazdi, Nateghian, and Rezaie (2017), the study expects a positive bi-directional relationship between FDI and tourism. Even though earlier findings on the causality between FDI and tourism have remained mixed in literature (Fauzel et al., 2016; Obi et al., 2016; Perić & Radić, 2016; Tomohara, 2016), the study expects a positive bi-causal relationship between the concepts. To this effect, the next two hypotheses are stated below as:

H_0: There is no significant impact of FDI on tourism in SSA.

H_1: There is a positive significant impact of FDI on tourism in SSA.

H_0: There is no significant impact of tourism on FDI in SSA.

H_1: There is a positive significant impact of tourism on FDI in SSA.

Lastly, in congruence with the arguments levelled by Davis (1995) and Kremer (1986), coupled with the fact that most SSA economies heavily dwell on booming natural mineral resource extracting industry, there is the general expectation that the Dutch disease will be prevalent in the sub-region. In line with this, the final hypothesis is stated below as:

H_0: Natural resources do not moderate the effects of FDI on tourism in SSA.

H_1: Natural resources do moderate the effects of FDI on tourism in SSA.

1.8 Significance of the Study

The study would contribute immensely to three areas; academia, policy making, and to existing literature.

To academia: Dwelling on the theoretical links among tourism, FDIs and economic growth in SSA, the study would further provide an empirical backing based on which universities and professional bodies would inculcate in their curricula current empirically proven findings and issues with the ultimate aim of promoting tourism developments and the increment in FDIs flows into the sub-region. Also, this would sensitize generational learners on the potentials of both tourism and FDIs as key economic growth vehicles within SSA.

To policy makers: The empirical findings of the study would inform key international, governmental and non-governmental bodies as well as various local governmental agencies and many others, on prudent policy suggestions that will maximize the contributions of the tourism industry and FDIs flows on national economic growth.

To existing literature: This study would contribute to the sparse existing literature that seek to explore the links among tourism development, FDI and economic growth, most especially, in the context of SSA.

1.9 Organisation of the Study

The study has been presented in five chapters summarized as follows;

Chapter One: This chapter of the study constitutes the summary of the entire research. It covered the introductory overview of the study, statements of the problem, research objectives and questions, significance of the study to academia, policy makers and industry. The chapter concludes with organization of the entire study.

Chapter Two: The second chapter of the study consists of the literature review of the research. It discusses the connotations and definitions that earlier scholars ascribed to the concepts of tourism, foreign direct investments and economic growth. Various theories that seek to explain the links among these concepts are also reviewed. The chapter further discusses thoroughly the various determinants of tourism growth, and the determinants of FDIs as enshrined in earlier studies across

the globe. Finally, the chapter concludes with a review of literature on the impacts of tourism and FDIs on economic growth.

Chapter Three: The third chapter covers the methodology, the main plan towards the gathering, analysis, interpretation and presentation of relevant data in support of the study. Thus, the research setting, research population, as well as the mode of data collection are spelt out in this chapter. Econometric models that are employed in the studies are also spelt out, with explicit definitions of all the independent and dependent variables involved. The chapter continues to throw more lights on the research tools used to conduct and generate the various statistical tests and results respectively. The limitations and challenges that the researcher encountered during the execution of the various statistical tasks as well as their effects on the results of the study are also discussed in this chapter.

Chapter Four: The forth chapter of the study presents the data gathered and analysed by the researcher into the appropriate forms that create visual and empirical meanings to the outcomes of the research. The major findings of the study, the impact of tourism on FDI flows, the impacts of FDIs flows on tourism, and the independent impacts of FDIs inflows and tourism development on economic growth within SSA, are also extensively discussed in this chapter. Comparisons of the study's findings will also be made against existing literature.

Chapter Five: The last part of the study gives an overview summary of the findings and conclusions from the study. Major policy-oriented recommendations geared towards

improvements in the performance of the tourism industry across SSA, and increments in FDIs flow into SSA are also leveled and discussed to support academia, policy formulations, and existing literature.

1.10 Conclusion

In summary, the chapter covered the background of the study, and stresses on the problem statement and the motivations necessitating the explorations the concepts understudy in the context of SSA. The study's purpose, objectives, hypotheses and significance are also outlined. The chapter concluded with the organizational structure for the entire work.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review section of the study will have three main parts. The first part will describe and present definitions and connotations of the main concepts under study; FDI, tourism and economic growth. The second part will then cover theoretical thoughts and models that support and explain the various key concepts under study. Thirdly, major relevant empirical contributions from earlier studies in these areas of study will be discussed with the view of reflecting on what exist already. Lastly, this section will position the study differently with the motive of making useful contributions to the subject matter.

2.2 Defining FDI, Tourism and Economic Growth

FDI

The quest for foreign operations on the part of most multinational corporations coupled with numerous financial and non-financial benefits have necessitated the flow of resources across economies in the form of Foreign Direct Investments (FDIs). Traditionally, the descriptive scope and dimensions of FDIs have experienced significant revolutions even in the hands of recognized international bodies such as the International Monetary Fund (IMF) and UNCTAD.

The IMF's manual on Balance of Payment (BoP) gives a percentage of ownership that ought to be achieved by international inflows in host countries' enterprises for it to qualify as FDI. In agreement with IMF's stipulated percentage of ownership, the Organisation for Economic Co-

operation and Development (OECD) also recognizes FDI to be in existence when a non-resident individual, institution or enterprise obtains a lasting interest of 10% and even more in an enterprise that operates in an economy other than that of the home investor (Duce & España, 2003). In the same vein, the World Bank, and Griffin and Pustay (2007) similarly define FDI as net flow of resources with the aim of securing lasting management and voting interest and influence, at least 10% or even more of voting rights, in a corporation operating in an economy other than that of the direct investor. Further, the World Bank computationally outlines the compositions of FDI to include sum of residual equity capital injections, earnings on retained profits and some long and short term debt capitals.

Interestingly enough, the primary core similarity among these various connotations of FDI has been the desire on the part of MNEs to attain controlling interest in foreign entities with the view of expanding and maximizing returns and operational results.

Amin and Khalid (2014) theoretically outlined two major forms of FDI; Horizontal and Vertical FDI. With the Horizontal FDI (HFDI), MNEs provide the same goods and services in economies other than the home of the parent enterprise. This HFDI according to Maskus (2002) and Haile and Assefa (2006) was the major motive and strategy employed by most Chinese and Japanese companies to achieve huge market shares across the globe in the early 2000s , and is projected to continue at a significantly higher speed. Also, in the case of Vertical FDI (VFDI), the motive is to aid MNEs to produce goods and services usually at different production stages across the globe.

A thorough reflection on the various connotations of FDI brings this major point to light; an expansion in the operations across an enterprise's home country, with the view of gaining extra market and also controlling major resources in the host country. The focal point of these definitions is a confirmation of the most influential framework mostly employed in investigating the determinants of FDIs; the Dunning's Eclectic Paradigm or OLI theory. This popular theory combines the ownership, location as well as the internationalization forces to explain productions financed through FDI and by MNEs (Dunning, 1995, 2000, 2003; Dunning & Lundan, 2008; Stoian & Filippaios, 2008).

Tourism

The true description of tourism experienced huge debate in the late 1970s and early 1980s. Within these periods, tourism's definition encountered several transformations through the works of earlier scholars in the field (Jafari, 1987; Jafari and Ritchie, 1981; Lieper, 1979). For instance, in 1975, the American National Tourism Policy Study defined tourism as "the action and activities of people taking trips to a place or places outside their home communities for any purpose except daily commuting to and from work".

Two years later, Jafari (1977) defined tourism as " the study of man away from his usual habitat, of the industry which responds to his need, and the impacts that both he and the industry have on the host's socio-cultural, economic and physical environments".

Coupled with the above definitions, Murphy (1985) restrictively defined tourism as "the sum of ...

the travel of non-residents (tourists, including excursionists) to destination areas, as long as their sojourn does not become a permanent residence. It is a combination of recreation and business".

The coverage of these and other earlier connotation for the concept of tourism arrived with some shortcomings towards the importance and attention governments, earlier scholars, investors and policy makers gave to businesses in the tourism sector (Smith, 1988). According to Smith (1988) and the Canadian National Task Force on Tourism Data (1984-1988), these earlier descriptions given to tourism posed two main shortfalls; the non-recognition of tourism as a potential industry on itself, and the omission of the supply-side of tourism industry (that is, excluded those who provide goods and services to satisfy the needs and wants of tourists, and concentrated solely on the demand-side of the industry). These shortfalls had repercussive effects on businesses within the tourism sector. Perennially, tourism lost its reputation in the minds aforementioned economic stakeholders, rendering no future for the sectors, and leading to abysmal and low investments channeled into the sector.

Recognizing the havoc earlier connotations brought on the reputation of tourism, Smith (1988), under the direction of the Canadian National Task Force on Tourism Data, which was formed in 1984, developed a comprehensive definition to suit the concepts, after several deliberations and meetings. Smith (1988) therefore documented that;

> *"tourism is the aggregate of all businesses that directly provide goods or services to facilitate business, pleasure, and leisure activities away from the home environment"* or *"tourism as an industry, is the aggregate of all retail businesses that produce commodities for the traveler, regardless of his motivations or other personal characteristics"*.

This more important definition of tourism considered tourism as an industry made up of many participants, and further included motives of tourists such as business, pleasure, and leisure, not forgetting the fact that one ought to be away from the "home environment (at least 50 miles or stay overnight)", to be part of the broad concept. One key contribution of this operational connotation of tourism as a concept is the ease with which the main players present in the industry would be identified, in order to gather and build quality and reliable database. This will help policy makers and analyst accurately measure the impacts of the industry on economic growth, and thus, the need to channel more investments into that sector.

Economic Growth

Improvements in productivity within an economy has its bearing from many sources including advancement in technology, development in human capital, increase in infrastructure, increase in savings, just to mention a few (Amin & Khalid, 2014; Asiedu, 2005; Agbloyor et al., 2013; Perić & Radić, 2016; UNCTAD, 2016). As a key example cited by Amin and Khalid (2014), the agricultural sector experienced tremendous enhancements in outputs during the 1940 and the 1970s because of Green Revolution which brought about the emergence of better and more yielding hybrid grains across the globe.

Conventionally, economic growth is referred to as increments in potential outputs in relations to a country's goods and services over a period of time, usually one year (Balaguer & Cantavella-Jordá, 2002) . Growth is usually reflected in increase in aggregate demand and observed outputs in real

terms, after adjusting for any influence and distortions from inflation on the prices of products (Ghali, 1976). Traditionally, GDP growth is therefore measured as the comparative change (increase or decrease) in real products and output of an economy.

According to Iamsiraroj and Ali (2015), a positive growth is an indication of economic expansion in the form of higher outputs, reduction in unemployment, increase in incomes, consumptions, savings, government revenues, international and domestic trade volumes, as well as improved standards of living among citizens. In contrast, a negative growth will show a reverse, and or an adverse net effects from the movements in the above listed indicators (Iamsiraroj & Ali, 2015).

2.3 Review on Theoretical Models and Concepts

The study is backed by the theories of production cycle theory of Vernon, theory of exchange rates on imperfect capital markets, the internationalization theory, Dutch disease theory, and eclectic paradigm of Dunning. Each of these theories is explained, with specific relevant reference to this study.

2.3.1 Production Cycle Theory of Vernon

One of the key early theories that sought to explain the FDI flows across countries is the production cycle theory developed by Raymond Vernon in 1966. The theory which advanced the presence of four major phases of production cycle; innovation, growth, maturity, and decline, was designed to explain the sudden flow of FDI from U.S. based corporations to Europe after the Second World War (Denisia, 1998). This resulted from a tremendous increase in the demand for products by Europe, which was capitalized on by the Americans, thus, compelling them to export on the basis of the technological advantage they had over their competitors like Japan, Australia and Canada.

However, according to Cantwell (2009) and Vernon (1979), in spite of the standardization in products that were achieved by the U.S. companies, at a point in time, European firms started imitating the American's products. This triggered U.S. companies to protect their technologies and secure their market share by rather producing in the local European markets. This obviously accounted for the huge influx of FDI between 1950 and 1970 from U.S to Europe.

Even though this theory was valid in explaining FDI flows between these two economic giants, Vernon (1966) postulated that because most leading MNEs have now developed stronger global allies through acquisitions of subsidiaries, coupled with the fact that the U.S. market no longer possesses extraordinary advantages in terms of size and less production factors' cost, it is now less plausible to associate FDI flows to production cycles.

2.3.2 Theory of Exchange Rates on Imperfect Capital Markets

This theory revolves on the impact of foreign exchange rates among the currencies of various countries on potential FDI flows. According to Alfaro et al. (2004), Dunning (2003), and Stoian and Filippaios (2008), countries with stronger and continuously appreciating currencies turns to experience reduction in FDI inflows and increments in FDI outflows. This was a confirmation of an earlier empirical work by Cushman (1985) who concluded that the appreciation of dollars led to a 25% reduction in FDI inflows to U.S.

Following these lines of arguments, one would conclude that once a country is "loosely" advantaged or disadvantaged by either currency depreciation or appreciation respectively, per this theory and in the light of FDIs flows, simultaneous flows in and out of that single country is expected not to occur. Put differently, each country ought to either experience FDI inflows or outflows at a time, depending on state of her currency's price to that of other countries'. For the reason that this assumption is unrealistic and that irrespective of the currency strengths of countries across the globe, there is almost always a two-way concurrent flow of FDIs among many nations, Denisia (1998) argued that the currency risk rate theory is redundant and unable to explain simultaneous FDI flows in our practical world.

2.3.3 The Internalization Theory

The internalization theory has travelled through numerous developments after it was first introduced by Ronald Harry Coase in November, 1937 in his work entitled "The Nature of the Firm" (Casson, 2015). Coase (1934) primarily introduced the then two most prominent determinants of economic resource allocations; inputs and outputs price mechanisms, and entrepreneur's plans as alternative coordinating instruments, all in the name of building strong internal capacities and industrial strengths over and above domestic and global competitors. Following Coase (1934) and Buckley and Caasson (1976), Hymer (1976) further established the various factors that drive the behaviours of transnational firms in deploying FDI across nations. For instance, Hymer (1976) postulated that the two most important determinants and motives of FDI flows from transnational corporations are first to eliminate competition, both local and abroad, and also to enable firms fully utilize specific advantages in production. This confirmed the findings of Buckley and Caasson (1976) who opined that firms do everything possible to develop specific internal advantages through their internal organization with the aim of exploiting markets.

To them (Buckley, 2015; Casson, 2015; Coase, 1937), FDI is more of firm-level specific decision than just an avenue of moving funds across various capital financial markets, and that MNEs operating within most service providing and goods producing industries, including tourism, would like to leverage funds into foreign markets in the form of FDI due to the levels of efficiencies and quality of products they would want to maintain even across their local borders. To this effect, the confidence gained by MNEs to leverage and increase FDI flows to external markets partly emanates from the high levels of internally built up advantages that works perfectly even outside their home countries (Verbeke & Kano, 2016).

Following the above arguments, the study seeks to test the existence of the internalization theory by exploring the extent and ability for MNCs to extend FDIs into SSA's industries, specifically tourism, through the establishment of a potential positive significant relationship from FDI to tourism and vice versa.

2.3.4 The Eclectic Paradigm of Dunning (O-L-I Theory)

Even though the eclectic paradigm started gaining popularity in the 1976 after its founder, the late Professor John Harry Dunning, a British economist, introduced the concept at a Nobel Symposium in Stockholm, the idea was conceived in the mid-1950s during his PhD thesis writing (Dunning, 1995, 2003, 2008; Dunning and Lundan, 2008). After several series of transformations, criticisms, inputs and additions, the theory ended up to encapsulate three interrelated and dependent sub-paradigms namely; ownership advantage sub-paradigm, location advantage sub-paradigm, and internalization advantage sub-paradigm. For this reason, the theory was commonly referred to as

OLI paradigm (signifying, Ownership, Location and Internalization advantages respectively) by some works in the 2000s (Bezuidenhout and Grater, 2016; Dunning and Lundan, 2008). Contemporarily, some other "phonetic-conscious" scholars including Tang et al. (2007) referred to it as OIL theory instead, even though the underpinning ideas still remain the same. By far, this theory has remained the most influential model employed to theoretically explore the driving forces of FDI flows across the globe (Stoian, 2013; Stoian and Filippaios, 2008).

The eclectic paradigm of Dunning primarily emphasizes the depths and trends of international productions through the use of FDI by MNEs by combining the three different theories of FDIs flows.

According to Denisia (1998, p. 5), the ownership advantage sub-paradigm (O advantage) consists of intangible assets that are exclusively in the possession of MNEs which may be leveraged to other host firms outside the home of the MNE. Such assets are deemed to generate benefits such as higher income and or lower costs upon their transfer to the FDI host regions. Drawing clues from Dunning (1973, 1980, 1988), Denisia (1998, p. 5) also identified market monopoly through MNEs' access to scare resources, innovations through MNEs' technological advancement, and various other benefits from economies of large scale, to constitute the main ownership advantage forces propelling FDI flows across the globe.

On the location sub-paradigm (L-advantage), Denisia (1998, p. 5) emphasized clearly that the level of specific quantitative and qualitative productions factors and conditions, favouring political

incentives, as well as welcoming FDI social advantages including potential host countries' cultural diversities and attitudes towards strangers, strongly determine the most appropriate country to host FDI from MNEs.

Also, the final leg on the eclectic paradigm or theory, the internalisation sub-paradigm (I-advantage), gives alternative gateway for companies to combine their internal strength with that of foreign opportunities with the aim of satisfying cross-border markets. For this reason, MNEs prefer establishing full production lines through the use of their O- advantages (huge assets base), and the L-advantages (present in their new foreign environments), to effectively exploit their internal (I-advantages) strengths, thus, ruling out other options like granting of franchises and licenses to other firms to operate on foreign lands.

