The Effect of Good governance on Tourism industry Development

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ABSTARCT

In recent years, good governance has become a hot topic in public sector management. This is due to the significant role that governance plays in the health community. Studies and worlds statistics show that "good governance" is one of the most important factors in developing countries. So called the good governance is development foundation. On the other hand the process of economic development of countries in recent decades are as The growth of tourism industry as the largest (annual turnover), the most complex (the complex of human relationships) and the most diverse (due to variation in space and time, and various tourist) industry in the world and an engine of economic growth has become one of the most important policy concerns. So Tourism in communities are affected by the complex and intertwined political and economic factors and geographical features That will attract others. Now given the importance of tourism in the economy, in this study is to that Using panel data methods, test the effect of Indicators of good governance, GDP growth, technology growth, the inflation rate as an indicator of economic infrastructure and improvement of education on the level of tourism in the 30 selected developing countries in during the period (1996-2009). To achieve better results and increase the power by comparing the results, has been a similar test in 30 OECD countries in the same period. The results show that in both countries, economic growth (GDP growth) and the level of technology to promote tourism, had a positive effect and the Level of literacy in OECD countries has a positive and significant increase in taking tourism but in selected developing countries, is without meaning. In Study The six indicators of good governance Includes accountability of power, political stability, rule of law, regulatory quality, corruption and government effectiveness, in terms of tourism in both countries, the results show that Improving the governance indicators has a positive effects on tourism in both countries.

Key words: tourism industry, good governance, tourism

Introduction

Good governance will be evaluated as opportunity of economic security, improved business environment and absorb foreign and domestic investment via six indicators of control of the corruption, rule of law, regulations on quality, government effectiveness, political stability and the right to comment and response by the international institutions and status of each country, each government, and its position in world ranking points and will be announced each year. In this view, the market is accepted as an ideal, but achieving ideals’ economics and market depend on group of institutions that fail to form spontaneous but it is the duty of government and social relations that create them. In this view the government inherently is not obstacle to development and it is not operating, and The main problem for achieving economic development, is obtaining good governance and finally, in view of good governance, sustainable development, with democratic goals obtaining, equity and environmental protection follow simultaneously and these three aims complete the economic growth. Planning for the development of the tourism industry is not far from such policies; in relation to this private sector can have a major role and coordination and exchange of ideas in public sector finance and expertise to increase its prosperity. Regarding issues related to absorbing tourism and economic growth of countries, this issue focused on by public opinion and the governments, there for one of the issues of the governments in today’s world and one of the sensitive and significant matters in political interaction, economic, social and international is development in the tourism industry along with economic growth.

At this research has tried with considering pattern characteristics of good governance and illustrating them in data and statistics framework, we examine how to effect the implementation of process management on tourism in developing countries, till with the exact knowledge of different aspects of principles of good governance and executive policies
proportion to it in the tourism industry in developing countries such as Iran that are in early stages of economic growth can present better advises for policy makers and planners for making correct decisions.

For this reason this paper consists of four parts. After the introduction of good governance in the second part of the research has been Review of Statement. In the third section, used model and model parameters have been introduced, at the end of the estimated model and conclusions are discussed.

2 - Literature Review:

The main concern of developing countries is developing in development process. Lack of economic growth, poverty and lack of accountability, corruption and lack of rule of law are including the challenges that are faced by these countries. After implementation of structural adjustment policies of the World Bank and encouraging developing countries privatization, deregulation and other reforms were mainly economic approach, by determining the policies in the countries and failure in achieving desired goals, other approaches were considered that establishment of "good governance" is the most important of them. Good governance is one of the new issues that within the past two decades has considered by researchers and international scientific circles and the world. Researchers expressed good governance by different approaches (process, liberal, and socialist), dimensions (political, economic and human) and goals (economic development, political development and sustainable human development).[1]

