

The Role of Financial Sector Development in the Tourism-Growth Nexus: A Case of Southern African Countries

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Abstract: The study explored the impact of financial development on the tourism-growth nexus in Southern African (SADC) countries using the three panel data analysis approaches (pooled OLS, fixed and random effects). Specifically, the study investigated whether financial development is a channel through which tourism influences economic growth in SADC countries or if the complementarity between financial development and tourism has a significant positive impact on economic growth in the SADC region? Theoretical and empirical literature review shows that the positive separate impact of tourism and financial development on economic growth is no longer a disputed matter. What has so far not been conclusively studied is whether financial management is a channel through which tourism influences economic growth. It is against this backdrop that the author undertook the current study in order to make a contribution to literature. The study found out that tourism had a significant negative influence on economic growth whereas financial development positively and significantly affected economic growth in the SADC region. The complementarity between tourism and financial development had a positive (fixed effects) and significant positive influence (pooled OLS and random effects) on economic growth in SADC countries, in line with theoretical predictions. SADC countries are therefore urged to improve their financial sector development levels in order to enhance the impact of tourism on economic growth.

Keywords: *Tourism; Growth; Financial Development; SADC Countries*

1. Introduction

Background of the study: Although their conclusion is similar, empirical studies on tourism-growth nexus done for the African continent have so far focused on individual countries. Specifically, Southern African Development Community (SADC) countries have been under-researched on the subject matter despite the fact that they receive quite a sizeable number of tourists per annum. Prior studies show that tourism-growth nexus is now a settled matter as the majority of them contend that tourism, just like other international capital inflows provides a spring board through which economic growth takes place. However, the role of financial development in the tourism-growth nexus has so far received very little attention (Ohlan, 2017). For example, Karadzova and Dicevska (2011) noted that effective financial systems alongside living standards of the people and economic development boosted the tourism industry in the Republic of Macedonia. Isik et al. (2017) noted that there was a co-integrating relationship between economic growth, financial development, international trade, tourism expenditure on CO2 emissions in the Republic of Macedonia. Moreover, Ohlan (2017) revealed that in the case of India, financial development, tourism and economic growth were co-integrated. On the contrary, money supply and export volumes were found to have been positively influenced by the number of tourist arrivals (Narayan et al., 2013). Although it is documented that financial development separately enhances tourism and economic growth, the role of financial development in boosting tourism's ability to influence economic growth has been overlooked in the literature. The study is expected to help Southern African countries to develop financial development policies that not only contributes to an increase in tourism arrivals but also enhances tourism's impact on economic growth.

Problem statement and research gap: Empirical research that studied the relationship between (1) tourism on economic growth and (2) the separate impact of tourism and financial development on economic growth is conclusive. Majority of these studies conclusively found out that tourism and financial development have a separate positive and significant influence on economic growth. What has so far not been investigated is the joint impact of tourism and financial development on economic growth. Moreover, studies which explored the relationship between tourism and financial development are quite scant, consistent with Cannonier and Burke (2017). Very little is also known about the finance-tourism-growth nexus in the Southern African region despite high tourism's influence on economic growth in these countries.

Contribution of the paper: This paper attempts to fill the gap in the literature by exploring the nexus between various financial development measures and tourism in the SADC region. There are two ways in which the current paper contributes to the debate on financial development-tourism nexus: (1) This is the first study according to the author's best knowledge which investigated the role played by financial development in enhancing tourism's ability to influence economic growth and (2) in the SADC region.

Organization of the paper: Section 2 is theoretical literature on the impact of tourism on economic growth, section 3 is empirical literature whereas research methodology (data description, econometric model estimation technique and results discussion and interpretation) constitutes section 4. Section 5 summarizes the study.

2. Literature Review

Croes and Vanegas (2008) argued that tourism transfers income and wealth from developed countries' residents to developing and less developed countries' residents thus increasing employment opportunities, income levels, standard of living and general economic growth activities in the tourists receiving countries. Yamakawa (2007) also noted that tourism enhances the growth of not only the service sectors but agricultural and industrial economic sectors as well. Theoretically, higher levels of financial development in the tourists receiving country enhances tourism as it enables tourists to access banking, financial and investment services whilst they are enjoying their holiday. The tourists are also able to trade in financial markets while on holiday if the financial sector in the tourists receiving country is well developed. Despite the clear benefits of tourism to the tourists receiving nation, it is not without its own negatives. For example, Kumar et al. (2015) argued that tourist destinations which are seasonally active are characterised by seasonal unemployment. This forces both local and national governments to absorb some extra strain as they have to reallocate the available resources towards a bigger population (Kumar et al., 2015:407). A leakage takes place from the tourists receiving country through profits repatriation in a case in which hotels are owned by foreign based companies. Large tourism participants normally practice central buying from their countries of origin in order to be able to negotiate favourable prices thus economically disadvantaging the tourists receiving countries (Mathieson & Wall, 1982). What is coming out of the theoretical literature is that (1) financial development enhances tourism, (2) tourism can have a positive or negative impact on economic growth and (3) financial development has a positive influence on economic growth in line with Keynes (1936). What has not received full attention is the role of financial development on enhancing tourism's impact on economic growth especially in the Southern African region. The current study fills in that gap.