Putting all together, Dunning (2000, 2001, p. 4, 2003, 2009) and Dunning & Lundan (2008) spell out the three factors and forces that interplay to bring the OLI theory into fruition as;

1. The fact that the net ownership and competitive advantages inherent in the operations of MNEs ought to outweigh those of the firm(s) in the FDI receiving country and region, in this case, firms within SSA.
2. The degree to which these MNEs convince themselves to attain more benefits by internalizing host countries' markets through the use of their (MNEs) assets ownership advantages.
3. Finally, the willingness on the part of such MNEs to locate production centers to host countries and regions.

Following the above arguments, this study seeks to potentially investigate whether the tourism industry in SSA possesses some levels of L-advantages in the form of well diversified cultural base, hospitable attitudes towards strangers, many under-developed tourist sites, good weather conditions, just to mention a few, which MNEs seek to use their O- and I- advantages to fully explore towards market seeking and eventually, profit maximizations. As such, the eclectic paradigm will be confirmed in this study when tourism positively and significantly trigger the flow of FDI into SSA.

2.3.5 The Dutch Disease Theory

According to Capó, Font, and Nadal (2007), the Dutch disease theory was first introduced by early economists including Corden (1984), and Corden and Neary (1982) as they interpreted how the production sector reacts to both local and external demand and prices of goods and services, especially in periods where there is a boom in the exportation of a new good. This new good might have emanated from the discovery of natural resources in the local country. More specifically, the theory originated from the economic challenges that surrounded the Netherlands in the 1970s as the country's natural gas production boom triggered a massive shrink in her traded goods production sector (Kremer, 1986).

Davis (1995) also observed that the Dutch disease is often experienced when a single economy habours both booming and non-booming sectors concurrently, usually as a result of a temporal or a sustained increase in export earnings. According to Davis (1995), as demand for normal traded goods (goods whose demand can be satisfied by both local supplies and imports) and non-traded goods (goods whose demand can only be satisfied domestically) increases because citizens of

nations with booming mineral extraction sectors have turned wealthier, the relative prices of the host country's non-traded goods increase. This results from the potential appreciation in real exchange rates between the host country and the rest of the world. Rationally, resources are reallocated from the traded goods' sector to non-traded goods' sector, eventually leading to an expansion of some particular industry (ies) at the expense of others.

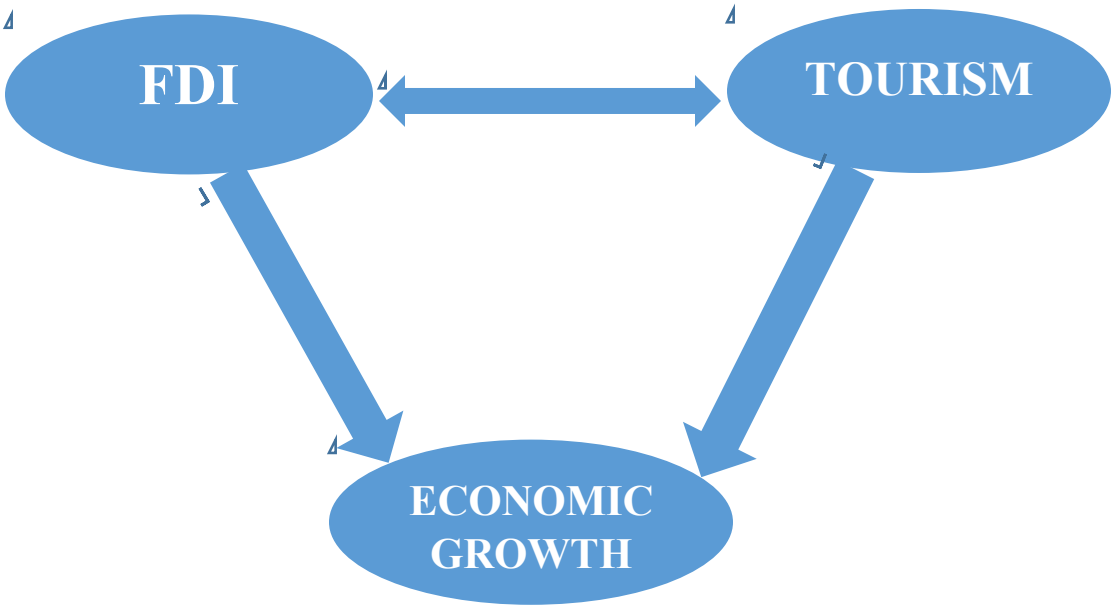
Many economic grounds have been leveled in literature as underlying phenomena that breed the Dutch disease syndrome among nations. Davis (1995) notably explained that the Dutch disease is usually experienced in economies who suddenly discover and export minerals on commercial quantities. Adding to the main cause explained above, Capó, Font, and Nadal (2007), Bandara (1995), and Forsyth and Nicholas (1983) further expanded that a huge shift in demand, and an increase in the inflows of foreign capital also leads to the emergence of the Dutch disease in the host economy. Van-Wijnbergen (1986) and Usui (1996) also postulated that excessive inflow of foreign aids to developing countries potentially leads to the Dutch disease as domestic consumption changes in the host countries. This speculatively signifies the possibility for a region like SSA to be unknowingly experiencing this diseases over decades as the inflow of FDI increases into the region, coupled with mineral discoveries by majority of SSA countries from the 1990s till now.

2.4 Theoretical Framework

The theoretical potential interplays among FDI, tourism and economic growth which form the basis for this study is illustrated below in figure 2.1. This framework is constructed bearing in

mind the four various hypotheses under review. Also, the objectives of the study coupled with extant review of related works fed into the formulation of this theoretical framework.

Figure 2.1: A Pictorial Framework on the interrelationship among FDI, Tourism and Economic Growth.



Source: Author's own hypothetical framework

The conceptual framework above primarily portrays the potential transmission mechanisms among FDI, tourism development and economic growth within the context of SSA. To this effect, the study hypothesizes a potential reverse causal relationship between FDI and tourism development. That is to say, on one half of the argument, an increment in the developments of the tourism sector in SSA will lead to an increment in the numbers of tourists' visitations into the sub-region. This in turn will trigger a responsive increment in the flow of FDIs into the tourism industry and some other industries, as these tourists discover many viable investments opportunities within the sub-region upon their visits.

On the other hand, an inflow of FDI into various sectors, including the tourism sector, is expected to result into significant development in the tourism industry in the form of improvements in the infrastructural base of the industry, transfer of modern and efficient modes of tourism service deliveries from MNEs to SSA, and increase in numbers of tourists' visitations and revenues from tourism related transactions and businesses, just to mention a few. This potential bi-causal relationship is shown by the blue doubled arrow in between FDI and tourism in figure 2.1 above. To that effect, the blue doubled arrow summarises the second objective of this study, which seeks to explore the potential existence of significant reverse bi-causal relationships between FDI and tourism developments in the case of SSA.

Lastly, the framework also depicts the potential independent contributions of FDI and tourism developments to the sub-region's total economic growth. To this effect, the downward arrows from tourism development and FDI to economic growth seek to explore the transmission mechanisms that capture the individual impact of FDI and tourism development on SSA's economic growth.

2.5 Empirical Literature Review

This section of the study examines empirical works that have been done in establishing the relationships among FDI, tourism and economic growth at both meta and macro levels. The study first reviews literature on the relationship between FDI and tourism, followed by FDI and economic growth, and tourism and economic growth. Finally, a review of earlier works on the independent impacts of FDI and tourism on economic growth is also documented. More importantly, the motive is to know what already exist, with the primary guidance of positioning this study distinct from standing literature.

2.5.1 Review of Literature on Tourism and FDI

Tourism has been described severally as not only a service industry, but multidisciplinary in nature, with primary, secondary and tertiary levels of operations (Bezuidenhout & Grater, 2016; Butler, 2010; Honeck, 2012; Samimi et al., 2013; Sonne et al., 2013; UNWTO tourism highlights, 2017; Brohman, 1996). Chen (2017) projected that an increase in tourism potentially catapults the flow of foreign exchange and creates numerous levels of jobs in host countries. In the same vein, OECD (2002), Romer (1993), and Agbloyor et al. (2016) observed that foreign capital inflows or FDIs contribute significantly to host countries' developments through capital accumulation, introduction of new technologies, improvements in management techniques, not forgetting the numerous productivity spillovers.

In additions to these general notions, theoretical convictions and claims by Lea (1988), Sinclair (1998), and, Sinclair and Stabler (2002) also established that both tourism and FDI play tremendous roles in nation building, poverty alleviations, government revenue generation, especially among developing countries. However, according to Chen (2017), studies which seeks to empirically establish the relationship between FDI and tourism are very inadequate. The few existing ones are also on specific selected countries such as Japan (Tomohara, 2016), China (Tang et al., 2007; Cao et al., 2017; Chen, 2017), Craotia (Bezic & Radic, 2017; Perić & Radić, 2016), Kenya (Ntuli, 2014; Bojar, 2014; Sonne et al., 2013), Iran (Yazdi, Salehi & Soheilzad, 2017), India (Selvanathan et al., 2012) and Turkey (Katircioglu, 2011), all of which employed macro, meso and country specific-level data, leaving continental (and sub-continental) and cross country level of analysis (such as SSA) uninvestigated.

For example, Chen (2017) stipulated that studies spelling out the relationship between FDI and tourism are of three major categories: in the perspective of tourism industry; in the perspectives of policy; and lastly, in the perspective of spillover effect of international tourism on FDI, and even vice versa. In the same vein, Katircioglu (2011), Samimi et al. (2013), Selvanathan et al. (2012) arguing in the perspective of the tourism industry, employed the Granger Causality method to empirically establish the existence of both long term and short term two-way relationship between tourism and FDI, even though they all focused only on tourism-related FDIs into hotels, motels, transportations, beaches, and restaurants. These studies however did not employ general FDI into all industries, thus, ignored the theoretically potential spillover effect hypothesis from general FDIs to tourism through other industries, and vice versa.

Earlier scholars such as Jackson (2006) and Tai (2014) who intuitively employed the policy thinking approach qualitatively postulated that rapid growth in tourism in countries like China, Turkey, India, Egypt and North Africa can promote the flow of FDIs into the domestic tourism sector present in these countries and their surrounding neighbours. These studies however did not investigate quantitatively the potential bi-directional relationships between the concepts.

Thirdly, and on the issue of spillover effects hypothesis, Tomohara (2016) empirically showed, using macro data on Japan, that there is a spillover effect of international tourism on FDI. That is to say that there is increment in FDI flows into some other industries apart from tourism when

there is tourism development in the form of increased tourists visitations within the host country, Japan.

Confirming the above claim by Chen (2017), Siddique, Selvanathan, and Selvanathan (2012) used quarterly data covering 13 years to investigate the causality link between FDI and tourism in India. By the use of the Vector Autoregressive (VAR) Model, the results suggested a unitary directional link from FDI to tourism arrival. Likewise, Samimi et al. (2013) in their studies on the relationship between tourism-related FDI and tourism developments in some selected developing countries applied the Vector Error Correction Model (VECM) on a data covering 1995 to 2008 to confirm the existence of a co-integration between the variables only in the long run, with additional evidence showing the presence of a bilateral long run relationship as well. This implies that in the long run, FDI flows lead to tourism development, and vice versa, in the countries understudied. Again, and very intriguing, Chen and Chen (2010) by segregating the Chinese tourism industry into coastal and inland regions and using data from 1978 to 2008, concluded that the impact of FDI on tourism in the coastal regions are greater than tourism in the inland. This suggests that given the same level of FDI flows to an inland and a coastal region in China, and holding other factors constant, we expect tourism development to be higher in a Chinese coastal region than in a Chinese inland region. This is in line with the argument leveled by Obi et al. (2016) that the presence of coastal landmarks increases the levels of tourist arrivals, most especially international tourists, in Ghana.

Holistically, the most empirical findings suggest a positive relationship between FDI and tourism industry development, even though such studies are mainly on single-country levels, with none on SSA at large. Again, these studies however did not employ general FDI, thus, ignoring the spillover effect hypothesis from FDI to tourism and vice versa.

In effect, this study will help fill the gap through an investigation of the relationship between general FDI and tourism over a period from 2000 to 2016 in the case of SSA.

2.5.2 Review of Literature on FDI and Economic Growth

Earlier studies have convincingly postulated the presence of verifiable theoretical nexus between FDI and economic growth at both country and cross country levels, as these foreign capital inflows tend to supplement local resources with extra physical capital, best managerial and operating practices, knowledge transfer, and technological advancement from home countries to respective host countries (Akinlo, 2004; Gui-Diby, 2014; Ramirez, 2006). The spillover effects and positive externalities from FDI inflows to host countries as outlined by Seetanah and Khadaroo (2007), and Su and Liu (2016) include increments in the outputs of host countries through improvements in production efficiencies, employments of idle resources, better human capital training and formation, enlargements in local markets sizes, increments in exports, just to mention a few. Interestingly, all these benefits are key fuels to higher productivity and economic growth.

More specifically, Hermes and Lensink (2003) argued out three main routes through which FDI related benefits can trickle down to economic growth in host countries to include: i) competition

building, where MNEs bring in competitions that tend to trigger high productivity through efficiency; ii) human capital formations through training and career developments and; iii) technological advancement and transfer which often occurs through constant contacts and demonstration of transactions with foreign firms as well as MNEs. Furthermore, Brewer (1992) also postulated that three main reasons back and explain the flow of FDI across the globe to include "market seeking FDIs", "efficiency seeking FDIs", and " resource seeking FDIs". Among these driving forces of global FDI flows, Adams (2009), Kinuthia and Murshed (2015), and Sunde (2017) suggested that the resources seeking agenda is the greatest reason for FDIs inflows from countries like China to developing countries, most especially, countries within the SSA, because they are seriously endowed with natural resources ranging from oil minerals to agricultural raw materials and produce. This is followed closely by the market seeking motives, which is also mostly tagged to be the driving force behind FDIs that emerges from countries such as Japan, Turkey, and U.S. to SSA.

Empirically, FDI is proven to significantly impact economic growth at all levels of analysis, even though the direction of the impact has been mixed in literature, both negative and positive, and some cases, insignificant. Some works have also established the presence of bi-causal relationships between the concepts of FDI and economic growth. For instance, Adams (2009) on the impacts of FDI and domestic investment on economic growth, using fixed effect (FE) and OLS estimation techniques, and annual data from 1990 to 2003, found out that FDI significantly and positively impacts on economic growth only in the case of OLS. However, in the case of FE, a significant negative impact is experienced, which he attributed to the possibility of crowding out effects FDI has on SSA economies. Also, Iamsiraroj (2016) using data on 124 countries over a period of 1971

to 2010, and simultaneous system of models, found a positive bi-causal relationship between FDI and economic growth. In the same vein, Gui-Diby (2014) also used System Generalised Methods of Moments (SYS GMM) on Africa data ranging from 1980 to 2009 to establish a mixed directional impacts of FDI on economic growth. According to him (Gui-Diby, 2014), in the period between 1980 and 1994, where Africa's state of human resource development was weak, FDI turned to impact negatively on economic growth. However, the impacts turned to be significantly positive when data from 1995 to 2009, a period where Africa's human resource development was believed to have improved, was used. This suggests the need for some relevant adaptive capacities in host countries in order for FDI to contribute positively to economic growth. In line with this, Sunde (2017) applied auto-regressive distributed lags (ARDL), vector error correction model (VECM), and VECM Granger causality approaches to establish empirically a positive impact of FDI on economic growth in the case of South Africa, even though the relationship was unidirectional, from FDI to economic growth, and not vice versa. In the case of Nigeria, Akinlo (2004) found that extractive FDIs in the oil industry do not support economic growth much as compared to those that goes into the manufacturing sector of the Nigerian economy, and further espoused that FDI contributes to economic growth when they are channeled towards sectors other than the oil sector. This is similar to the ensuing arguments raised by Adams (2009), Kinuthia and Murshed (2015), and Sunde (2017) on the fact that resource seeking FDIs eventually yield negative impacts on the economic growth of host countries.

The above reviewed earlier works indeed provide both theoretical and empirical evidence on the extant discussed industry-specific-FDI-growth nexuses, hypothesis and debate in literature. The current study partly seeks to contribute to these debates by investigating the independent impacts

of general FDI and tourism development on SSA's economic growth. This is believed to contribute to the debate in existing literature which have narrowly concentrated on specific global regions including China (Su & Liu, 2016), Mexico (Ramirez, 2000, 2006), South Africa (Sunde, 2017), just to mention a few. Thus, the impacts of general FDI and tourism development on economic growth for a more wider global region, SSA, is empirically explored, given that tourism has constantly, remarkably and averagely contributed to 7.45% of exports proceeds for SSA over the period of 2000 to 2016 (Author's own computation with WDI data; UNWTO tourism highlights, 2017; UNWTO tourism highlights, 2016).

2.5.3 Review of Literature on Tourism and Economic Growth

Increasingly, the contributions of tourism in the economic growth of nations caught the interest of scholars in the early 1950s, even though the literature got deepened in the twenty first century when the global patronage and demand for tourism goods and services increased (Pablo-Romero & Molina, 2013). Generally, most studies including Dritsakis (2004), Durbarry (2004), Odhiambo (2011), Oh (2005) and Webster (2007) viewed tourism as an additional route of expanding a nation's export packages with the aim of earning higher foreign exchanges, expanding local employment base as well as raising additional fiscal revenues for both host and home governments. In line with this, Akinboade and Braimoh (2010) argued that international tourism transmits into improved economic growth through positive externalities in the form of improved competitions leading to innovations among local tourism industry players, and an increment in imported capital goods geared towards advanced local productions. This is a confirmation of the assertion that tourism turns to have greater impact and spillover effects on economic growth in economies in which tourism is heavily linked to other sectorial operations such as the extraction, mining, oil,

manufacturing, and many more (Bezic & Radic, 2017; Cao et al., 2017; Y. Chen, 2017; Fauzel et al., 2016; Naudé & Saayman, 2005; Tomohara, 2016).

The tourism-led growth (TLG) hypothesis has been studied elsewhere outside SSA and mostly at country specific levels only over the decades, using a mixture of both non-econometric and robust econometric methodologies. For instance, in 2003, Vanegas and Croes (2003) argued in favour of the TLG hypothesis in the case of Aruba, pointing out that tourism in Aruba, coupled with exports revenues, have positive impacts on both growth and development.