In the past two decades economic, social and political researchers and scholars presented variety narratives from of good governance. each one of these approaches have identified certain characteristics and aspects of good governance. Some experts have developed broader definition of governance, in their view, Governance is a process collectively solve problems with the community and meet the needs of our community. According to this view, governance is not only the government but the private sector and civil society groups and individuals are involved, and also include systems, procedures and processes that in the planning, management and decision making are also involved.[2]

Governance is a process in which a group of people makes decision on behalf of them and other groups on behalf of them perform under their supervision. According to one of the definitions provided, good governance is the government functions in a way free of corruption, discrimination, and in the framework of existing laws. In this definition, good governance as government functions is considered fairly. [2]

Definition for this term expresses by Europe Union is that good governance, transparent and accountable management in the country is with the aim of ensuring an equitable and sustainable economic and social development. At the other definition, good governance is including respect for politicians and human rights institutions and the principles of democracy and the rule of law. Also good governance particularly is related to issue of management of public resources for establishing sustainable economic and methods of fair distribution. Fundamental principles of good governance, which are global includes respect for human rights and women’s rights, respecting the rule of law, free political atmosphere, respecting, accountability, transparency and administrative efficiency of the administrative system.[4] Topics related to good governance very extended from indivisible connection with the term sustainable development to effective public management and ... Continues. Good governance of is not approach for convincing public opinion but rather it is a fact to justify denying the fact that it is not possible. The increasing need for good governance by communities, not because of international pressure, but also because necessity of accompany to achieve comprehensive development in the world.[4]

Today, when many developing countries, have been disappointed from structural adjustment policies such as privatization and deregulation. Good governance as the only has known solution to their economic development and the importance of every day that passes more and more. Good governance, an essential condition for achieving the Millennium Development Goals "is expressed. Eight targets for reducing poverty and achieving development that is expected to be achieved by 2015 include: Poverty eradication and hunger, achieving universal primary education, promote gender equality and empowerment of women, reducing child mortality, improving maternal health, combating AIDS and HIV, malaria and other diseases, ensure environmental protection, developing a global partnership for development good governance is an essential condition for the realization of all these cases.[3]

On the other hand, the tourism industry or tourism is as one of the effective factors in the development of social, cultural and economic world. Generally tourism is a phenomenon which was in human societies’ consideration from many years ago and depend on different needs of social, economic, historical moved forward.

Many countries, know this dynamic industry the main source of income, employment, development of private sector infrastructure developments. Some economic expert’s shows tourism important even considered synonymous with the term development. For this reason that many countries every year a
significant amount of funding spend on their tourism infrastructure and industry development.

So tourism is one of the economic parts that could raised as clean industry, Increase foreign exchange earnings for national economy, a worthy contribution to the employment improvement and earning. This industry as an industry which push forward other industries especially like hotel industry, restaurant, internal and international transportation and handy craft Industry has played an important role and for this reason is important to the world’ countries that are facing with unemployment dilemma. Nowadays this industry plays the important role in world’s economy and most of the world’s countries increase their share of world’s tourism market addition to correspond themselves with existed facilities, try to get a methodical planning in tourism sector.[4]

Study of pre-requirements of development and Development of tourism industry shows that what the experts they are known as indicators of sustainable development with the infrastructure and platforms required is equal to Development of tourism industry. In other words, tourism and sustainable development requires a common set of infrastructure elements. World Tourism Organization, some of the infrastructure needed to develop the tourism industry draws as such:

1. Development of tourism industry requires attention to all mechanisms of social, political, economic and cultural development of the host country.
2. The tourism industry is not just an economic term.
3. Tourism is a human and cultural concept then it is economic tool.
4. Tourism in the future and in case institutionalization will be a tool in dealing with social problems and anomalies
5. tourism means promoting the national ideal (ideals of social, cultural, political and economic)

Mentioned above makes it clear that providing and considering these components is nothing less than providing a comprehensive sustainable development. Also mentioned factors as very much the make same factors that in operational definition of development is frequently referred to. Sustainable development i.e. political development (security) economic development (poverty reduction and social welfare), cultural development, etc...

