

**IMPACT OF TOURISM ON ECONOMIC GROWTH, MODERATING
ROLE OF POLITICAL STABILITY;
EVIDENCE FROM SOUTH ASIAN ECONOMIES**



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Dedication

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ABSTRACT

One of the major industries that have played part in economical development as well as stabilizing the financial conditions worldwide is identified as Tourism Industry. The purpose of this study was to determine the impact of tourism sector on economic growth of Pakistan, India, and Bangladesh. The precise goal of this research was to determine the relationships between tourism and economic growth, political stability on economic growth as well as the effect of tourism on economic growth in the presence of political stable environment in these countries. The study uses econometric models on the data obtained for the time period spanning from 2000 to 2017. The study used growth of real gross domestic product, income from international tourists, political stability index and real effective exchange rate to investigate relationship.

Fixed effect and common effect tests are used in this research to explore the connection amid tourism and economic development in these countries. This study confirms the significant relationship between tourism and economic growth of these nations as well political stability has also positive impact on the economic growth, however, in the presence of political stability tourism sector doesn't significantly boost the economical growth. The outcome of this research in particular, confirms the tourism-led economic growth hypothesis that is

tourism has a positive impact of economic growth in the developing countries. Furthermore, descriptive stats and residual cross section dependence test has also been used in this research to analyze the data. The results confirm the need of policy makers and local bodies to focus on promoting, investing as well as enhancing intercontinental travelling demand to achieve sustainable growth along with development in the sector.

Keywords: *Tourism, Economic Growth, Political Stability, Effective Exchange Rate, Fixed Effect, Redundant Fixed Effect, Tourism Led Growth Hypothesis*

Contents

CHAPTER ONE	1
INTRODUCTION	1
1.1 Back ground of the study.....	1
1.2 Gross Domestic Product	2
1.3 Foreign Direct Investment	3
1.4 Economic Growth	5
1.5 Political Stability.....	8
1.6 Research Gap	10
1.7 Statement of the Problem	10
1.8 Research Questions	10
1.9 Objectives of the study	10
1.10 Significance of the Study.....	11
1.11 Implications of the Study.....	12
CHAPTER TWO	13
LITERATURE REVIEW	13
2.1 Introduction.....	13
2.2 Theoretical Review	13
2.3 Merits and Demerits of Tourism.....	16
2.4 Natural Resources of Host Country	17
2.5 Underdeveloped Countries	19
2.6 Relationship of Economic Growth and Tourism	19
2.7 Relationship of Tourism and Foreign Direct Investment	21
2.8 Relationship of Tourism and Political stability	23

2.9 Impacts of different factors on Tourism.....	27
2.10 Theoretical Framework	28
2.11 Hypothesis	28
CHAPTER THREE.....	29
RESEARCH METHODOLOGY.....	29
3.1 Introduction.....	29
3.2 Research Design.....	29
3.2.1 Fixed Effect and Common Effect Test	30
3.2.2 Panel Corrected Standard Error	30
3.2.3 Cross Section Dependence Test	31
3.3 Accumulation of Data	32
3.4.1 Dependent Variable	32
3.4.2 Independent Variable	33
3.5 Analysis of Data.....	35
Equation 1:.....	35
Equation 2:.....	35
Equation 3:.....	35
3.6 Reason for Choosing South Asia Region	36
CHAPTER FOUR	37
RESEARCH FINDING AND ANALYSIS	37
4.1 Introduction.....	37
4.2 Effect of Tourism on Economic Growth (Testing H-1).....	37
4.3 Effect of Political Stability on Economic Growth	39
4.4 Political Stability as a Moderator (Testing H-2).....	41
4.5 Descriptive Stats	43

4.6 Cross Section Diagnostic Test	44
CHAPTER FIVE	45
CONCLUSION AND RECOMMENDATIONS	45
5.1 Introduction	45
5.2 Conclusion	45
5.3 Recommendation	46
References	50

LIST OF TABLES

4.2.1 Result of Fixed Effect Test (Testing H-1).....	37
4.2.2 Result of Redundant Fixed Effect – Likelihood Ratio (Testing H-1).....	38
4.3.1 Result of Redundant Fixed Effect – Likelihood Ratio	39
4.3.2 Result of Common Effect	40
4.4.1 Result of Fixed Effect Test (Testing H-2)	41
4.4.2 Result of Redundant Fixed Effect – Likelihood Ratio (Testing H-2).....	42
4.5 Descriptive Stats.....	43
4.6 Cross Section Diagnostic Test.....	44

LIST OF FIGURES

Theoretical Framework.....	28
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