In attempt to apply econometric methods to explore the relationship between tourism and growth, Durbarry (2004) using time series, and OLS and error correction model (ECM) estimation techniques on Mauritania data ranging from 1952 to 1999, established empirically that tourism is a key contributor to economic growth. In the case of Barbuda and Antigua, a study by Schubert, Brida, and Risso (2011) which employed the AK model to capture tourism supply, and a vector error correction model (VECM) on annual data ranging from 1970 to 2008, showed that tourism demand indeed results in economic growth in both long and short term periods.

However, other studies have found an initial positive impacts followed by a negative, and even vice versa, impacts of tourism on economic growth. More specifically, Jin (2010) employed vector autoregressive (VAR) model on Hong Kong's quarterly data from 1974 to 2004 to establish a short run positive impacts of tourism expansion on economic growth. The study however, could not find any long run relationship between the two variables. Meanwhile, Akinboade and Braimoh (2010)

in the case of South Africa, concluded on the fact that there exist a positive unidirectional flow from international tourism to economic growth, using an annual data ranging from 1980 to 2005, and a multivariate auto regressive model. On a contrary, Brida, Barquet and Risso (2010) showed an initial short run negative impacts of tourism on economic growth, and a positive long run effects between the variables, in the case of Trentino-Alto Adge.

Meanwhile, Lean and Tang (2010), extending the work of Gunduz and Hatemi-J (2005) which was done on Turkey, employed twenty-one-years data from January, 1989 through February, 2009 on Malaysia, and with the help of VAR system and Granger causality test, established the presence of a valid and a long term stable bi-directional relationship between tourism and economic growth. This was confirmed by Schubert et al. (2011) who used the same methodology but data on Antigua and Barbuda, which ranges from 1970 through 2008.

It is of great interest that Pablo-Romero and Molina (2013) pointed out that most studies (including Tang et al., 2007; Bezic & Radic, 2017; Obi et al., 2016; Perić & Radić, 2016; Rivera, 2017; Tomohara, 2016) focused solely on small islands on a principle that such research settings, the islands, have peculiar feature in terms of country's size which in turn influences the impacts of tourism on economic growth. With this notwithstanding, Pablo-Romero and Molina (2013) additionally postulated that factors other than the size of the area under review play roles in influencing the potential impacts of tourism on economic growth, and that, factors such as the degree of a region's specialization in tourism, are common to both larger and smaller economic units and sub-regions. Further, as summarized by Pablo-Romero and Molina (2013) from previous

literature, the sensitivity of a country or region to global macroeconomic variables, state and trends of meteorological indicators, as well as political instability, turn to influence tremendously the impact tourism has on economic growth.

In line with these arguments, coupled with the fact that SSA exhibits most of the above diverse features, and most especially, considering the current increment in international tourism receipts as a percentage of total export revenues in the sub-region (UNCTAD, 2016; Authors own computations with WDI data), it becomes an unanswered question in the contemporary debate as to whether tourism even impact significantly on SSA's economic growth in spite of various levels of specializations and commitments to the tourism industry at both national and continental levels.

2.6 Conclusion

In summary, this chapter primarily captured various portions of existing knowledge on the concepts of interest in the study namely, tourism development, FDI and economic growth, in SSA. After discussions on the numerous connotations for the concepts (tourism, FDI and economic growth), theories explaining the interrelationships among them, as well as a theoretical framework that summarizes these potential relationships, were also documented. The chapter ends with a reflection on earlier works across the globe that sought to establish, both theoretically and empirically, the relationships among FDI and economic growth, FDI and tourism, and tourism and economic growth.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter expounds on the methodology that is employed towards the achievement of the objectives set out in chapter one. Econometric models, with their constituent variables, descriptions and proxies, as well as the data sources are also spelt out in this chapter. Basic characteristics of the data and variables employed are also put to test, with the view settling and adopting appropriate estimation methods for the econometric models developed.

3.2 Research Design

Quantitative research approach will be employed, as this removes possible influences on the results of the study because of the independent rudimentary procedures involved (Yauch & Stendel, 2003). Coupled with that, Dudwick, Kuehnast, Jones and Woolcock (2006) confirmed the ability of quantitative oriented research in producing reliable and accurate results which to a greater extent could be used for population inference.

3.3 Population

In accordance with the base topic coupled with the core objectives of the study, all forty-eight (48) countries within the SSA sub-region, as grouped by the World Bank, are taken into consideration. Variables of interest on these countries are collated from the year 2000 through 2016, warranting a seventeen years period analysis. This study period is chosen to allow the thesis investigate the concurrent increase in FDIs inflows and international tourism receipts into SSA within that period, as shown in figure 1.2 above (section 1.3).

3.4 Sample and Sampling Technique

Owing to the practice by earlier studies (Aseidu, 2002; 2004; 2005; Ntuli, 2007; Brooks, 2008; Woodridge, 2002), six countries within the SSA sub-regions were dropped and excluded out of the analysis due to data unavailability. These countries are Somalia, South Sudan, Gabon, Liberia, Equatorial Guinea, and Sao Tome and Principe. Therefore, the primary criteria implemented in selecting the remaining forty-two countries in the SSA region rests mainly on the availability of data. The rule of thumb as employed by Adams (2009), Asiedu (2002), Biresselioglu, Kilinc, Onater-Isberk and Yelkenci (2016) and Yazdi et al. (2017) is that at least each country included in the analysis must have enough data on each variable as possible. In line with this directive, the study used a quota of ten out of the seventeen observational data points as the minimum. This means all the forty-two countries included in this analysis at least have ten and above observational data points for all the individual variables of interest. This criteria was necessary so as not to expose the panel data to too much survival bias (Kiviet, Pleus, & Poldermans, 2017; Milunovich & Yang, 2017; Mosconi & Paruolo, 2017), and also to excludes countries who will have insignificant influence on the analysis, just because of data unavailability (Nelson & Olson, 1978; Yang & Lee, 2017; Brooks, 2008; Woodridge, 2002).

3.5 Econometric Models Specification

Firstly, following the works of Fauzel, Seetanah, and Sannassee (2016), Khoshnevis Yazdi, Homa Salehi, and Soheilzad (2017) and Chee & Nair (2010) on the contributions of FDI and tourism industry in economic growth of Mauritius, Iran, and, Asia and Oceania respectively, the study employs the augmented dynamic panel model below to investigate the independent effects of FDI and tourism developments on economic growth in the case of SSA;

$$lnGDPPC_{it} = \beta_1 lnGDPPC_{it-1} + \beta_2 FDI_{it} + \beta_3 lnITR_{it} + \beta_4 lnSEG_{it} + \beta_5 lnER_{it} + \beta_6 DCPS_{it} + \beta_7 TO_{it} + \beta_8 INSTQUA_{it} + \beta_9 NR_{it} + \varepsilon_{it} \quad \textbf{(Equation 1)}$$

where $\varepsilon_{it} = v_t + \mu_i + \gamma_{it}$.

Secondly, drawing clue from the works of earlier scholars (Butler, 2010; Cao, Li, & Song, 2017; Chen, 2017; Yazdi, Nateghian, & Sheikh Rezaie, 2017; Naudé & Saayman, 2005; Samimi, Sadeghi, & Sadeghi, 2013; Tomohara, 2016) on the determinants of tourism developments, the augmented dynamic panel model below is spelt out to investigate the impact of FDI on tourism developments in the case of SSA;

$$lnITR_{it} = \beta_1 lnITR_{it-1} + \beta_2 FDI_{it} + \beta_3 lnGDPPC_{it} + \beta_4 lnSEG_{it} + \beta_5 lnER_{it} + \beta_6 TO_{it} + \beta_7 PSTAB_{it} + \beta_8 CPIC_{it} + \beta_9 NR_{it} + \beta_{10} INFRQUA_{it} + \eta_{it} \quad \textbf{(Equation 2)}$$

where $\eta_{it} = \acute{y}_t + \acute{u}_i + \varphi_{it}$.

Also, following Agbloyor et al. (2014), Alfaro et al. (2004), Aseidu (2002) and Adams (2007) on the determinants of FDI flows into host countries, the following augmented dynamic panel model will be used to examine the impact of tourism developments on FDI in SSA;

$$FDI_{it} = \beta_1 FDI_{it-1} + \beta_2 lnITR_{it} + \beta_3 lnGDPPC_{it} + \beta_4 lnSEG_{it} + \beta_5 lnER_{it} + \beta_6 DCPS_{it} + \beta_7 TO_{it} + \beta_8 INSTQUA_{it} + \beta_9 CPIC_{it} + \beta_{10} NR_{it} + \beta_{11} INFRQUA_{it} + \kappa_{it} \quad \textbf{(Equation 3)}$$

where $\kappa_{it} = \ddot{y}_t + \ddot{o}_i + \gamma_{it}$.

Finally, to investigate the moderating role played by the booming natural minerals resource industry on the reducing effect FDIs have on tourism development, in spite of the increase in FDIs inflows into SSA (by way of testing the Dutch disease theory), the 42 countries were segregated into two sub-samples: those that have natural mineral resources extractive industries, thus, earn

rent income from oil and/or natural gas, gold, bauxite, iron ore, precious stones, etc.; and those that do not have any of these rental incomes. This segregation was done following IBIS's (2015) natural resources watch report on SSA. According to such report, 29 countries and 13 countries in the sample under study respectively earn and do not earn rent from natural resources.

A dummy variable; "DD_Dummy" (Coded as "1" for resource rich countries, and "0" for Non resources rich countries) was created to capture these two separate sub-samples. To season out the potential different effects FDIs may have on tourism developments given the two separate sub-samples, the dummy variable was further interacted with FDI to arrive at a single interaction term; (FDI_{it}*DD_Dummy_i). The true impact of FDIs on tourism development given the two different categories of economies was then ascertained by running the specification below, equation 4.

It is worth noting that the direction (whether positive or negative) of the coefficient of the interaction term, (FDI_{it}*DD_Dummy_i), within equation 4 is the main focal point in a test to establish the presence or absence of the Dutch disease syndrome in the case of SSA.

$$lnITR = \beta_1 lnITR_{it-1} + \beta_2 FDI_{it} + \beta_3 lnGDPPC_{it} + \beta_4 DD\_Dummy_i + \beta_5 (FDI_{it} * DD\_Dummy_i) + \beta_6 lnSEG_{it} + \beta_7 lnER_{it} + \beta_8 CPIC_{it} + \beta_9 TO_{it} + \beta_{10} INFRQUA_{it} + \beta_{11} PSTAB_{it} + \pi_{it}$$

(Equation 4).

where $\pi_{it} = ë_t + Þ_i + \sigma_{it}$.

where for all the four models above (Eq. 1, 2, 3 and 4), subscripts i and t connote cross sectional country dimensions, i = 1…N (N=42 countries), and time series dimensions, t = 1 … T (T=17 years), respectively. The composite error terms, ε_{it}, η_{it}, κ_{it}, π_{it}, are further decomposed into country specific effects, and the remaining disturbance error term, with an expected average of zero, and a constant and finite variance over all periods under consideration. The betas (β) represents the various parameters on the individual explanatory variables yet to be estimated.

FDI_{it} and FDI_{it-1} denote foreign direct investments and its lag (1) respectively, all proportioned by Gross Domestic Product (GDP). In the same vein, $lnITR_{it}$ and $lnITR_{it-1}$ represent the natural log of international tourism receipts and its lag (1) respectively. Also, $lnGDPPC_{it}$ and $lnGDPPC_{it-1}$ connote the natural log of Gross Domestic Product per Capita and its lag (1) respectively, all measured at constant 2010 US$.

In accordance with standard growth, FDI and tourism determinants models found in extant literature, the following control variables are also used as supplementary regressors within the respective equations: $lnSEG_{it}$ = natural log of secondary school education, general pupils; $lnER_{it}$ = natural log of annual average of official exchange rate, local currency unit per US$; $DCPS_{it}$ = domestic credit to private sector, as a proportion of GDP; TO_{it} = sum of import and export receipts all scaled by GDP; $INSTQUA_{it}$ = institutional quality; $CPIC_{it}$ = consumer price index at 2010 constant prices; NR_{it} = natural resources rent scaled by GDP; $INFRQUA_{it}$ = infrastructural quality; and, $PSTAB_{it}$ = political stability.

3.6 Variable Selection and Justification

In this section of the study, theoretical definitions and empirical justifications are discussed in support of the dependent and independent variables relevant to this study. Coupled with this, the units of measurements for all the variables with supporting literature, as well as the expected signs of their coefficients are codified. Also, the data sources for each discussed variable are enshrined in this section. In addition, a table is particularly designed to summarize the variables descriptions.

3.6.1 Dependent Variables

With the view of addressing the three objectives of the study, three dependent variables are of interest. These are international tourism receipts (lnITR), FDI and economic growth (lnGDPPC).

3.6.1.1 Tourism Development ($lnITR_{it}$)

International tourism receipts is used to proxy tourism development. The World Bank database defines international tourism receipts as expenditures made by foreign inbound visitors on their trip to and within a local host country. These expenses capture payments to national carriers for international transport, as well as the purchases of goods and or services in the destination country. This data is sourced from the World Bank Database. This is used as a proxy for tourism development following earlier studies (Bezuidenhout & Grater, 2016; Butler, 2010; Yazdi et al., 2017; Naudé & Saayman, 2005; Obi et al., 2016). The data are measured in current US dollars. For the sake of this study, we transform this variable by taking the natural log of the international tourism receipt to partially resolve the issue of heteroscedasticity and also to control the impact of outliers within the dataset on our analysis (Wooldridge, 2009; Brooks, 2008). The study expects

tourism development to positively impact on FDIs and economic growth in SSA, as these tourists turns to leverage more financial resources to boost production activities in the host countries.

3.6.1.2 Foreign Direct Investments (FDI_{it})

Foreign direct investment (FDI) is defined as the net inflows of investment to achieve control and lasting management interest, a minimum of ten per cent, in a business primarily operating in a country apart from that of the investor. According to the World Bank database where this data was sourced, FDI amalgamates equity capital, retained earnings, short and long-term additional capital re-injections from external investors into all the economic sectors of the host country. The researcher used net FDI to all the sectors in order to capture and explain spillover effects (Alfaro et al., 2004; Chen, 2017). The tourism sector is theoretically noticed to benefit from spillover effects as other sectors of the economy receive FDIs. Thus, the FDI variable shows net inflows (new investment inflows less disinvestment) in the receiving economy from foreign investors scaled by GDP following earlier works (Agbloyor et al., 2014; Owusu et al., 2017). The study expects FDIs to have a positive impact on tourism development and economic growth as it serves as an additional source of resources and financial muscles towards viable investments within the sub-region.

3.6.1.3 Economic Growth ($lnGDPPC_{it}$)

Gross Domestic Product per capita is used to proxy economic growth and market size in this study following Aseidu (2002; 2004; 2005), Seetanah & Khadaro (2007), Agbloyor et al., (2016), and, Seetanah et al., (2016). The source of this data, World Bank Database, defines GDP per capita as the gross domestic product scaled by midyear population. Data are in constant 2010 U.S. dollars. Again, we take the natural log of this variable to partially resolve the issue of heteroscedasticity

and also to control the impact of outliers within the dataset on our analysis (Wooldridge, 2009; Brooks, 2008). As a proxy for market size, economic growth is expected to serve as a pulling force for more FDI inflows as well as tourism developments in SSA.

3.6.2 Definition and Measurement of Explanatory Variables

In this section, we discuss various explanatory variables consisting of endogeneous (FDI, international tourism receipts and economic growth) and strictly exogenous (human capital, exchange rate, financial development, trade openness, institutional quality, natural resources, infrastructural quality, inflation and political stability), both controls and main causative variables of interest (including the interaction between FDI and international tourism receipts). These variables are believed to have influence on tourism development, FDI and economic growth in the case of SSA.

Exchange Rate ($\ln ER_{it}$)

The influence of exchange rate on FDI flows, tourism developments and economic growth in the host country has been established in most empirical works (Kyereboah-Coleman and Agyire-Tettey, 2008; Adigwe, Ezeagba and Udeh, 2015; Owusu-Antwi, Antwi, Ashong and Owusu-Peprah, 2016; Bekana, 2016; Alfaro et al., 2004; Yazdi et al., 2017; Obi et al., 2016; Oseni, 2016; Sonne et al., 2013; Stoian & Filippaios, 2008). For instance, using a time series data from 1970 to 2002, and the ARCH and GARCH model, Kyereboah-Coleman and Agyire-Tettey (2008), and Okafor, Piesse, and Webster (2015) established a negative and significant impact of exchange rates on FDI, economic growth and tourism in Ghana and Nigeria respectively. Contrary to these empirical findings, however, Ramiraz (2006) and Jeon and Rhee (2008) concluded that there exist a positive association between exchange rate and FDI inflows from USA to Korea.

Notwithstanding these empirical findings, this study on average expects exchange rate to negatively impact FDI inflows, tourism development, and economic growth in the case of SSA. This is because high exchange rates impedes trades, savings and investments which are ingredients for FDI inflows, tourism development and economic growth. It is measured as the average amount of local currency required to obtain a unit of US $, as obtained from the World Development Indicators database published by the World Bank.

Institutional Quality ($INSTQUA_{it}$)

Studies focusing on how institutional qualities play key roles in attracting FDI and also help increase the impact of sectors including tourism on the economic growth has revolved over the decade. For example, Yazdi et al. (2017) studied the long and short run impacts of institutional quality on tourism development, FDI inflows and economic growth, which they found a positive relationship between the concepts in both economic time lines. This confirms the findings of Aseidu (2002, 2004), Alfaro et al. (2005a, 2005b), Agbloyor et al. (2016) and Owusu et al. (2017) that institutional quality is of great essence for FDI to have positive impact on host countries' economic growth. Institutions play important roles in protecting property rights which is a key incentives for FDI inflows, and also reduces the risks of expropriations, thus, increasing investors' returns in the long run. Employing the World Governance Indicators as developed by Kaufmann et al. (2011), the researcher made use of the simple average of the estimates for the six main key world governance indicators to proxy institutional quality. This is in accordance with Agbloyor et al. (2016) and Owusu et al. (2017). These six main indicators consists of Control of corruption, Regulatory quality, Governance effectiveness, Political Stability and absence of violence/terrorism, Rule of law, and Voice and accountability. All other things being equal, the researcher expects a positive relationships among institutional quality, economic growth and FDI.