So should be known, nowadays complicated industry’s management such as tourism industry is not limited to a centralized structure, an organization, not a ministry or a board but also All strata of society have a share in the management of such organizations and with cooperating of this group and all consumers and service providers can guarantee dynamics and coordination of this industry at large scale.

3-setting research model and experimental results:

The most important question in this study is that whether good governance, so that in six World Bank indicators will be measured, has significant positive impact on the tourism in developing countries? For studying effect of mentioned variable on the tourism industry it is necessary that keep constant other factors affecting naturally the absorption of tourism. In this section, the effect of nutrient brought tourists and tourists entering the country, will be evaluated according to a World Tourism Organization (dependent variable) in 30 selected under developing countries during the test period 1996 to 2009.

For achieving better results and increased power of comparing the results, the same test in 30 countries member of OCED in the same period of time has been done.

In this study, six indicators of governance include the right to comment and accountability, political stability and absence of violence, the effectiveness of administration, quality, regulation, rule of law, fighting corruption and logarithmic variables GDP per capita for ith country in tth year to fixed Price established in 2005, the rate of Internet use, inflation rate with constant 2005 prices and levels of public expenditure in education has used.

It should be noted that all these indicators through statistical sources, the World Bank and statistical resources of tourism world organization over period of (2009 - 1996), are available.

\[ T = f (GG ,GDP,INFOR,INF,EDU) \]

T: tourism absorbance,
GG: good governance indicators,
GDP: GDP is a country that represents the size of the economy,
INFOR: information technology’s level index,
INF: inflation level,
EDU: Education indicators

Reasons of choosing variables are as follows:

GDP shows the levels of economical growth for a country that entered the model that generally, countries with larger economies have various reasons attract tourists. Usually these countries can have attraction of new technological, larger market, more modern facilities and ... except to historical and natural attractions, but the countries with smaller economies are often deprived of them.

Level of communication technology that by average Internet users indicator per 100 people is shown. The data are sources for power, competition, and the factor for the development and progress in the development of national and global levels. Also information is source of power, wealth, success and spirituality and from organizational point of view is one of the important resources that are available to management.[5] On the other hand, people in the tourism sector and for many reasons go to travel and coordination of information are found from various sources and channels. All these channels actually
form information systems in the tourism industry and tourism. So with considering number of Internet users indicators they are fully compatible with the research.

The rate of public expenditure on education as an expression of education is in a country. This is applied due to this fact that knowledge and commitment of citizens to respecting the factors that affect sustainable development of their countries as a control tool in tourism sector.

Basically, communities with the people that they are a higher level of education and social development they feel More concerned with the factors affecting growth and sustainable development of their country, as was mentioned before the development of the tourism industry is one of the most important factors in sustainable development of the country. It should be noted that the way to a sustainable development any policy to respond to environmental discussions as long as people are not aware of it and They are not better for the environment and Improve the environment in the affected state governments to respond effectively to the needs of the people to keep the environment clean.

Inflation rate index that expression of a country's economic stability is got in to the model that Continuous and uncontrolled increase in the inflation rate as the general price level of goods and services, not trusted economic decrease the power of purchasing in host economy and have negative effect on tourist absorbance and even foreigner investor. Attractiveness of a particular market will be greater when the macroeconomic policies of the country proved to be more Creating instability.

Selected governance indicators to measure the political effect of this is important, that governments with the high maturation, push community in order to lead their people preferences and achieving political maturity depends on good governance Therefore, the good governance is showing response rate to the needs of people against achieving sustainable development and environmental issues.

3-1 model is a general model for both developing countries and OECD countries estimated that involves 8 regressions for each group. First, estimated a basic regression regardless of indices of governance and then for estimating the quality of the tourism industry on the basis of [6] study, Simple arithmetic average of six indicators of good governance introduced by the World Bank was regarded as an indicator of good governance and the model was estimated by this and then every 6 model of good governance were entered separately that each regression includes an indicator of governance. Using governance different indicators, prepare the possibility to obtain the effects of tourism on different aspects of governance, the following scenarios are considered briefly in this article:

1. without the six governance indicators and governance quality index (base model)

2. The model index of governance quality (simple arithmetic average of six indicators of good governance)

3. six models with six individual indicators of good governance

At this paper has been used panel data econometric approach to estimate the following model. It is noteworthy that the lack of statistical data, makes inevitable some variables in some courses unbalanced approach. Also after studying assumptions of the classical model, since that is the problem of non-homogeneity between groups, in order to resolve this problem, the method of generalized least squares (GLS) is estimated.[7]

The F-test and Husmen test to select the appropriate model (fixed or random effects) was performed.

To determine the equivalent of the intercept of the countries with difference in intercept of countries of the F test and for determining fixed effect test methods or random effects of Husmen test used. In this study after two tests by Eviews 6 software, was chosen to estimate the fixed effects model.

\[ \ln T_{it} = \beta_0 + \beta_2 \ln GDP_{it} + \beta_2 \ln INF_{it} + \beta_2 \ln EDU_{it} + U_{it} \]

Variables in the mentioned equation and data sources are introduced in table as follows.

Table 3-1: Variables used in the model, definitions and data sources[8].

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
<th>Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Tourism Organization</td>
<td>Logarithm of the number of tourists and tourism, for ith country in year tth, on people (as an indicator of tourism).</td>
<td>LnT_{it}</td>
</tr>
<tr>
<td>2010 WDI</td>
<td>GDP per capita of country ith in year tth, fixed prices of 2005</td>
<td>LnGDP</td>
</tr>
<tr>
<td>2010 WDI</td>
<td>Level of communication and information technologies (the average number of Internet users per 100 people)</td>
<td>INF</td>
</tr>
<tr>
<td>2010 WDI</td>
<td>Education level (the level of public expenditure on education)</td>
<td>EDU</td>
</tr>
<tr>
<td>2010 WDI</td>
<td>Inflation rate to fixed prices of 2005</td>
<td>INF</td>
</tr>
<tr>
<td>Computing Research</td>
<td>Simple average of six governance indicators, CC, RL, RQ, GE, PS, VA</td>
<td>GG</td>
</tr>
<tr>
<td>Governance Matter 2009</td>
<td>Index to indicate comments and respond to civil liberties, political rights, free press, justice and legal system ...</td>
<td>VA</td>
</tr>
<tr>
<td>Governance Matter 2009</td>
<td>Political stability indicator: indicates the armed conflict, social unrest, ethnic tensions, terrorism and threats ...</td>
<td>PS</td>
</tr>
<tr>
<td>Governance Matter 2009</td>
<td>The government effectiveness indicator: red tape and bureaucracy, indicating the</td>
<td>GE</td>
</tr>
</tbody>
</table>
4-The results and their analysis:

The mentioned equation for both OECD and developing countries over the period 2009-1996 and by using the panel data based on fixed effects has estimated.

Results for estimated model have reflected in tables (4-1) and (4-2).

| Table 4-1: Results of the basic model estimation and models of good governance and the quality of governance indicators in developing countries. Dependent variables: tourism. |
|---|---|---|---|---|---|---|---|---|
| GDP | 0.099 | 0.040 | 0.020 | 0.050 | 0.020 | 0.073 | 0.057 |
| EDU | 0.056 | 0.050 | 0.061 | 0.061 | 0.038 | 0.041 | 0.043 |
| INF | 0.007 | 0.016 | 0.001 | 0.029 | 0.001 | 0.025 | 0.015 |
| GG | - | *50.0 | - | - | - | - | - |
| VA | - | ** | 22.0 | - | - | - | - |
| GE | - | - | - | **21.0 | - | - | - |
| PS | - | - | - | *25.0 | - | - | - |
| RL | - | - | - | - | *17.0 | - | - |
| CC | - | - | - | - | - | *14.0 | - |
| R² | 0.81 | 0.80 | 0.82 | 0.82 | 0.77 | 0.83 | 0.78 |
| F-test | 0.0001 | 0.0000 | 0.0000 | 0.0000 | 0.0001 | 0.0001 | 0.0001 |
| H-test | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0002 | 0.0000 | 0.0000 |