This connotes that a country with an improved institutional quality will experience significant FDI inflows, tourism developments, and most importantly, will boost the impacts of FDI and tourism development on economic growth.

Trade Openness (TO_{it})

The Organisation for Economic Cooperation and Developments (OECD) defines trade openness as the summation of total imports and exports scaled by GDP. This will be adopted in this study as the proxy for trade openness following the practice of earlier studies (Agbloyor et al., 2014; Bekana, 2016; Bitzenis, 2003; Kinuthia & Murshed, 2015; Zhang & Daly, 2011). Trade openness plays key roles in the flows of FDI and tourism developments. The extent to which a country's economy is opened to international trade significantly incentivizes foreign investors to bring in more FDIs into all sectors of the economy including the tourism industry as established by Aseidu (2002). This is because foreign investors will not only be exposed to the local market of the host country, but a more larger international market that gives them the chances to expand productions, revenues and returns on their investments at large. In this study, a positive sign is expected for trade openness on FDI, tourism development and economic growth.

Inflation Rate ($CPIC_{it}$)

The measurement of the general increments in the prices of goods and services in a country, economically represented by the movements in the consumer price index (CPI), is technically termed as inflation rates. The World Bank defines consumer price index to reflect changes in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. Inflation turns to increase the cost at which deficit units obtain capital from surplus units (Boateng, Hua, Nisar, & Wu, 2015; Kinuthia & Murshed,

2015; Obi et al., 2016). This in the end limits investments activities, in all sectors including the tourism industry, thus negatively translating into GDP growth (Butler, 2010). We proxy inflation with CPI, and expects a negative relationship with tourism development, FDI and economic growth.

Financial Development ($DCPS_{it}$)

The short and long term relationships between financial development and other economic variables especially economic growth have been extensively delved into by earlier studies. Referring from the numerous roles of financial intermediaries as leveled by Schumpeter (1911), which consist of savings mobilization, projects evaluations, risk management, monitoring of managers, and transaction facilitation, it is evidenced that financial development is important for technological innovation and economic growth. In line with this, Agbloyor et al. (2014), Alfaro et al. (2004), and Azman-Saini, Law, & Ahmad (2010) postulated that the level of financial development within a host country is heavily considered by foreign investors. Again, Fauzel (2016) and Karbo and Adamu (2009) found a significant and positive bi-causal relationship between financial development , FDI and economic growth among small island economies. Following the evidential findings above, the researcher proxies financial developments with financial resources provided to the private sector by financial corporations through loans, and trade credits and other accounts receivables, which establish liabilities. A positive relationship is expected among financial development, FDI, tourism development and economic growth in the case of SSA too.

Political Stability ($PSTAB_{it}$)

The World Governance Indicators as designed under the scholarly works of Kaufmann et al. (2011) describes politically related economic stability as the perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism. That is to say, the likelihood for a country to experience chaos and unrest backed by political reasons and agitations has a direct influence on investors' willingness to invest in such countries. For this reason, political stability serves as a convincing condition that pulls foreign investors to bring in more capital to invest in various industries including the tourism sector, which in the end stimulates economic growth at large. As rightly postulated by Cao et al. (2017), Asiedu (2004), and Kinuthia and Murshed (2015) politically stable economies attract foreign capital inflows which significantly and positively impact on economic growth. Agbloyor et al. (2013) further confirms that the presence of political stability congruently supplements and adds positive flavours to the relationships between FDI and economic growth within the SSA region. In this study, the researcher uses the World Governance Indicators' country specific score on the aggregate indicator, which ranges from approximately -2.5 to 2.5; from worse to best. This unit of measurement employed for political stability is in line with Owusu et al. (2017) and Kaufmann et al. (2011). The study expects a positive sign from political stability to tourism development.

Human Capital ($lnSEG_{it}$)

Fundamental economic theories such as the augmented Solow-Swan model, AK model, Malthus-Ricardo Model, and others have consistently expressed a nexus between population and economic growth, with varied relationships depending on the level of population, quality and skills of the populations, educational levels, just to mention a few. For instance, Mankiw, Romer and Weil (1992) observed a negative relationship between population growth and economic growth, as

capital per head tends to reduce translating into low productivity and low economic growth. However, arguments are leveled to express the idea that the presence of high quality and educated labour sets the tone and make available the required human capital needed for economic boom (Hodey, 2013; Asiedu, 2004; Beghin, Maertens and Swinnen, 2015). Following Butler (2010), Perić & Radić (2016), and Sonne et al. (2013), the study uses the number of secondary students enrolled in general education programs, including teacher training, to proxy human capital in this empirical estimation. This is because the tourism industries in SSA is usually dominated with labourers with varying educational backgrounds, most of which are middle staged secondary school graduates. It is therefore evident that countries with high quality human capital stand the chance to possess the needed adaptive capacity to receive and efficiently transform more FDIs in numerous industries, including tourism, with the ultimate goal of improving economic growth. For this reason, the study expects a positive sign among human capital, FDI, tourism development and economic in the case of SSA.

Natural Resources (NR_{it})

The rich natural resources present most regions have been used as bates by the host countries, and as a motivational reason for foreign investors to invest and earn higher returns. For instance, Tuomi (2011) empirically postulated that one of the key drivers of FDI into South Africa is the country's rich natural resources. Following this, Cheung, Haan, Qian, and Yu (2011), Chen, Dollar, and Tang (2015) and Sichei and Kinyondo (2012) confirmed that China's outward direct investment to Africa is primarily dependent on the continent's natural resources, and that the inflow of FDI tends to positively impact positively on the continent's economic growth as a whole. Contrary, Owusu-Antwi et al. (2016) found a negative long run relationship between FDI inflows and economic growth in in the case of Ghana despite the presence and abundance of natural resources.

The sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents obtained from the WDI is used to proxy natural resources (following Owusu et al., 2017), even though earlier studies have used only total oil rents (Kolstad & Wiig, 2012). We use this proxy so we can fully capture the potential impacts of natural resources on FDI, tourism development and economic growth. Additionally, the spillover effects from FDI to tourism development and economic growth through other industries such as mining, manufacturing, infrastructures are also captured. Owing to the mixed impacts of natural resources on FDI, economic growth and tourism development, this study also expects mixed signs among the variables.

Infrastructural Quality ($INFRQUA_{it}$)

Indisputably, public and private infrastructure are basic requirements based on which both domestic and foreign investors consider before undertaking capital investments. For this reason, Perić and Radić (2016) recommended in their study for the government of Croatia and Africa at large the need to pursue infrastructure driven policies in order to attract foreign capital into our various industries, especially the tourism sector. For instance, the presence of capital investments such as quality airports, habours, roads, stable and accessible electricity facilities, just to mention a few, tends to serve as incentives for the inflow of FDI, which in the end translates into huge investments in various profitable sectors, higher productivity and finally economic growth (Alfaro et al., 2004). Following Agbloyor et al. (2014) and Aseidu (2004) the quality of infrastructure is represented by the number of fixed telephone subscriptions per every 100 persons. This data is also sourced from the WDI published by the World Bank. This study also expects a positive relationship among infrastructural quality, FDI, tourism development and economic growth.

Table 3.1: Summary on explained and explanatory variables, expected signs, data sources, and related literature

Variable Name	Symbols	Definitions	Data Source	Expected Sign on FDIs	Expected Sign on International Tourism Receipts ($lnITR_{it}$)	Expected Sign on Natural log of Gross Domestic Product per Capita ($lnGDPPC_{it}$)
Foreign Direct Investments	FDI_{it}	Foreign direct investments are the net inflows of investments to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of the nets of equity capital, reinvestment of earnings, other long-term capital, and short-term capital, scaled by GDP.	World Development Indicators (WDI, 2018)	N/A	Positive	Positive
One-year Lagged foreign direct investments	FDI_{it-1}	As explained above. FDI is postulated to be self-reinforcing. That is, previous years' FDIs influence today's and even future FDIs.	Generated by author from data derived from World Development Indicators (WDI, 2018)	Positive	N/A	N/A
Natural log of International	$lnITR_{it}$	International tourism receipts are expenditures by international	World Development	Positive	N/A	Positive

Tourism Receipts		inbound visitors, including payments to national carriers for international transport. Data are in current U.S. dollars.	Indicators (WDI, 2018)			
One-year lagged natural log of International Tourism Receipts	$lnITR_{it-1}$	As explained above. Also, international tourism receipts (ITR) is postulated to be self-reinforcing. That is, previous years' ITR influence today's and even future ITR.	Generated by author from data derived from World Development Indicators (WDI, 2018)	N/A	Positive	N/A
Natural log of Gross Domestic Product per Capita	$lnGDPPC_{it}$	GDP per capita is gross domestic product divided by midyear population. Data are in constant 2010 U.S. dollars. It is used to proxy Economic Growth.	World Development Indicators (WDI, 2018)	Positive	Positive	N/A
One-year Lagged natural log of Gross Domestic Product per Capita	$lnGDPPC_{it-1}$	As explained above. Previous years' level of Gross Domestic Product per Capita (GDPPC) also postulated to influence today's and even future (GDPPC).	Generated by author from data derived from World Development Indicators (WDI, 2018)	N/A	N/A	Positive
Natural log of secondary school education enrolments	$lnSEG_{it}$	Secondary Education (general) pupils are the number of secondary students enrolled in general education programs,	World Development Indicators (WDI, 2018)	Positive	Positive	Positive

		including teacher training. It is used to proxy Human Capital.				
Natural log of annual average official exchange rate.	$lnER_{it}$	This refers to the exchange rate determined by national regulatory bodies. It measures an average amount of local currency required to obtain a unit of US$. It is used to proxy Exchange Rate.	World Development Indicators (WDI, 2018)	Positive	Positive	Negative
Domestic credit to private sector	$DCPS_{it}$	This refers to financial resources provided to the private sector by financial corporations through loans, and trade credits and other accounts receivables, which establish liabilities, all scaled by GDP. It proxies Financial Developments in this study.	World Development Indicators (WDI, 2018)	Positive	Positive	Positive
Trade Openness	TO_{it}	Sum of Imports and exports of goods and services received from and delivered to the rest of the world by a particular country, all scaled by GDP.	Generated by author from data derived from World Development Indicators (WDI, 2018)	Positive	Positive	Mixed
Institutional quality	$INSTQUA_{it}$	A simple average of the six World Governance Indicators: Control of corruption, Regulatory quality, Governance effectiveness, Political Stability	World Governance Indicators (2018)	Positive	N/A	Positive

		and absence of violence/terrorism, Rule of law, and Voice and accountability. Estimate gives the country's score on the aggregate indicator, ranging from approximately -2.5 to 2.5; from worse to best.				
Consumer price index	$CPIC_{it}$	This index reflects changes in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. It proxies inflation.	World Development Indicators (WDI, 2018)	Mixed	Negative	Negative
Natural resources endowment	NR_{it}	This refers to the sum of oil rents, natural gas rents, coal rents (hard and soft), mineral rents, and forest rents.	World Development Indicators (WDI, 2018)	Positive	Positive	Positive
Infrastructural quality	$INFRQUA_{it}$	Number of Fixed telephone subscriptions per every 100 persons is used to proxy INFRQUA.	World Development Indicators (WDI, 2018)	Positive	Positive	Positive

Political stability	$PSTAB_{it}$	This measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism. Estimate gives the country's score on the aggregate indicator, ranging from approximately -2.5 to 2.5; from worse to best.	World Governance Indicators (WDI, 2018)	N/A	Positive	N/A
Dummy variable	DD_Dummy_{it}	Coded as "1" for resource rich countries, and "0" for Non-resources rich countries.	Generated by author from data derived from World Development Indicators (WDI, 2018) and IBIS (2015).	N/A	Negative	N/A
Interaction term	$FDI_{it} * DD\_Dummy_{it}$		Generated by author from data derived from World Development Indicators (WDI, 2018)	N/A	Negative	N/A

Source: Author's own compilation.
Note: N/A = Not Applicable

3.7 Estimation Strategy

Brooks (2008) describes the Ordinary Least Square (OLS) estimator as one of the oldest and most widely used technique in econometric analysis. This technique has been applied extensively on time series, cross sectional and panel data and even across disciplines including accounting, economics, finance, and physics, just to mention a few. However, Brooks (2008) further describes the data and model specifications for which OLS could be used to produce best linear unbiased estimators (BLUE) which are also consistent and efficient. Impliedly, a data and model which exhibit heteroscedasticity, serial correlation (autocorrelated), multicollinearity, and not normally distributed, cannot be estimated reliably by use of OLS. Wooldridge (2009), Baum, Schaffer, and Stillman (2003), and Lee (2007) suggest that these problems are better dealt with through the application of more appropriate and robust estimation techniques such as the Fixed Effects Model (FEM), Random Effects Models (REM), Generalised Methods of Moments (GMM), Vector Autoregression Models (VAM), Vector Error Correction Models (VECM), and others, that correct the inconsistencies within the data and the models to achieve BLUE and efficient parameters.

The application of FEM and REM emerges, according to earlier studies (see Asiedu & Lien, 2004; Chee & Nair, 2010; Roodman, 2006), from the levels of relationship between the country-specific error term, μ_i, and the explanatory variables. For instance, Roodman (2006) recommends the use of REM when there is a zero correlation between the country-specific error term, μ_i, and the explanatory variables $Corr\ (\mu_i, X_{it}) = 0$, whereas FEM is to be used when there exist correlations between the country-specific error term, μ_i, and the regressors $Corr\ (\mu_i, X_{it}) \neq 0$. The study makes

use of Hausman test to investigate the presence of endogeneity. The results thereof will serve as extra bases for the use of system GMM estimation technique, in a situation where endogeneity is found to be present in the estimable models.

System GMM estimation technique is employed for the reasons that it produces more reliable and accurate estimates in spite of the presence of endogeneity, and simultaneity biases, and also supports the estimation of FEM. Further, system GMM would be used as the only estimation technique in this study because it works for linear functions, and in situations where current performances of dependent variable are influenced by its past. This technique also eliminates serial correlation (autocorrelation) and heteroscedasticity in dynamic panel data and models, corrects problems from inverse causality and inadequate model specifications, and also corrects simultaneity bias. Lastly, given that the number of individual countries (42), i, exceeds the number of periods (i.e. years = 17), t, in the panel, and that there is (are) no time-invariant variable(s) in all the models specified, system GMM is deemed appropriate.

More precisely, this thesis employs two-step System Generalised Methods of Moments (see Arellano and Bover, 1995; Blundell and Bond, 1998) as the estimation approach due to the presence of potential heterogeneity and endogeneity problems, and most importantly, for the reason that the System-GMM carefully uses the lags of the endogenous variables within the system of simultaneous equations as instrumental variables.

According to earlier studies (Roodman, 2006), two forms of GMM are outlined; difference GMM and System GMM. Arellano and Bond (1991) developed the difference GMM. With the view of eliminating inconsistent results produced in model estimations because of the existence of feedbacks from country-specific error terms to regressors, and vice versa, the difference GMM first finds differences within the equations to eliminate this unobserved country–fixed effects, μ_i, and then continues to estimate the model by including the lags of the endogenous variables as additional regressors. However, the difference GMM is found to produce not so accurate and consistent parameters in situations when the explained variables in a system of simultaneous equations are persistent, and most importantly, when the lags of the endogenous variables used as extra regressors do not correlate strongly with the endogenous variables (referred to as weak instruments). Weak instruments increase variances and the biasness of the coefficients estimated, especially, in the case of small sample data. This shortfall from the use of weak instruments is also prevalent in other estimation procedures such as Instrumental Variables (IVs), and the Two-Stage Least Squares (2SLS). Again, in a situation where the time-invariant country-specific effects happen to be of interest in the process of estimation, misspecification problems may arise if they are removed completely, through the use of the first difference GMM, from the model during the estimation procedure.

Owing to these limitations of the difference-GMM, Arellano and Bover, and Blundell and Bond in 1995 and 1998 respectively, introduced two level of equations; difference equation and level equation, which form the basis for the System-GMM. The System-GMM has been shown to be more efficient in estimations, and thus, preferred to the difference GMM (Biresselioglu et al., 2016; Kiviet et al., 2017; Roodman, 2006).

Further, the application of a system GMM for accurate, reliable and consistent parameters pre-requires major econometric tests that will establish the validity of the lags of the endogenous variables used as instruments in the estimation process. Primary test such as the Sargan test is of great importance here. The Sargan test confirms the validity of the over-identification restrictions set in the system of equations used in the study.

In brief, and complementary to the earlier listed advantages, the system GMM is preferred to its counterparts, IVs, 2SLS, difference GMM, and therefore used in this study because system GMM overcomes loss of information in the estimation procedures as it combines two or more observations for individual (country) observation over time, and makes use of both the level and lagged values of each variable of interest in the estimation process. Finally, the system GMM turns to be more robust in estimating models that feature the first lag of the explained variable as part of the independent regressors, by correcting possible autocorrelation problems.

3.8 Diagnostic Tests

With the motive of ensuring that accurate, efficient and reliable parameters are obtained, the under-mentioned tests were executed to establish the appropriateness of the variables, the models and the estimation technique employed towards the achievement of the objectives of the study.

3.8.1 Endogeneity

Endogeneity persists when there is correlation among independent variables and the idiosyncratic unexplained error term. Roodman (2006) specifies categorically that this problem heavily occurs

in model estimations when there are measurements errors in the variables in use, and when there are situations where an explained variable potentially explains the explanatory variable(s) or the independent variable(s) (reverse causalities). Further, endogeneity is again experienced when important independent variables are excluded from the model. In the occurrence of any or all of these cases, we expect the covariance between the time-invariant country-specific effect (error term) and explanatory variable(s) to be unequal to zero, Cov (μ_i, X_{it}) $\neq 0$.