| Table 4-2: Results of the basic model estimation and models of good governance and the quality of governance indicators in the OECD (2009-1996) dependent variables: tourism. |
|---|---|---|---|---|---|---|---|
| GDP | 1.045 | 1.460 | 1.065 | 1.263 | 1.378 | 1.326 | 1.456 |
| EDU | 0.044 | 0.086 | 0.049 | 0.070 | 0.045 | 0.083 | 0.086 |
| INF | 0.232 | 0.107 | 0.221 | 0.130 | 0.193 | 0.192 | 0.069 |
| GG | - | - | - | - | - | - | - |
| VA | - | - | - | - | - | - | - |
| GE | - | - | - | 4.594 | - | - | - |
| PS | - | - | - | 4.546 | - | - | - |
| RL | - | - | - | - | 6.207 | - | - |
| CC | - | - | - | - | - | - | 4.798 |
| R² | 0.87 | 0.88 | 0.87 | 0.84 | 0.89 | 0.84 | 0.95 |
| F-test | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| H-test | 0.0002 | 0.0000 | 0.0011 | 0.0001 | 0.0000 | 0.0000 | 0.0000 |

Resource: Research findings

* All numbers shown are meaningful at the 95% level.
** All numbers shown are meaningful at the 90% level.

GLS regression base results of the assessment; the quality of governance indicators and good governance six indicators shows that:

- As can be seen in the above tables, all variables and expected signs and are consistent with the theory and most of the statistically are meaningful. Being positive and significant, the coefficient of the comment and response indicator in developing countries and countries of OECD show that whatever the right to consideration by the people and even tourists and groups whom support sustainable development be more in a society and accountability of government officials in the community will be more against the desires, absorbing tourist on that country is better [9]. Therefore if governments expect that people and companies agree with rules in direction of sustainable development, themselves should accept that for regulatory aspects of their
activities have to be responsible for their people and customers.

- Comparing the coefficient of political instability in developing countries with OECD countries suggest that this group of OECD countries have succeeded in creating a political atmosphere of stable social and higher economic security. While in developing countries due to political instability, governments have failed to enough attention to create security issues in the development of the tourism industry. One of the important factors causing the decline of tourism industry in each country is the lack of security in the country. In other words, expanding the scale of human and financial insecurity, the desire and willingness of tourists, will decrease exponentially.[10] The first step in improving the tourism industry is ensuring the establishment of comprehensive security at the same time in the domestic and foreign national. In order to achieve this goal must complete the secure use of the means of communication and media International, the full security aid to the country and the general public and tourists of all countries should be showed till false image of security in the country, does not prevent the development of tourism industry.

- Despite being positive and significant (at 95%) efficiency and effectiveness of government indicator in the OECD group of countries this index in the developing countries is significant at the 90% level. Positive and significant impact on this indicator in the OECD group of countries due to government's role in tourism, especially tourism and environmental organizations and implementing environmental laws and protection of environmental resources, which is consistent with the principles of sustainable development.[4]

So good governance requires processes and institutions that resulted to meet the needs of society, combined with the best use of resources are available to all governments interested their system health, power, strength and position of a country in society is depends on stability or stability of the system is forced to do so, which are laws and regulations. Furthermore since the weakness of the system due to a high pressure on the community, local government of the country is under severe internal pressure.

In today's global economic system there is vital relationship between government and economic system and it is seldom possible a country takes step in development way without entering global system. This participation in or cooperation with system includes issues such as foreign ownership and political relations.

So development depends on the actions of politics and government very much. For example, each country's tourism industry is likely to survive requires laws

Especially for the area or areas that require it to underlying structures is of great importance [2]. For example, in principle foreign investment do not show willingness to finance the construction of a place for recreation, unless the Government through funding for roads, main roads or water routes takes the first steps, get tax relief and until that plan is not to profit does not taxes to overlook some items and thus encourage investors to invest in the tourism industry. Laws are one of the important and regulations that cause Government to intervene in a country.[11]

- Coefficients obtained from estimating the model parameters in terms of quality show high degree of impact indicators on tourism in the OECD countries.

Since influencing of this index in the group of OECD is more than developing countries it can be concluded that the provisions of the act, codified and clarified in the country can be an important factor in the decision for a country as a tourist destination, because existing clear and qualified rules can be a factor in creating financial security, life and ....

- Positive relationship between the rule of law index and the index for absorbance of tourism of a country in both group of the studied countries, shows that existing a strong and fair legal framework and correct action of judiciary and security in exerting laws in the country have positive effect in increasing the confidence of a tourist i.e. whatever judiciary of a country in applying the law is stronger and more determined, the rate of attraction of tourists in the country will be more.

- Whatever the prevalence of corruption among public officials and even the people of a country is more parallel to this safety of tourists in each field will be reduced and trust of tourist for visiting the country decreases. Positive relationship between control of corruption and development of tourism industry index in the estimated model is evidenced [8].

- About effect of good governance on tourism, the results indicate the existence of a positive relationship is between governance indicators and development of the tourism industry.

This hypothesis that improved governance indicators due to its effect on the reaction of governments against their people and also see its effect on the sight of a tourist in a country's security to improve to attract more tourists for the tourism industry is growing that in this study were confirmed. In other words, "good governance" is one of the effective factors to improve and develop the tourism industry.

- Studying of coefficients of GDP growth as an indicator of countries shows that economic growth has coincided with an increase in tourism and associated vulnerability of a country. This relationship shows that tourists like to visit countries with more economic growth increases. In other words, in most studied countries, increase in income per capita production, has a remarkable effect on the growing tourism industry.
significant and negative relationship between inflation rate and the rate of tourism absorbance in both countries emphasize this point whatever the economic situation in a country would be weaker or on the other hand countries economy, certainly in terms of growth and development of recreation and tourism sites will be in the lower level. So whatever a country has more stable economy, confidence and motivation of tourists entering the country for any purpose (tourism or investment) will be higher.

The positive relationship between information technology variable and rate of tourism absorbance in estimated models promote this concept that by promoting level of this technology rate of tourism absorbance has improved. Also increasing the technology industry in growth of tourism industry in OECD countries respect to developing countries shows that most OECD countries in recent years in presenting internal and external advertisement to illustrate features and talents and natural attractions of the various tourism and recognition of deep culture and sub-cultures and civilizations and history and social life, economic development of the tourism industry are very effective, invest more has had a lot of progress.[5]

While the necessity of using mass media like television, radio, telephone, mail, facilities and opportunities for holding conferences and exhibitions and cultural and art festivals inside or outside of the country also using journals in which the images are interesting and internal and international festivals and conferences in order to develop the tourism industry in the economy in most OECD countries are very important, but still use these technologies in tourism absorbance in many developing countries and less developed due to high expenses for them is not common.

In the study of the coefficients estimated of education and literacy in the tourist industry growth is characterized literacy index in OECD countries in absorbance of tourist was positive and significant but in developing selected countries are meaningless. It means that keep people informed and correct publicity in order to make them familiar with tourism industry in developing this industry in developing countries were not enough that cause to highlight the importance of the tourism industry along with economic growth and development [9]. Based on the analysis, raising public awareness through publicity and correct informing is one of the important factors in development of tourism industry.

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