In this study, all the four dynamic panel estimable equations (Eq. 1, Eq. 2, Eq.3, and Eq.4) exhibit endogeneity, at least because of the expectations of reverse causalities among some variables, especially, those of interest to the researcher. These reverse causalities are established in extant related literature reviewed in the study. Also, the use of lags of the explained variables as part of the regressors in the various equations explicitly yields endogeneity in the various estimable equations.

For instance, in Eq. 2, there is the expectation that the dependent variable, tourism ($lnITR_{it}$), can potentially explain and cause both economic growth ($lnGDPPC_{it}$), and FDI (FDI_{it}). In Eq. 3, the study potentially expects the dependent variable, FDI (FDI_{it}), to have a reverse causality with tourism ($lnITR_{it}$) and economic growth ($lnGDPPC_{it}$). In the same vein, Eq.1 also poses the expectations that the dependent variable, economic growth ($lnGDPPC_{it}$), potentially explains tourism ($lnITR_{it}$), FDI (FDI_{it}), trade openness (TO_{it}), human capital ($lnSEG_{it}$), exchange rates ($lnER_{it}$), institutional quality ($INSTQUA_{it}$), and even financial development ($DCPS_{it}$).

Following previous studies (Alemu and Yokoyama, 2009; Baum et al., 2003), the study conducts Durbin–Wu–Hausman (DWH) test for endogeneity for the error terms of the three key suspected endogenous variables (and variables of interests: FDI, tourism and economic growth), as a function of the exogenous variables. This is in consonance with Davidson and MacKinnon (1993) who recommended this test as a prerequisite towards the use of an estimation technique that employs instrumentals variables, as against the OLS. The presence of endogeneity in the equations further confirms the appropriateness for the use of System GMM as the estimation procedure and technique.

3.8.2 Sargan Test

The Sargan test investigates whether the instruments used in the system GMM are orthogonal with the error term in the model, thus, the validity of these instruments. Also, Roodman (2008) postulated that this test further checks the structural specification and correctness of the model used, as well as the appropriateness of the various explanatory variables employed. That is to say that, when important independent variables are ignored in a model, majority of the variation within the dependent variable are shifted to the error term, which nullifies their orthogonal state with the instruments. In the case of system GMM, this test further validates the correctness in the levels of lags of the endogenous variables employed as instruments during the estimation procedure, with the aim of preventing the consequential effects from too many instruments. Following Roodman (2008), the study engages Sargan test to investigate the validity of the internal instruments employed in the system GMM estimation procedure. Jointly, the test null-hypothesizes that all the instruments used are valid. The model expects higher p-value results (specifically, greater than 0.05) for the Sargan tests such that the study will fail to reject the null hypothesis, otherwise, there will be the need for reconsideration of the model specified.

3.8.3 Autocorrelation and Heteroscedasticity.

The ability of a single shock in data to have a long term continuous effect on the future performance of the same phenomenon (technically referred to as persistence) is influenced by the presence of autocorrelation and heteroscedasticity in the model. In the cases of equations 1, 2, 3, and 4, the presence of the lags of the explained variables in their respective econometric models is a key source of autocorrelation, not forgetting the intuitive inverse causalities that emanate from other explanatory variables as well. More technically, the fact that the various dependent variables and their lags are both expressed in terms of the country-specific time-invariant part of the error term, it is evidenced that there is potential autocorrelation in all the four models under investigation.

The presence of autocorrelation will be tested by employing Arrelano-Bond (1991) test in first difference errors. Ideally, the absence of autocorrelation in the first difference in itself suggests that autocorrelation is present in the actual data and model, and that OLS would not be an appropriate estimation technique (Roodman, 2006). The Arrelano-Bond (1991) test in first difference errors is appropriate as compared to the alternative procedure, Durbin-Watson test, in the sense that the technique to be used in our estimation, system GMM, operates on an assumption of using at least the fourth moments within the data. The system GMM also uses the appropriate order of lags for the endogenous variables as instruments in its estimation procedures. This means the system GMM does not use only the first lags of the endogenous variables as it happens in the case of the Durbin-Watson test.

Moreover, for the fact that the panel data employed consists of 42 different SSA countries with diverse and unique political, economic, socio-cultural, technological and even legal characteristics, it is believed for the possible presence of heterogeneity which ought to be taken care of in the estimation procedures, through the selection of appropriate estimation methods. This confirms the use of System GMM as the key estimation method employed in this study.

3.8.4 Stationarity (Unit Root) Test

Even though stationarity has been seen as more crucial to time series analysis (Brooks, 2008), in order to know the status of the variables under study, Roodman (2006) advised for the execution of this test even in dynamic panel data and analyses. As rightly put by Gujarati (2003), stationarity is said to be present in a stochastic process when its average and variance (standard deviation) are constant, giving room for the covariance between any two time periods to be influenced by only the distance between them. Earlier works (including Seetanah & Khadaroo, 2007) have used Fisher test to investigate the unit roots status of the various variables used in their study. We use the Fisher test because Choi (2001) recommends such test in cases where the panel data is unbalanced, and there is the presence of lags of the dependent variable as part of the regressors within the specified models.

3.8.5 Wald χ^2 Test

The Wald Chi-square test investigates the extent to which the regressors best explain the dependent variable. It tests the efficiency at which the explanatory variables account for the variations within the explained variable. This test operates on a null hypothesis that the coefficients are jointly equal to zero. The study expects a result where the null hypothesis will be rejected so as to arrive at a conclusion that at least one of the coefficients is significantly different from zero. Also, this

signifies that at least one of the independent variables present in each estimable equation has an influence on the respective dependent variables of interest ($lnITR_{it}$, FDI_{it} and $lnGDPPC_{it}$).

3.9 Data Collection

The data type, its source and procedures of collection are discussed in this section of the study.

3.9.1 Data Type

The study made use of an unbalanced panel data on forty-two SSA countries, which is specifically made up of yearly time series and individual country cross-sectional records. According to Brooks (2008) and Wooldridge (2009), panel data capture variations in variables across time (as exhibited by the time series component), and the variations among individuals at a point in time (as exhibited by the cross-sectional component). Again, panel data potentially exhibit dynamic characteristics where past observations of various variables of interest influence current and future values. This allows to test and account for the tenacity of the dependent variable in econometric analysis. For these reasons, Kripfganz and Schwarz (2013), and Mileva (2007) postulated that panel data lend itself for richer econometric models specifications and more accurate conclusions.

3.9.2 Data Source and Collection Procedures

For the purpose of addressing the objectives of this study, secondary data was used for all the proxies used to represent the various variables. Gujarati (2004) defined secondary data as one collected by some agency such as governments and private organisations. Brooks (2008) and Wooldridge (2009) further expounded that secondary data are one that is collected by independent scholars who are not part of current assessors, and such data usually undergo levels of analysis before their inclusion in the database. In this study, the proxies for the main variables of interest

(FDI, tourism, and economic growth) were all obtained from the World Development Indicators (WDI) database published by the World Bank. Also, the data on political stability and institutional quality were also obtained from the World Governance Indicators (WGI) published by the World Bank. Data for the other control variables were sourced from the World Development Indicators (WDI) database published by the World Bank. Extant literature have dwelt on these database, thus, a confirmation of their accuracy and reliability in addressing the objectives of this study.

Upon downloading the required variables' proxies, data sorting, cleaning, and necessary computations were made in Excel, and imported into Stata14 for further analysis. All the data transformations and composite variables generations were executed in Stata14.

3.10 Conclusion

The overall methods followed to achieve consistent and reliable results towards addressing the objectives of the study were enshrined in this chapter. Strategies used to select the countries as well as the variables of interest, with their theoretical reasons for selection, are documented. Various pre-estimation tests on the data, variables and the estimable models are also put to confirmatory tests. Given the econometric features of the data and variables used in the analysis, estimation techniques that were employed in the study were also highlighted with supporting reasons for their selection.

CHAPTER FOUR

RESULTS AND DISCUSSION OF FINDINGS

4.1 Introduction

The fourth chapter of the study presents the results and findings. The summarized descriptive and correlation matrix on the variables are discussed, followed by the results of all the pre-estimation and post-estimation tests conducted. The chapter then presents and discusses the results from the two-step System GMM estimation technique and stresses more on variables of interest as well as those that are significant.

4.2 Descriptive Statistics

The statistical features of the panel data used for this study is summarized below. The variable column depicts the names of the variables as used in the model, whereas the "obs" column also gives the total number of data observations, in the panel for each variable used. The table depicts a maximum number of observations to be 714 in the case of PSTAB and INSTQUA, confirming that data on PSTAB and INSTQUA were available for all the 17 years under review and for all the 42 SSA countries under study. With lnSEG (natural log of the numbers of secondary education enrolment as a proxy for the minimum human capital needed for the tourism sector) recording the minimum number of observation, 546, coupled with some other variables recording observations within the two extremes, as shown is the table below, it is shown that the studies employed an unbalanced panel data, partly supporting the need for the use of system GMM as the estimation technique.

As a measure of central tendency and dispersions within the dataset employed, the mean of each variable with their respective standard deviations are also reported.

Table 4.1: Descriptive Statistics for Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
FDI	669	4.409479	6.115204	-5.977515	54.0621
lnITR	602	18.6444	1.833795	11.51293	23.13936
lnGDPPC	709	6.902903	.9821177	5.267172	9.544209
lnSEG	546	12.74397	1.354428	8.852093	16.34386
lnER	688	4.876973	2.32884	-3.112977	22.62881
DCPS	674	20.73121	24.34472	.1982856	160.1248
TO	679	73.5567	34.05671	19.1008	225.0231
PSTAB	714	-.5206986	.8885559	-2.485255	1.28206
INSTQUA	714	-.6105565	.6119038	-1.929354	.879893
CPIC	667	93.0784	36.41698	2.908976	348.9924
NR	667	12.26577	11.99349	.001143	62.69263
INFRQUA	711	3.096078	6.065468	0	31.50345

Source: Author's Output with WDI data

Commencing with the independent variables, FDI, lnITR, and lnGDPPC, the mean values for net FDI as a percentage of GDP, natural log of international tourism receipts, and the natural log of GDP per capita, are 4.49%, 18.64 units, and 6.90 units respectively. The net FDI values hover around -5.98% to 54.06% of GDP per capita, whereas that of the natural log of international tourism receipts ranges from 11.51 units to 23.14 units. This suggest that SSA countries experienced a mix of both negative and positive net flows in FDI over the years under review, which further confirms the occurrence of some volumes of repatriation of profits from SSA by foreign investors. However, international tourism receipts have constantly shown positive

movements over the years, signifying potential inflows of revenues into the host countries through the operations of the tourism sectors. The natural log of GDP per capita (lnGDPPC), as a measure of market size (used to proxy economic growth in this study), depicts that SSA countries experienced GDP per capita increments ranging from 5.27 units to 9.54 units from 2000 through 2016.

The natural log of secondary school enrolments (lnSEG) is used as a proxy for human capital development within the sub-region. It depicts an average of 12.74 units, coupled with a minimum down-turn to 8.85 units and a maximum upward movement to 16.34 units. This expresses the levels of human capital developments among countries within the sub-Saharan Africa region.

The natural log of exchange rate as a measure of the relative value of a local currency to the US dollar averages 4.88 units, and can go high as to 22.63 units in periods where local currencies depreciate against the US dollar, and low as to -3.11 units in periods where local currencies strengthen against the US dollar.

The domestic credit to private sector as a percentage of GDP (DCPS) which is used as a proxy for financial development averages 20.73%, and can go up to 160.12% in periods where huge credit is demanded and made out to the private sector, and down to 0.20% in periods where very low credit is demanded and made out to the private sector.

Trade openness (TO), measured as the sum of total imports and exports scaled by GDP, also averaged 73.56%, with a maximum of 225.02% in periods of high imports and exports activities, and a minimum of 19.10% in years where trade openness in terms of imports and exports activities was low in some particular countries within the sample.

Political stability (PSTAB) as measured on a scale ranging from -2.5 to 2.5 (from worse to best) also recorded -0.52 as the mean indicating that on average, SSA experienced an unappreciable levels of political stability as shown in the details of the original data. This is further confirmed by a worse minimum value of -2.49 for some countries like Burundi, Angola, Congo and Gambia who experienced the most political instability. However, a maximum, 1.28, political stability was recorded for some other countries such as Ghana and Mozambique who experienced the highest political stability within the period under review.

The institutional quality (INSTQUA) which is the arithmetic mean of the scores for all the six World Governance Indicators as published by the World Bank (2018) averages -0.61, and could go as low as -1.93 and as high as 0.88. This implies that SSA countries have mostly exhibited weak institutional quality and performance over period under discussions. Meanwhile, with a maximum score of 0.88, to some extent some countries such as Mauritius, Republic Cape Verde, Namibia, Seychelles, and South Africa consistently attracted positive scores, even though below 1, signifying the presence of good operational institutions in these few countries.

Consumer price index (CPIC) as employed to proxy inflation in this study records an average of 93.08 points, with a highest and lowest records of 349.00 and 2.91 points respectively. This implies that within the period under review, inflation soared up to 349.00 points for some countries particular, Sudan, and others like Guinea (with a mean of 153.66 points, as shown in the original data), Ghana (with a mean of 143.23 points, as shown in the original data), and Malawi (with a mean of 180.79 points, as shown in the original data), which have high inflation records, whereas, countries such as Angola (with a mean of 85.03 points, as shown in the original data), and Democratic Republic of Congo (with a mean of 73.62 points, as shown in the original data), recorded low digit CPI index points in the early 2000s. However, on average, a mean inflation of 93.08 points was recorded for the sub-region which is encouraging as compared to the 2010 base points of 100.

Natural resources (NR) measured with the sum of rents received from letting out domestic platforms that contain oil, natural gas, coal (hard and soft), mineral, and forest, also averages 12.27%, with the highest and the least as zero percent and 62.69% respectively. Implicitly, this confirms the assertions of Acheampong and Osei (2014), Asiedu (2005) and, Asiedu and Lien (2011) on the huge levels of reliance most countries within the SSA region exercise on the revenues derived from their natural resources as well as the contributions of such incomes on their economies.

Infrastructural quality measured as the total numbers of fixed telephone lines present in every 100 people, even though described by Asiedu (2005) and Agbloyor et al. (2014) as not so an accurate proxy, also averages 3.10%, and can go as low as zero percent and as high as 31.50%. It is observed

that some countries within SSA have appreciable records in quality of infrastructure developments and quality. In line with this, countries such as South Africa (with a mean of 29.23%, as shown in the original data) and Cameroon (with a mean of 27.81%, as shown in the original data), as shown in the original data) have had good records of good infrastructure even in the early 2000s, whereas some other countries such as Angola (with a mean of 0.62 %, as shown in the original data), Zambia (with a mean of 2.81%, as shown in the original data), Congo (with a mean of 2.22%, as shown in the original data), just to mention a few, also picked up impressively in the early 2000s.

4.3 Correlation

Table 4.3 below presents the Pearson' correlation coefficient matrix among the variables used in the study. The p-values also report the level of significance in the various relationships, with asterisk on those that are significant at the standard 5% significant level. The p-values measure of the "strength" and the presence of multicollinearity among the variables under review. A correlation coefficient between two variables also shows the direction (the sign) and the magnitude (measured by the absolute value) of relationship that exist between them.

From table 4.3 below, foreign direct investments (FDI) is moderately collinear with trade openness (TO) with a coefficient of 0.41, even though the relationship is significant with a p-value of 0.000. In addition, majority of the variables also show multicollinearity, with that between political stability (PSTAB) and institutional quality (INSTQUA) equals 0.8592* (p-value = 0.000); infrastructural quality (INFRQUA) and economic growth (lnGDPPC) equals 0.7005* (p-value = 0.000); institutional quality (INSTQUA) and infrastructural quality (INFRQUA) equals 0.6187* (p-value = 0.000); economic growth (lnGDPPC) and TO equals 0.6099* (p-value = 0.000). For a

reason that the p-values for these correlations outcomes are less than 0.05, it is evident that there exist the presence of relationships among the variables.

On the row of institutional quality (INSTQUA), there exist a significant correlation coefficient of 0.8592 with political stability (PSTAB). This, and other coefficients confirms the presence of multicollinearity among the variables, a reason why system GMM was employed.

Table 4.2: Correlation Matrix

	FDI	lnITR	lnGDPPC	lnSEG	lnER	DCPS	TO	PSTAB	INSTQUA	CPIC	NR	INFRQUA
FDI	1.000											
lnITR	-0.007	1.000										
p-values	0.870											
lnGDPPC	0.1032*	0.5189*	1.000									
p-values	0.008	0.000										
lnSEG	-0.1490*	0.3468*	-0.2941*	1.000								
p-values	0.001	0.000	0.000									
lnER	-0.033	-0.3207*	-0.5101*	0.0973*	1.000							
p-values	0.395	0.000	0.000	0.025								
DCPS	-0.044	0.5532*	0.5609*	0.1235*	-0.3502*	1.000						
p-values	0.266	0.000	0.000	0.005	0.000							
TO	0.4095*	0.1319*	0.6099*	-0.4780*	-0.3042*	0.1477*	1.000					
p-values	0.000	0.001	0.000	0.000	0.000	0.000						
PSTAB	0.1055*	0.3544*	0.4692*	-0.4341*	-0.3009*	0.3240*	0.4006*	1.000				
p-values	0.006	0.000	0.000	0.000	0.000	0.000	0.000					
INSTQUA	0.067	0.5201*	0.5574*	-0.2616*	-0.3558*	0.5337*	0.3198*	0.8592*	1.000			
p-values	0.084	0.000	0.000	0.000	0.000	0.000	0.000	0.000				
CPIC	0.056	0.1640*	0.063	0.2271*	0.1616*	0.0792*	-0.060	-0.041	-0.037	1.000		
p-values	0.161	0.000	0.104	0.000	0.000	0.046	0.129	0.289	0.342			
NR	0.1643*	-0.2614*	-0.1525*	0.1974*	0.2416*	-0.265*	0.1453*	-0.4384*	-0.5142*	-0.026	1.000	
p-values	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.518		
INFRQUA	0.0995*	0.3506*	0.7005*	-0.4689*	-0.3341*	0.5575*	0.5265*	0.5169*	0.6187*	-0.045	-0.362*	1.000
p-values	0.010	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.248	0.000	

Source: Author's Output with WDI data
* = significant at 5%

Given that the correlation coefficients between some variables are high and significant at 5% significance level, the study performs a variance inflation factor (VIF) analysis too. The VIF results assist to know the various variables worth dropping from the model. The VIF reports is as follows.

Table 4.3: Variance Inflation Factor

Variable	VIF	1/VIF
lnGDPPC	5.40	0.185353
INFRQUA	4.39	0.227716
lnSEG	3.84	0.260362
lnITR	3.41	0.293163
INSTQUA	3.24	0.308524
TO	3.08	0.324826
DCPS	2.85	0.351325
NR	2.03	0.492491
lnER	1.97	0.507022
lag1FDI	1.31	0.765690
CPIC	1.17	0.852625
Mean VIF	2.97	

Source: Author's Output with WDI data

Given the existence of high significant collinearity between most variables (for example, PSTAB and INSTQUA = 0.8592*; lnGDPPC and INFRQUA = 0.7005*; INSTQUA and INFRQUA = 0.6187*), which confirms the potential presence of multicollinearity, the study still used all the variables in the estimations because the VIF for all the variables, as shown table 4.4 above recorded below 10. This is in accordance with the directives of Biresselioglu et al. (2016), and Kusi, Agbloyor, Ansah-Adu, and Gyeke-Dako (2017).

4.4 Fisher–Type Stationarity (Unit Root) Test Variable

With the view of eliminating the effects of spurious regressions in our analysis, the stationarity status for all the variables is tested with the Fisher's test as recommended by Choi (2001). The null hypothesis for this test is that all panel exhibit a unit root. This method employs four test statistical approaches; Inverse Chi-squared, Inverse Normal, Inverse Logit-t, and Modified inv. Chi-squared.

Given that the panel used in this study is finite, we will dwell more on the chi-squared test as recommended by Choi (2001). Based on this Chi-squared test, the p-values for all the variables are equal to zero, which is far below 0.05. This implies that none of the variables under study exhibits unit root.

This same conclusion is arrived at using the other three tests; inverse normal, inverse logit-t, and modified inverse chi-squared. In all cases, the null hypothesis is rejected. Table 4.4 below shows the results.

Table 4.4: Results for Fisher–Type Stationarity (Unit Root) Test Variable

Variable	Inverse Chi-squared		Inverse Normal		Inverse Logit-t		Modified inv. Chi-squared	
	Statistic	Prob.	Statistic	Prob.	Statistic	Prob.	Statistic	Prob.
lnGDPPC	199.6323	0.0000	-7.2445	0.0000	-7.4138	0.0000	8.9212	0.0000
lnITR	217.6499	0.0000	-8.4974	0.0000	-8.6965	0.0000	10.8822	0.0000
FDI	325.4209	0.0000	-12.7469	0.0000	-13.6872	0.0000	18.6260	0.0000
lnSEG	126.7741	0.0000	-4.9829	0.0000	-4.8483	0.0000	4.7983	0.0000
lnER	256.4471	0.0000	-10.1602	0.0000	-10.4478	0.0000	13.3046	0.0000
DCPS	205.7842	0.0000	-7.7651	0.0000	-7.8425	0.0000	9.3959	0.0000
TO	221.0982	0.0000	-8.5135	0.0000	-8.6581	0.0000	10.5774	0.0000
PSTAB	294.7209	0.0000	-11.2815	0.0000	-12.1502	0.0000	16.2575	0.0000
INSTQUA	262.7268	0.0000	-10.0228	0.0000	-10.5956	0.0000	13.7891	0.0000
CPIC	89.3919	0.0000	2.6472	0.0000	3.0181	0.0000	0.5772	0.0000
NR	246.8476	0.0000	-9.9023	0.0000	-10.0862	0.0000	12.5640	0.0000
INFRQUA	232.4026	0.0000	-8.8211	0.0000	-9.0553	0.0000	11.4495	0.0000

Source: Author's computations using WDI data, 2018

4.5 Heteroscedasticity

Applying the Breuch-Pagan/Cook-Weisberg test to assess the presence of heteroscedasticity, the following table 4.5 shows the results.

Table 4.5: Breusch-Pagan / Cook-Weisberg test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

H_o: Constant variance
Variables: fitted values of lnITR

chi2(1) = 21.71
Prob > chi2 = 0.0000

Source: Author's computations using WDI data, 2018

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

H_o: Constant variance
Variables: fitted values of FDI

chi2(1) = 1100.80
Prob > chi2 = 0.0000

Source: Author's computations using WDI data, 2018

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

H_o: Constant variance
Variables: fitted values of lnGDPPC

chi2(1) = 29.57
Prob > chi2 = 0.0000

Source: Author's computations using WDI data, 2018

The null hypothesis for this test suggests the presence of constant variance (there is homoscedasticity) in the panel. At the various traditional level of significance checks, the null

hypothesis was rejected, confirming the presence of heteroscedasticity. In line with this, the OLS estimation technique was again proven not to be suitable for this study as it will produce biased and inconsistent coefficints. By extention and accuracy, the two step system GMM is used so as to obtain unbiased and consistent results even in the prsence of heteroscedasticity.

4.6 Hausman Test for Fixed versus Random Effects Test (Durbin–Wu–Hausman (DWH) Test for Endogeneity)

Table 4.6: Hausman Test for Fixed versus Random Effects Test

Test: H_o: difference in coefficients not systematic

chi2(11) = (b-B)'[(V_b-V_B)^(-1)](b-B)
= 378.58
Prob>chi2 = 0.0000

Source: Author's computations using WDI data, 2018

As stipulated by Roodman (2006), a model that embraces the use of system GMM must also work for FEM, and not REM. Just as confirmed by the Breuch-Pagan/Cook-Weisberg test above of the presence of heteroscedasticity in all the model, the Hausman test was employed to confirm that the unobserved country-specific effects vary across the 42 countries under study, thus, the presence of endogeneity in the specified models.

More specifially, to choose between FEM and REM as an estimation procedure to further confirm or not to affirm the appropriateness of system GMM technique as used in this study (given that FEM supports system GMM technique), the Huasman test was conducted. The results above

support the use of FEM as an alternative appropriate estimation technique. Given a p-value of 0.000, which is less than 5%, the null hypothesis which support REM is rejected, giving grounds for the use of FEM as an appropriate alternative estimation technique. This further confirms the appropriateness in the use of system GMM as the main estimation technique employed in this study.

4.7 Two - Step System GMM Estimation Results and Discussions

With reference to the findings from the diagnostic tests which confirms the appropriateness in the use of the two-step system GMM as an estimation technique, below are the regression results for all the estimated models.

4.7.1 Pre-Estimation and Post-Estimation Diagnostic Tests

This section of the study discusses the key empirical findings. Discussions in relation to various theories and key previous findings are also made. Following the objectives of the study, and other further levels of investigations, the independent impacts of FDI and tourism on economic growth are discussed. The impact of tourism development on FDI is also discussed. Lastly, the impacts of FDI on tourism developments for SSA countries in total, and that for natural resources extractive and non-natural resources extractive countries, are discussed.

The presence of autocorrelation was tested by employing Arrelano-Bond (1991) test in first difference errors. Ideally, the absence of autocorrelation in the first difference in itself suggests that autocorrelation is present in the actual data and model, and that OLS would not be an appropriate estimation technique (Roodman, 2006). The null hypothesis of no autocorrelation of order 1 in the first difference is rejected, whereas that of no autocorrelation at order 2 is not

rejected, at 5% significant level for all estimated models as shown in the results below in tables 4.7 to 4.11. This satisfies the Arrelano-Bond (1991) model specifications. This implies that autocorrelation, with its coupling estimation errors, would have persisted in all models if OLS had been employed as an estimation technique in this study, again, justifying the reason for the use of system GMM.

Wald's test is also used to test how the coefficients, except the constant, are jointly different from zero. With p-values of 0.0000 in the case of all the models, the null hypothesis of this test, all the coefficients except the constant are zero, is heavily rejected at 5% significance level. This implies that, jointly, all the coefficients present in all the models are statistically different from zero.

Two-Step System GMM makes use of internally generated instruments in the estimation process and requires these instruments to be valid in order to yield unbiased and efficient coefficients. The Sargan test is employed to test for the validity of the over-identifying restrictions. With a p-value of greater than 0.05 but less than 1 for all models, as reported below in tables 4.7 to 4.11, we fail to reject the null hypothesis that over-identifying restrictions are valid. This gives support to the effect that the instruments used are valid for all the regressions.

4.7.2 Independent Impact of FDI and Tourism Developments on Economic Growth

The results from table 4.7 below summarizes the independent impact of FDI and tourism development on economic growth in the case of SSA.

Table 4.7: Independent Impacts of FDI and Tourism Development on Economic Growth

Two-step SYSTEM GMM results

lnGDPPC	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
lag1lnGDPPC	0.9728	0.0121	80.61	0.000***	0.9491	0.9964
FDI	-0.0002	0.0001	-2.56	0.010***	-0.0004	-0.0001
lnITR	0.0076	0.0025	3.03	0.002***	0.0027	0.0125
lnSEG	-0.0040	0.0045	-0.88	0.379	-0.0128	0.0049
lnER	-0.0239	0.0035	-6.79	0.000***	-0.0308	-0.0170
DCPS	-0.0008	0.0001	-7.84	0.000***	-0.0010	-0.0006
TO	0.0004	0.0002	2.63	0.008***	0.0001	0.0007
INSTQUA	0.0341	0.0082	4.14	0.000***	0.0180	0.0502
NR	0.0011	0.0001	14.32	0.000***	0.0010	0.0013
_cons	0.2226	0.0513	4.34	0.000***	0.1220	0.3232

```
Number of instruments =    125
Number of obs         =    426
Number of groups      =     41

Wald chi2(11)         =  2.86e+06
Prob > chi2           =  0.0000

AR(1):     Z-Value  = -2.9206;   P-value = 0.0035
AR(2):     Z-Value  = 0.31958;   P-value = 0.7493
Sargan test: Chi-sq.= 36.16395; P-value = 0.2238
```

Notes: *, **, * represent significance at p < 0.01, p < 0.05, and p < 0.1 respectively. lnGDPPC = natural log of Gross Domestic Product Per Capita; lnITR = natural log of international tourism receipts; lag1lnGDPPC = first lag of the natural log of Gross Domestic Product Per Capita, FDI = net foreign direct investment inflows, scaled by GDP; lnSEG = natural log of secondary education enrolment; lnER = natural log of Exchange Rate; TO = Trade Openness; PSTAB = Political Stability; NR = Natural Resources; INSTQUA = Institutional Quality; cons = Constant (intercept).**

From the regression results reported above in table 4.8, the first lag of the natural log of GDP per capita (lag1lnGDPPC) positively impacts on current natural log of GDP per capita at 1% significance level. That is, a percentage increase in previous years' GDP per capita leads to 0.97% increase in current GDP per capita. This implies that previous years' "economic growth" positively influences future "economic growth" in the case of SSA, given that most of the countries within the sample are still within the developing stage. Even though this result is in line with our expectations, it is contrary to the findings of Iamsiraroj (2016) who studied the nexus between FDI and economic growth using 124 cross-country data ranging from 1971 to 2010. Iamsiraroj (2016) found that the first lag of economic growth negatively impacts on current economic growth for countries within Africa and Middle East, Asia and Australia, Latin America and the Caribbean, as well as North America and Western Europe.

FDI, one of the variables of interest in this model, turns out to negatively impact on natural log of GDP per capita at 5% significance level, even though the magnitude of the impact is very minimal. From the regression output, an increase in FDI will results to a decrease in GDP per capita (used as a proxy for economic growth and market size). This result is contrary to our expectations given that FDI inflows is believed to have supporting contributions to host countries' economy through the provision of infrastructure, employment, revenues to government, transfer of skills, just to mention a few (Akinlo, 2004; Gui-Diby, 2014; Seetanah & Khadaroo, 2007.; Su & Liu, 2016; Sunde, 2017). Meanwhile, the negative impact of FDI on GDP per capita (used as a proxy for economic growth and market size) confirms the findings of Alfaro et al. (2004), Asiedu (2005), Agbloyor et al. (2016), and Agbloyor et al. (2014) who argued that FDI in itself does not necessarily promote economic growth in Africa and SSA unless it meets some adaptive capacities

such as quality human capital, good institutions, well developed financial markets, large markets size, just to mention a few.

The tourism-led economic growth hypothesis which is very popular within the tourism literature has been confirmed by the results of this study. As shown in table 4.7 above, tourism development impacts positively on natural log of GDP per capita at 1% significant level such that an increase in tourism development leads to increment in economic growth. The positive impact of tourism on economic growth is in line with expectations of the study given the many numerous economic-related benefits SSA derives from the sector. These benefits includes job creation, poverty alleviation, women empowerment (see Ashley & Mitchell, 2009), conservation of cultural and monumental heritages (see World Bank, 2011), increase in domestic consumption in transport services, real estate, and retailing (see Akinboade & Braimoh, 2010; Antonakakis et al., 2015; Webster, 2007; Oh, 2005), just to mention a few. The results also show that the magnitude of impact from tourism towards economic growth is very minimal compared to some earlier studies such as Sequeira and Nunes (2008) who recorded a magnitude of a positive 0.04% as the extent of impact tourism would have on economic growth, given a percentage increment in tourism development, when they studied the tourism-growth hypothesis in the case of some selected developing countries across the globe. It also confirms the findings of Dritsakis (2004) who used Multivariate Auto Regressive model (VAR) in an investigation of the impact of tourism on economic growth in the case of Greece and found out that a percentage increase in tourism development leads to 0.3129% increase in economic growth. Meanwhile, the finding of Tang and Tan (2015), who recorded that a percentage increase in tourism leads to 0.0903% increase in economic growth in their study on the tourism led growth in the case of Malaysia, is confirmed.

These and other empirical findings stipulate that even though tourism developments positively and significantly contributes to economic growth, the magnitude of contribution has consistently been recorded as minimal. However, the recorded minimal impact confirms the expectations of contemporary economic growth theory which seeks to argue that sectors that are highly linked to technological advancements such as banking, insurance, manufacturing and others turn to impact more on economic growth than those that have little influence from technology like tourism. In addition, the observed minimal contributions of tourism to economic growth may partially results from the numerous challenges, including inadequate investments and infrastructural base, currently facing the tourism sector within SSA, thus leading to minimal economic benefits from the sector to economic growth.

Exchange rate conforming to our expectations recorded a negative contribution towards economic growth at 1% significance level, whereas financial development also surprisingly recorded a negative impact, even though extremely minimal, on economic growth in the case of SSA. That is, an increment in exchange rate and financial development in SSA both lead to a decrease in economic growth. This implies that depreciation in currencies of SSA countries as compared to that of major foreign currencies turns to decrease the region's economic growth. Implicitly, this study's results suggest that the strengthening of foreign currencies (more specifically, the US dollar) against SSA local currencies results in a reduction in the sub-region's economic growth. More intuitively, the need for more local currencies in exchange for few US dollars obviously leads an increment in the costs of imported goods and services, coupled with its associated imported inflationary effects, given that SSA heavily depends on goods and services from abroad. Given the negative transmission effects from US dollar appreciation to economic growth through the cost-push inflationary mechanism, the results confirm the expectations of the study. However,

the significant negative impact recorded from exchange rate towards economic growth contradicts sharply with the findings of Dritsakis (2004) who recorded that exchange rate positively contributes to economic growth, even though at no significance level, and that economic growth instead significantly impacts on exchange rate in a negative direction. Meanwhile, the results of the study is in consonance with the lines of argument of earlier proponents of economic growth theory who stipulated that depreciation in local currencies reduces the level of confidence investors have in an economy and in the long run negatively affects exports and ultimately economic growth in most countries, especially the developing ones (Dunning, 2000, 2008, 2009; Stoian & Filippaios, 2008). In contrast, Obi et al. (2016) found in the case of Ghana that exchange rate tends to positively and significantly impact on economic growth.

Even though the negative impact of financial developments on economic growth is very small, such finding is contrary to earlier studies including that of the famous Schumpeter (1911) who postulated that the level of developments within the financial sector of nations is a key contributor to national economic growth, as financial developments facilitate the smooth flow of financial resources from surplus units to productive deficit units (Agbloyor et al., 2014).

Lastly, at 1% significant level, trade openness, quality of institutions, and rents from natural resources all positively impact on economic growth in the case of SSA. Put differently, these factors are reported in this study as key positive contributors to economic growth in SSA sub-region. More precisely, an increase in trade openness, quality of institutions, and rents from natural resources all lead to increment in economic growth. These findings suggest that access to foreign markets through exportation of both raw materials and partially processed agricultural products enables the sub-region to earn foreign exchanges, thus a positive reflection in GDP per capita. The

harvest of numerous mineral resources that brings earnings in the form of rents for land, forest and water usage by foreign and local investors is confirmed to contribute positively towards increment in GDP per capita in SSA. Also, the many expected benefits from well-organized institutional operations, in the light of the legal systems, ease of doing business, financial systems monitoring, accountability and avoidance of corruption, good central governance systems, and others, is confirmed as quality of institutions positively impacts GDP per capita in the sub-region. Further, The results are in agreement with earlier studies (see Ababio, 2015; Adams, 2009; Akinlo, 2004; Dunning, 2000; Sunde, 2017) who empirically argued that trade openness, quality of institutions, rents from natural resources are needed for higher economic growth as they help nations to benefit from external sources of revenues to both governments, local firms and individual through exportations for foreign exchanges. Thus, the findings of this study does not support the natural resource curse found in many studies such as Ababio (2015), Aseidu (2005), and Adams (2009) on SSA.

4.7.3 The Impact of Tourism Development on FDI

Table 4.8 below gives the results on the determinants of FDI in the case SSA, considering tourism development as a key variable of interest, and some other control variables.

Table 4.8: The impact of Tourism on FDI

Two-step SYSTEM GMM results

FDI	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
lag1FDI	0.1065	0.0101	10.52	0.000***	0.0866	0.1263
lnITR	0.6752	0.1770	3.81	0.000***	0.3282	1.0221
lnGDPPC	-3.4775	0.3259	-10.67	0.000***	-4.1163	-2.8387
lnSEG	0.9549	0.2091	4.57	0.000***	0.5451	1.3648
lnER	-0.6478	0.1987	-3.26	0.001***	-1.0372	-0.2585
DCPS	0.0306	0.0064	4.77	0.000***	0.0180	0.0432
TO	0.1261	0.0101	12.52	0.000***	0.1063	0.1458
INSTQUA	0.3762	0.7073	0.53	0.595	-1.0102	1.7625
CPIC	0.0064	0.0018	3.51	0.000***	0.0028	0.0099
NR	-0.0182	0.0131	-1.39	0.165	-0.0439	0.0075
INFRQUA	-0.1149	0.0950	-1.21	0.226	-0.3011	0.0713

```
Number of instruments =    127
Number of obs         =    407
Number of groups      =     42

Wald chi2(11)         =  165058.21
Prob > chi2           =  0.0000

AR(1):     Z-Value  = -2.1311;   P-value = 0.0331
AR(2):     Z-Value  = -0.08132;  P-value = 0.9352
Sargan test: Chi-sq.= 36.16395; P-value = 0.1014
```

Notes: *, **, * represent significance at p < 0.01, p < 0.05, and p < 0.1 respectively. FDI = net foreign direct investment inflows, scaled by GDP; lnITR = natural log of international tourism receipts; lag1FDI = first lag of net foreign direct investment inflows, scaled by GDP; lnGDPPC = natural log of Gross Domestic Product Per Capita; lnSEG = natural log of secondary education enrolment; lnER = natural log of Exchange Rate; TO = Trade Openness; CPIC = Consumer Price Index (inflation); NR = Natural Resources; INFRQUA= Infrastructural Quality.**

From the results, tourism developments is seen to positively impact on FDI inflows at 1% significant level. That is, a percentage increase in tourism development leads to an increase in FDI inflows by 0.68% in SSA. Just as expected in the case of SSA, and also in support of arguments in literature (see Bezic & Radic, 2017; Yazdi, et al., 2017; Perić & Radić, 2016; Samimi et al., 2013; Tang et al., 2007), tourism development statistically and economically leads to increments in FDI inflows. This is so because tourists usually demands quality and world-class goods and services from the supply side of host countries' tourism industries in the form of good accommodations and environments, highly hygienic food, safe and sound transportation and entertainment facilities. Given the recorded inadequacies in the supply for such caliber of facilities within SSA's tourism industry, Samimi et al. (2013) argued strongly that FDI serves as a feasible relief for most SSA countries, as foreign investors effectively and actively transmit foreign resources to bridge such hooping supply gaps in the sector. Through this, an increase in FDI is said to have been pulled by increments in tourism developments in SSA. In support of the causality effect from tourism to FDI, this finding agrees that of Tang et al (2007) who also argued that as tourists' visitation to regions with many untapped natural resources increases, just as in the case of SSA (see Obi et al., 2016), these tourists get attracted to the many viable investment opportunities during their trips. This mechanism potentially triggers the flow of investible FDIs into these host countries with many locational advantages.

The coefficient of the first lag of FDI, as shown in table 4.9 above, also happens to indicate that at 1% significant level, last year's FDIs positively influence current year's FDI flows to SSA, such that a percentage increase in last year's FDI increases current year's FDI flows by 0.11%. Ordinarily, this observation is expected in the case of SSA as the region regularly records the highest returns on investments into its economic sectors, as compared to other parts of the world

(World Investment Report, 2017). It is interesting to note that most studies that have investigated the determinants of FDI never consider previous FDIs' influence in their analysis (Ang, 2008; Boateng et al., 2015; Holtbrügge & Kreppel, 2012; Kolstad & Wiig, 2012; Zhang & Daly, 2011). Few papers considered the possibility of previous FDI influencing future years' FDI. The very scarce literature which made this consideration only employed time series data on individual countries in their analysis. For example, Kinuthia and Murshed (2015) looked at the determinants of FDI by comparing findings from the use of data on Kenya and Malaysia, and considered the possibility for a two year previous FDI to influence current FDI inflows into these countries. They found out that for both countries, the first and second lags of FDI negatively impact on current FDI, which is contrary to the findings of this study that employed panel data on SSA countries. Meanwhile, the significant influence of the first lag of FDI on current FDI as found in this study confirms the findings of a study conducted on Japan by Tomohara (2016), who found that the first lag of composite FDI positively influences current composite FDI flows.

Other control variables including the natural log of GDP per capita (a measure of market size) and the natural log of secondary school enrolment (used as a measure of human capital development) have respectively shown negative and positive significant impacts on FDI, such that a percentage increase in economic growth and education in the host countries leads to a decrease and an increase in FDI flows by 3.5% and 0.95% respectively. This means that sizes of local markets present in SSA nations play key role in the decision making procedures of foreign investors especially when choosing host countries worth receiving their FDIs. As such, economies with smaller local markets (in the form low GDP per capita for her citizens) turn to qualify for more FDI inflows as compared to small economies. This partly reflects the nature of FDIs that come into SSA as very exploitative and hardly seek the benefits on local indigenes (as they fail to complement a boost in GDP per

capita). This further implies that most FDIs that arrive in SSA are after week, shaky and poor economies and citizens, in order to give them (the foreign investors) more abusive and manipulative powers over the local citizens. Thus, FDIs flow into well-to-do economies (economies with higher GDP per capita) are minimal as such economies are deemed to be strong and economically sound, and could not easily be exploited and manipulated. Conformingly, Tomohara (2016) similarly found that economic growth have a negative impact on FDI even though the magnitude of the coefficient was almost equal to zero percent in the case of Japan. Also, this result is in line with that of Durham (2004) who after failing to realize a positive relationship between FDI and economic growth further concluded that the relationship between these two variables is dependent on the levels of adaptive capacities in the host countries. Meanwhile, the fact that the levels of education of the citizens of a host country positively influences more FDI inflows as established by this study is consistent with underpinning theoretical arguments. This means that the presence of quality and trained human capital serves as an added advantage that stimulates huge inflows of FDIs into host nations, as foreign investors consider the quality of workforce available to help realize their targeted investments dreams and planned operational results. This empirical result is in line with Aseidu (2002; 2004) who found human capital as a key determinant of FDI in the case of developing countries. In addition, this results confirms that of Boateng et al. (2015) who used OLS on quarterly data from 1986 to 2009 and found that all level of education, be it primary, secondary, or tertiary, significantly encourages the flow of FDI in the case of Norway.

Exchange rate also turned out to have a negative impact on FDI at 1% significance level such that a percentage appreciation in exchange rate leads to 0.65% decrease in FDI inflows into SSA. This means that depreciation of local currencies of countries within the SSA leads to a reduction in the

inflows of FDIs to the sub-region. The loss of confidence in local SSA economies by foreign investors due to local currencies' depreciation, and its accompanying inflationary impacts, is intuitive illustrated in this study as FDIs inflows reduces given the consistent strengthening of the US dollar against local currencies within the sub-region. This confirms findings in literature including the theory of exchange rates on imperfect capital markets, Alfaro et al. (2004), Dunning (2003), and Stoian and Filippaios (2008), and Obi et al. (2016) who argued that the appreciation of local currencies against major foreign currencies like US dollar, pound sterling, yen, and others, discourages FDI flows into the host country. Also, using VECM, Yazdi et al. (2017) found that in the long run, exchange rate negatively impacts on FDI in the case of Iran, a confirmation of this study's findings, even though in the case SSA. More specifically, an empirical study by Cushman (1985) concluded that the appreciation of dollars led to a 25% reduction in FDI inflows to U.S.

Meanwhile, financial development, trade openness and inflation also positively impact on FDI at 1% significance level according to the results in table 4.9 above. Statistically, a percentage increment in financial development, trade openness and inflation respectively leads to 0.03%, 0.13% and 0.006% increase in FDI in SSA. This implies that foreigners who bring FDI into SSA put premium on the level of financial development present in the host country as well as how opened the local markets are to international trade. This is mainly because financial development and trade openness are seen as adaptive capacities that ought to be present in order to motivate foreigners to leverage more FDIs to developing countries (see Azman-Saini et al., 2010; Gui-Diby, 2014). This implies that the levels of financial system innovations and developments in host nations, as well as the ease with which financial resources move from surplus economic units to productive deficit units within the sub-region, influences the volumes of FDIs that flow into the sub-region, such that the more financially developed a region is, the higher the FDIs receipts.

In the case of trade openness, it is evident that levels of imports and exports in SSA turns to positively influence inflows of FDIs. This is so because most FDIs are geared towards extraction of the abundant natural resources present in the sub-region purposely for exportation in exchange for higher foreign revenues. In addition, given that a chunk of SSA's FDIs come in the form of physical capital (machineries and equipment), it is evident that the presence of friendly importation policies that promote the influx of these physical capital is a key contributing factor for the increased FDIs. In total, because of the motive (to produce and export) and the forms (mostly physical capital) exhibited by SSA's FDIs, higher trade openness would always be a necessity in promoting more FDIs inflows into the sub-region. In line with these arguments, the results confirm that of Seetanah and Rojid (2011) as they found trade openness, wages, quality of labour (human capital) as key positive determinants of FDI inflows in the case of Mauritius.

However, inflation, which measures the level of economic stability within the SSA, having a positive impact on FDI is surprising and is in sharp contrast with our expectations. The results show that in spite of the high inflations recorded in the sub-region, FDIs inflows are still increasingly arriving. This partly reflects on the nature and the forms of FDIs that flow into SSA. Given that most FDIs that flow into the sub-region are in the form of machineries and equipment (mostly for mineral resource extractive activities) which are procured abroad, it is evident that regardless of the high inflation within the host nations (SSA), foreign investors would still invest as cost for such physical capitals are independent of host nations' negative inflationary impacts. Theoretically, there is the general believe that low inflation serves as a sign of economic stability as it turns to stabilize real earnings and further attracts foreign investors to bring in more FDI into the host country.

In spite of the surprise in the sign of the coefficient of inflation, the results confirms that of Owusu, Saat, Suppiah, and Hook (2017) who used the same efficient two-step system GMM estimator on a panel data of 116 developing countries over a period of 1996 to 2013 to investigate the mediating effect of International Financial Reporting Standards (IFRSs) adoption and institution on the relationship between FDI and economic growth. They found as part of the results that inflation positively impact on FDI inflows among the developing countries in their sample space.

4.7.4 The Impact of FDI on Tourism Development

Table 4.2: The Impact of FDI on Tourism Development

Two-step SYSTEM GMM results

lnITR	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
Lag1lnITR	0.7152	0.0142	50.39	0.000***	0.6874	0.7430
FDI	-0.0088	0.0031	-2.84	0.005***	-0.0150	-0.0027
lnGDPPC	0.4960	0.1649	3.01	0.008***	0.1728	0.8192
lnSEG	0.1555	0.0614	2.53	0.011**	0.0352	0.2758
lnER	-0.0095	0.0467	-0.20	0.839	-0.1010	0.0820
TO	-0.0080	0.0018	-4.38	0.000***	-0.0115	-0.0044
PSTAB	0.3680	0.0368	10.01	0.000***	0.2960	0.4401
CPIC	0.0017	0.0008	2.04	0.041**	0.0001	0.0034
NR	0.0152	0.0028	5.47	0.000***	0.0097	0.0206
INFRQUA	0.0070	0.0037	1.89	0.058*	-0.0002	0.0142
cons	0.4614	1.7134	0.27	0.788	-2.8970	3.8197

```
Number of instruments          =    126
Number of obs                  =    407
Number of groups               =    42

Wald chi2(11)                  =  105841.95
Prob > chi2                    =  0.0000

AR(1):     Z-Value    = -2.0594;  P-value = 0.0395
AR(2):     Z-Value    = -0.5102;  P-value = 0.6099
Sargan test: Chi-sq.= 33.71151; P-value = 0.6112
```

Notes: *, **, * represent significance at p < 0.01, p < 0.05, and p < 0.1 respectively. lnITR = natural log of international tourism receipts; Lag1lnITR = first lag of the natural log of international tourism receipts, FDI = net foreign direct investment inflows, scaled by GDP; lnGDPPC = natural log of Gross**

Domestic Product Per Capita; lnSEG = natural log of secondary education enrolment; lnER = natural log of Exchange Rate; TO = Trade Openness; PSTAB = Political Stability; CPIC = Consumer Price Index (inflation); NR = Natural Resources; INFRQUA= Infrastructural Quality; cons = Constant (intercept)

According to the results in table 4.10 above, which reports the impact of FDI on tourism developments (for which international tourism receipts is used as a proxy for tourism development) within SSA in the presence of some other controls variables, it is evident that the first lag of tourism development significantly, at 1%, and positively influences current tourism development. In fact, a percentage increase in last year's tourism developments would increase current tourism development by 0.72 percent, for the full sample, which consists of natural resource rich, and non-natural resource rich countries.

The main variable of interest, FDI, at 1% significant level, negatively impacts on tourism developments. That is to say, a percentage increase in FDI inflows into SSA tends to decrease tourism development by 0.0088 percent. This implies that in spite of the FDIs flows into the sub-region, the tourism industry has not been transformed positively. This may possibly results from the fact that much FDIs are not channeled into SSA's tourism industry. In addition, and possibly, the motives behind FDIs that move into the tourism sector may be skewed towards profit expatriation, rather than expansions of the industry by reinvesting profits and provision of huge infrastructural base. More intuitively, the need for FDIs to meet conducive and development-oriented conditions within tourism industry such as welcoming policies, adequate road networks and infrastructural base, which are predominantly absent in the case of SSA, might also validate the negative impact FDIs currently has on tourism developments. This result is contradictory to the most usual believe and common findings in earlier studies, including that of Moore and Craigwell (2008) who established that the inflows of FDI leads to the provision of needed capacities in Small Island Developing States (SIDS) which eventual allows such countries to expand their tourism industry. Also, this result sharply contrasts that of Samimi et al. (2013), who found a positive bilateral long-run relationship between FDI and tourism among some selected

developing countries after employing panel Vector Error Correction Model on a data ranging from 1995 to 2008.

Even though the negative relationship from FDI to tourism is surprising, it is consistent with the findings of Bruno and Sachs (1982), and Copeland (1991) who argued that FDI does not necessarily lead to tourism development in host countries. In this same line of argument, Yazdi et al. (2017) and Fauzel et al. (2016) also postulated that an increase in FDI can lead to appreciations in the local currencies of host countries, which in turn leads to resource reallocations, and finally leaving such countries to massive foreign competitions. Following the arguments of these earlier studies, it is evident that for a reason that SSA is opened to foreign competitions, all sectors within the region which depend on international trade as well as foreign patronage, like that of tourism, are likely to suffer adversely should the region face keen competitions from the international market.

It is of no surprise that natural mineral resources positively and significantly drives tourism developments in SSA as exhibited in table 4.10 above, even though the effect is minimal. This finding signifies that SSA exhibits some ownership and location advantages in terms of numerous under-developed and attractive tourism and non-tourism natural sites which turns to form a propelling reason based on which local and foreign investments flow to improvement infrastructure, hotels, motels, resorts, restaurants, beaches, and many more in the sub-region. This finding is one of the key contributions of this study to literature as it opines that SSA exhibits some ownership and location advantages in terms of numerous untapped natural resources (Obi et al., 2016), which is a confirmation of the Eclectic Paradigm of Dunning (1973, 1980, 1988). Also, this observation is in line with that of Tuomi (2011) in the case of South Africa, and Chen, Dollar,

and Tang (2016), Cheung, Qian, Yu and Haan (2011), and Sichei and Kinyondo (2012) in the case of China, who argued that the presence of natural mineral resources in these economies is a key driver of foreign investments into the countries' tourism sector.

The impacts of other control variables on tourism developments, as shown in tables 4.9, and 4.10, including economic growth, human capital (education), political stability, trade openness, exchange rate, and inflation, are discussed in section 4.7.5 below.

4.7.5 The Impact of FDI on Tourism Development: Natural Resource Rich Countries verses Non-Natural Resource Rich Countries

Table 4.3: The Impact of FDI on Tourism Development - A comparison of Natural Resource Rich Countries against Natural Resource Poor Countries.

Two-step SYSTEM GMM results

lnITR	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
Lag1lnITR	0.6942	0.0159	43.74	0.000***	0.6631	0.7253
FDI	0.0311	0.0034	9.24	0.000***	0.0245	0.0377
lnGDPPC	0.7840	0.1430	5.48	0.000***	0.5038	1.0642
DD_Dummy	-0.3360	0.3508	-0.96	0.338	-1.0235	0.3516
FDI*DD_Dummy	-0.0483	0.0041	-11.81	0.000***	-0.0563	-0.0403
lnSEG	0.3542	0.0742	4.77	0.000***	0.0697	0.3422
lnER	0.1024	0.0471	2.17	0.030**	0.0101	0.1948
TO	-0.0068	0.0012	-5.52	0.000***	-0.0092	-0.0044
CPIC	-0.0019	0.0010	-1.87	0.062*	-0.0040	0.0001
INFRQUA	-0.0202	0.0083	-2.43	0.015**	-0.0365	-0.0039
PSTAB	0.2807	0.0312	8.99	0.000***	0.2195	0.3419
cons	-3.5516	1.2950	-2.74	0.006***	-6.0898	-1.0134

```
Number of instruments =    127
Number of obs         =    408
Number of groups      =    40

Wald chi2(11)         =  19726.77
Prob > chi2           =  0.0000

AR(1):    Z-Value  = -2.0944;   P-value = 0.0362
AR(2):    Z-Value  = -0.61068;  P-value = 0.5414
Sargan test: Chi-sq.= 33.61883; P-value = 0.5626
```

Notes: *, **, * represent significance at p < 0.01, p < 0.05, and p < 0.1 respectively. lnITR = natural log of international tourism receipts; Lag1lnITR = first lag of the natural log of international tourism receipts, FDI = net foreign direct investment inflows, scaled by GDP; lnGDPPC = natural log of Gross Domestic Product Per Capita; DD_Dummy = dummy variable (1 for natural resources extraction countries, and 0 otherwise); FDI*DD_Dummy = interaction term between FDI and dummy variable for natural resources extraction countries; lnSEG = natural log of secondary education enrolment; lnER = natural log of Exchange Rate; TO = Trade Openness; PSTAB = Political Stability; CPIC = Consumer Price Index; INFRQUA= Infrastructural Quality; cons = Constant (intercept).**

Table 4.10 above reports the results on the test for the moderating role of natural mineral resources in the impact FDIs have on tourism development in SSA.

The first lag of the natural log of international tourism receipts is reported to have a positive impact on current tourism development. This implies that previous tourism activities add on to current tourism activities. Further, this intuitively reflect the fact that the current patronage of tourism goods and services within the sub-region is remarkably born out of recommendations from previous customers to the industry. That is to say that past foreign tourists do visit again and/or recommends SSA for new current and possibly future foreign tourists. This observation is a confirmation of earlier findings by Tang et al. (2007) who argued that representatives of MNEs engage in series of travels in search for tangible information in addition to the general ones provided by government and independent agencies on investment opportunities. This partly explains why previous tourism receipts positively influence current tourism receipts.

Results in table 4.11 establishes that FDIs and natural log of GDP per capita both significantly (at 1% significance level) and positively impact on tourism development, even though the magnitude is minimal for FDIs. This implies that the influx of FDIs naturally improves tourism developments in SSA. This is however in line with expectations of the study, even though earlier regression outputs in table 10 showed a negative significant impact from FDI to tourism (even though this earlier analysis did not account for the moderating role of natural resources in the potential relationship between FDIs and tourism). In the case of GDP per capita, the results show that markets size of SSA nations plays key role in growth of the tourism sector. This indicates that an increment in the GDP per capita within SSA raises the demand for tourism as the patronage of

leisure increases among both local and foreign tourists in responds to upsurge in citizens' earnings within the sub-region. Also, the high impact of GDP per capita on tourism developments further indicates that as citizens' earnings increases, they turn to substitute working hours for more tourism and leisure with foreign tourists, given the explicit trade off. This mechanism serves as a ground for an increase in the supply side of the tourism sector within the SSA in quest to satisfy the corresponding demand thereof. This result sharply contradicts with the findings of earlier works including Brida et al. (2010) who only found a unidirectional significant impact from tourism development to GDP per capita in the case of Trentino-Alto Adige. Meanwhile, the result confirms that of Odhiambo (2011) who postulated that economic growth keenly drives tourism developments in the case of Tanzania, upon employing the ARDL-Bounds testing procedure.

The coefficient of the interaction term (FDI*DD_Dummy), which is the main focus in table 4.11 above, shows a negative impact on tourism development. The sign for the coefficient of the interaction term between FDI and the dummy variable capturing natural resource rich against natural resource poor countries, (FDI*DD_Dummy), confirms the presence of the Dutch Disease in SSA, following Bruno and Sachs (1982), Davis (1995), Sheng and Tsui (2010), and, Vanegas and Croes (2003). More specifically, tourism development in countries who are rich in natural resources is approximately 0.05% less as compared to their counterparts without natural mineral resources, when these two categories of economies both receive a percentage increment in FDI. That is to say that over the years under review, the receipts of FDI tend to have less impact on tourism development in SSA countries who are rich in natural resources, whereas, the inflows of FDI tend to have greater impact on tourism development in SSA countries which have records of poor natural resources. This is further shown in the reduced and minimal independent impact of FDI on tourism as exhibited in table 4.10. This makes it clear that natural resource rich SSA

countries are suffering from the Dutch Disease, such that as a results of a boom in exports and imports operations within the natural minerals extraction industry, which is made up of oil, natural gas, precious metal including gold, iron ore, bauxite, just to mention a few, there is a shrink in developments within the tourism industry. Put differently, the results indicate that the presence of natural mineral resources in some SSA nations tend to diminish the expanding impacts FDIs have on the tourism industry within the sub-region.

This confirms conclusions from earlier studies such as Tang at al. (2007) that there is usually reallocation of economic resources (including FDIs) by all rational economic agents including foreign and local governments, households, and even firms, from less-booming industries (in this case, the tourism industry) to highly booming industries (in this case, the natural resource extractive industry), as businesses in the booming industries tend to be more profitable. This is commonly observed in most SSA economies as the discovery and extraction of natural resources rationally compel most profit-seeking foreign governments, firms and individuals to channel their FDIs to the natural mineral resource extraction industry, rendering some other industries like tourism handicap in the form of very low FDIs receipts which further translates into numerous challenges including: inadequate infrastructural investments; weak tourism marketing, awareness and regulatory framework; insufficient air transport; deficiency in accommodation; lack of image and prestige; rampant poverty, diseases, conflicts, and insecurity; just to mention a few.

With this notwithstanding, in the case of natural resource poor countries within SSA, the increment in FDIs lead to expansions in the supply of quality services in the tourism economic sector, which in the end increases international tourists' visitations and international tourism receipts for such

countries. This is in accordance with the findings and also in line with the arguments of the earlier proponents of the Dutch disease theory including Corden (1984), and Corden and Neary (1982). Also, this finding confirms that of the recent pioneers of the same theory in the field of tourism and mineral resource extraction sectors (Dunning, 1995: 2008; Tang et al., 2007; Yazdi et al., 2017).

The impacts of other control variables on tourism developments, as shown in tables 4.10 and 4.11, including economic growth, human capital (education), political stability, trade openness, exchange rate, and inflation, are discussed as follows.

Other control variables such as GDP per capita and human capital (education) positively and significantly impact on tourism developments in all the two separate regression outputs shown in tables 4.10 and 4.11 above. This implies that an increase in GDP per capita, as a measure of local market size, and educations, a measure of human capital formation, all significantly leads to an increase in tourism development in SSA. Confirming the findings of Martins, Gan, and Ferreira-Lopes (2017) who econometrically studied the macroeconomic variables that affect tourism demands, GDP per capita happened to have the second greatest impact on tourism development, with education being one of the key determinants, following closely the magnitude after political stability. More specifically, the results of this study show that a percentage increase in GDP per capita and secondary education enrolment will respectively yield, 0.496% and 0.16% (see table 4.9) for the whole sample, 0.78% and 0.35% (after accounting for the moderating effect of natural resources – see table 4.10) increments in tourism development within SSA.

Political stability, a measure of the perception as to the likelihood of political instability and/or politically-motivated violence, including terrorism, and the levels of infrastructure quality present in the host countries, are also seen to be key determinants of tourism development in SSA. This is observed to be in line of literature as the presence of political stability, which is absence of chaos, and presence of quality infrastructure such as modern airports, habours, safe roads, railways, museums, just to mention a few, serve as conducive reasons to attract more foreign and even local tourists to patronage tourism services in SSA. In our result, this is heavily true as a unit increase in the scale of political stability leads to 0.37 percentage increase in tourism development. Even though small in magnitude, however significant, a percentage increase in infrastructural quality leads to 0.007 percentage increase in tourism development. This confirms the findings of Naudé and Saayman (2005) who found that political stability and tourism infrastructure are significant key determinants of tourism demand in Africa at large.

Trade openness surprisingly turned out to have negative impact on tourism development at 1% significance level in all the two regression outputs. More specifically, the results depict that a percentage increase in the exposure of SSA economies to higher levels of international trade turns to averagely reduce tourism development by 0.0075 percent (actual percentages of 0.007% and 0.008% respectively shown in tables 4.10 and 4.11 above). This particular observation from the study, even though contradictory to the findings by earlier studies (see Kinuthia & Murshed, 2015; Zhang & Daly, 2011), stipulates that high trade openness of SSA to international markets renders detrimental effects on tourism developments within the sub-region. Given that the consistent increase in SSA's exports and imports are yielding damaging effects on the sub-region's earnings from international tourism activities, it is evident to link this scene to the fact that more resources and attention (in terms of foreign and local expansionary investments) are geared towards

industries that yield exportable outputs, like the mineral extraction, at the expense of the tourism industry. As such, the huge resource shift that are channeled towards exports and imports generating industries turns to shrink investments that move to the tourism sector. The resulting effect is a tradeoff against performance in the tourism sector in favour of other booming and massive exports and imports generating sectors present in SSA economies.

Whereas exchange rate contrarily turned out to have positive impact on tourism developments in case of both natural mineral resource rich and non-natural mineral resource rich countries, even though insignificant at even 10% significant level, inflation, measured by the consumer price index (CPIC), also surprisingly turned out to be positive, and significant only in the case of the full sample (as shown in table 4.9) and non-natural resource rich countries (as shown in table 4.10), towards tourism development in SSA. With the expectation that a negative sign would be observed on the coefficients of inflation so as to confirm the argument leveled by Butler (2010), inflation is statistically shown in this study to positively impact on tourism development. This implies that the decisions by foreigners on the demand for tourism packages within the SSA sub-region is not influenced negatively by the inflationary effects within the region. This is further confirmed in the fact that exchange rates between the foreign and local currencies are of no statistical impact in their decisions to patronage tourism related goods and services in SSA. Given the traditional positive relation between exchange rate and inflation, arguing in the point view of international trade as established by Fisher (1958), this findings are consistent with actual trends of economic variables that interplay between SSA and the rest of the world.

4.8 Chapter Summary

The fourth chapter summarized results from pre-estimation and post-estimation diagnostic tests. The outcomes of these tests support the use of the two-step system GMM as an estimation technique for this study. The results for all the objectives of this research and their corresponding empirical outcomes were also presented. These results and regression outputs were again discussed with reference to earlier works in these related fields of study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The fifth chapter finalizes this study by presenting the key findings coupled with recommendations for policy, academic and future researches.

Limitations of the study and suggestions for further studies in this area are also enshrined in this chapter.

5.2 Summary of the Findings

The results confirm the presence of a bi-causal relationship between FDI and tourism in SSA. However, the reverse causation is positive from tourism development to FDI, confirming the need for SSA countries to continually welcome strangers (foreign citizens) through tourism and other means, as the increase in foreign tourists arrivals do not only increase the region's revenue receipts from tourism, but also increases FDI inflows as these foreigners discover investments opportunities upon their visits. This confirms Dunning's eclectic paradigm and the tourism-led FDIs hypothesis in SSA, as results from the study show that the sub-region has a location advantage in tourism that pulls FDIs into her economies.

Meanwhile, an increase in FDI reduces tourism development in the case of the full sample. Probing further to investigate this surprising significant negative impacts of FDI on tourism in the full sample, FDI was found to have greater effect on tourism development in the case of natural mineral resource poor SSA countries, and a lesser impact on tourism development in the case of SSA nations that have consistently experienced a boom in their natural mineral resource extraction sector (natural mineral resource rich countries). This confirms the presence of the Dutch disease

among SSA countries, as the emergence of a boom in natural mineral extractions sector turns to shrink some other sectors of the economy, in this case the tourism sector.

Whereas SSA's openness to international trade was found to contribute to more FDI inflows, the same trade openness was found to be detrimental to tourism development as the tourism sector faces keen competition from the rest of world.

Further, political stability, quality infrastructure, and quality human capital were all found to be key factors that drive tourism development, FDI flows and economic growth in SSA.

Finally, FDI was found to have a negative contribution towards economic growth in our sample, signifying the absence of the FDI-led growth hypothesis in SSA. However, the tourism-led-growth hypothesis was confirmed in this study as tourism development significantly and positively impact on economic growth in SSA.

5.3 Conclusion

Tourism as a viable sector, and Foreign Direct Investment as a source of capital, both continue to play key roles in the development and growth agendas of most countries, including SSA nations. The findings of this study canonically confirms this assertion by showing empirically that the tourism-led growth hypothesis is evident in SSA.

The increasing number of tourists into SSA (as a contributing indication of tourism development) is also confirmed to be a pull-factor for FDI influx into the sub-region, even though such FDIs tend to flow into the natural mineral resource extraction sector other than tourism itself; a clear

indication that natural-resource-rich countries in SSA are suffering from the popular Dutch Disease Syndrome, a worrying situation that potentially fights against the holistic economic growth of nations.

Governments within SSA are therefore encouraged to foster progress in the tourism sector, and also execute measures to attract more FDIs. The received FDIs also ought to be channeled equitably across all viable sectors within these economies to ensure an all-inclusive benefit and progress for all, especially the overly neglected tourism division.

5.4 Recommendations

Tourism developments and FDI have helped many economies, both developed and developing ones, to reap economic growth, leading to the emergence of the tourism-led growth hypothesis and FDI-led economic growth nexuses in literature. Given the findings of this study, the following policy recommendations are worth noting.

Firstly, SSA countries ought to increase and diligently implement strategic plans that seek to promote tourism as a key contributor to economic growth. For this reason, policies that lead to development in this tourism sector such as investment in infrastructure and national social amenities such as roads, airports, and habour, and others, must be fostered by SSA countries.

There is also the need for governments within SSA to ensure universal developments across all sectors of their economies. Countries, including Ghana, Nigeria, South Africa, Angola, Chad, Gabon, Niger, and others, that have massive booms in their natural resources extraction sector ought to implement strategies that will lead to growth in other sectors such as tourism, agriculture,

and manufacturing as well. In order not to leave such equally important sectors of the economy out in the holistic growth model, policies including increased governments' budgetary allocations into such seemingly neglected sectors, like tourism, must be fully encouraged and put to practice accurately. Also, policies that will encourage foreign direct investments into non-booming sectors such as increments in taxes on mineral extraction sectors against reductions in taxes for manufacturing, tourism, and agricultural sectors are worth considering. Given that majority of FDIs that arrive in SSA are natural-resource and local markets seeking, one leading strategy SSA governments could use to obtain their share of the proceeds of these transnational companies is through increments in taxation on some prime sectors of the economies, such as the mineral extraction industry, that seems so attractive to these foreigners.

The absence of chaos in and among SSA countries must be encouraged as political stability is considered keenly among foreigners in choosing tourist sites. Most countries in SSA including Zambia, Seychelles, Ghana, Benin, Cameroon, Angola, Botswana, and others have consistently recorded peaceful environments, whereas other such as Guinea, Nigeria, Sudan, Uganda, Zimbabwe and others have also misbehaved themselves for a while. There is now the need for all nations to realize that political stability is a key component and contributor towards their economic growth and quality of life. This is so because political stability convinces more tourists to visit and also encourages foreign investors to pump more funds into such politically stable economies.

Stability and favourable movements in macroeconomic variables such as exchange rate and inflation also ought to be pursued and well managed by SSA countries as these variables tend to influence investors' trust in SSA economies. For this reason, central banks and other regulatory bodies should consistently chart a path of making better these economic indicators than following

the wishes and demands of political manipulators. To this effect, strengthening central banks' independence is a key milestone towards the attainment of stable and favourable macroeconomic indicators within SSA.

Given the significant contributions leveled towards tourism development, FDI, and economic growth by the levels of quality human capital, as measured with the number of secondary school enrolments, it is evidenced that educations is of great essence. For this reason, policies that will ensure that citizens attain at least education up to the secondary level ought to be encouraged among SSA countries. In line with this, other SSA countries must follow those, including Ghana, who have started initiatives such as "Free Senior High School Education". On top of that, quality within the educational sector also ought to be a priority for governments, thus, the need for adequate government budgetary allocations towards such sector of the economy.

Lastly, SSA countries ought to be cautious of the types and content of international trade openness agreements they consent to. Given the findings of this study, the prospective shrinking impacts of future international trade openness agreements and transactions on sectors such as tourism and others must be well thought of by officials of SSA countries. Also, already signed international trade agreements must be reviewed with the motive of neutralizing all possible competitive disadvantages they pose on some key economic sectors such as the tourism, manufacturing, agriculture, and others, in order to save them from folding up and being crowded out by foreign pressures and competitions.

5.5 Contributions of the study

The originality of this study revolves around the fact that it happens to be the first work that sought to assess the links among tourism development, FDI and economic growth in the case of SSA, and again, the first that has employed simultaneous dynamic models and estimation technique, more specifically the two-step system GMM, for this exploration exercise. The primary contributions of this work to literature includes the empirical confirmation of the Dutch disease among SSA countries as the natural resource extraction sector booms at the detriment of the tourism sector. For the same sample space, the tourism-led FDI hypothesis, tourism-led economic growth hypothesis, and Dunning Eclectic Paradigm are also confirmed by the results of this study.

5.6 Limitations and Directions for Future Studies

The study basically found that SSA countries with a boom in their natural minerals extraction sectors are encountering significant drawbacks in their tourism industry, leaving out other equally important sectors that could possibly be facing similar challenges. Future works could investigate as to whether these drawbacks have trickled down to other industries like the manufacturing, agriculture, banking, insurance, just to mention a few.

Also, the possible complementary impact of both tourism development and FDI on economic growth could be explored, as the tourism industry is viewed as good path through which FDI can possibly impact significantly on SSA's economic growth.

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APPENDIX I: CLASSIFICATION OF SSA COUNTRIES INTO NATURAL RESOURCE RICH COUNTRIES AND NATURAL RESOURCE POOR COUNTRIES.

COUNTRIES WITH NATURAL MINERAL RESOURCES BOOM SECTORS	
1	Angola
2	Botswana
3	Burkina Faso
4	Cameroon
5	Central African Republic
6	Chad
7	Congo, Dem. Rep.
8	Congo, Rep.
9	Cote d'Ivoire
10	Ghana
11	Guinea
12	Kenya
13	Madagascar
14	Malawi
15	Mali
16	Mauritania
17	Mauritius
18	Mozambique
19	Namibia
20	Niger
21	Nigeria
22	Seychelles
23	Sierra Leone
24	South Africa
25	Sudan
26	Tanzania
27	Uganda
28	Zambia
29	Zimbabwe

COUNTRIES WITH NO NATURAL MINERAL RESOURCES BOOM SECTORS	
1	Benin
2	Burundi
3	Cape Verde
4	Comoros
5	Eritrea
6	Ethiopia
7	The Gambia
8	Guinea-Bissau
9	Lesotho
10	Rwanda
11	Senegal
12	Swaziland
13	Togo

Source: IBIS (2015). Natural resource Watch: Report on SSA.