Empirical literature review: Studies on the impact of tourism on economic growth were done by several authors. Using vector error correction model (VECM), Cortes-Jimenez and Pulina (2010) found out that inbound tourism played a very critical role in influencing long term economic growth in developing countries. Using the ordinary least squares approach with annual time series data ranging from 1985 to 2005, Gokovali (2010) studied the role played by tourism on economic growth in Turkey. Tourism receipts was found to have had a significant positive impact on long run economic growth in Turkey. Narayan et al. (2010) explored the linkage between tourism and economic growth in Pacific Island Countries (PICs), namely Tonga, Fiji, Papua New Guinea and Solomon Islands using panel data analysis. Their study revealed that economic growth was positively influenced by tourism exports revenue in both the short and long run in the PICs.

In summary, the findings from studies on tourism-growth nexus fall into three dominant categories: (1) tourism enhances the growth of the economy, (2) tourism has got a deleterious effect on economic growth, (3) there is a negligible relationship between tourism and economic growth. The question which still remains is does tourism influence economic growth through a certain channel? If so, is financial development a channel through tourism influence economic growth, in the case of Southern African countries? The current study addresses these questions. The impact of financial development or financial markets on tourism has also been investigated by very few empirical studies. For example, a study by Song and Lin (2010) using an ARDL approach noted that both inbound and outbound tourism were negatively affected by the financial crisis in Asia. The finding was supported by Ridderstaat and Croes (2015) whose study revealed that the money supply cycles in United States of America, United Kingdom and Canada had a direct influence on the demand of tourism products in Barbados and Aruba. A study carried out by Basarir and Cakir (2015)

observed that there existed a bi-directional causality relationship between financial development and tourism in Spain, Greece, Italy and France. Bi-directional relationship between tourism and financial development was also detected by a study done by Shahbaz et al. (2016) in the case of Malaysia. Moreover, Ngoasong and Kimbu (2016) found out that the informal microfinance institutions were instrumental in spearheading tourism entrepreneurship (small scale tourism firms) in Cameroon.

Table 1: Empirical literature on the tourism-growth nexus

Author	Country/Countries of study		Methodology	Research findings
Kibara et al. (2012)	Kenya		Autoregressive Distributive Lag (ARDL)	Tourism industry had a positive impact on economic growth in the long and short run in Kenya. The same study also revealed that tourism industry enhanced trade in Kenya.
Narayan et al. (2013)	Pacific countries	Island	Panel regression framework	The number of tourist arrivals had a negligible impact on gross domestic product (GDP) and exchange rates. Money supply and export volumes was also found to have been positively influenced by the number of tourist arrivals.
Antonakakis et al. (2015)	European countries		Spillover index approach	The tourism led economic growth and the economic growth led tourism were found to be time dependent in the European countries.
Chou (2013)	Transition countries		Panel data analysis	The neutrality hypothesis was found to be valid in Bulgaria, Romania and Slovenia whilst the bi-directional causality held for Estonia and Hungary. Tourism had a positive impact on Cyprus, Latvia and Slovakia whilst tourism was found to have been positively affected by economic growth in Poland and Czech Republic.
Tang and Tan (2013)	Malaysia		Co-integration and Granger causality test	Tourism and economic growth were found to be co-integrated. Economic growth was found to have been Granger caused by tourism in Malaysia. Further analysis shows that tourist receipts from developed countries significantly contributed towards economic growth in Malaysia.
Ridderstaat et al (2014)	Aruba		Co-integration tests, Vector Error Correction Model and Granger causality tests.	Tourism and economic growth were found to have had a reciprocal relationship in Aruba.
Tugcu (2014)	Mediterranean region		Panel Granger causality analysis	Tourism was found to have inspired economic growth in the Mediterranean region. The same study also revealed that economic growth played a very important role in terms of positively influencing tourism levels in the Mediterranean region.
Pablo-Romero and Molina (2013)	Focused on a variety of empirical studies		Empirical literature review	The findings on the study of tourism-growth nexus are threefold: (1) tourism-led growth, (2) growth-led tourism and (3) neutrality hypothesis.
Belloumi (2010)	Tunisia		Co-integration and Granger causality tests	Tourism and economic growth variables were found to be co-integrated in Tunisia. The same study revealed a uni-directional causality running from tourism towards economic growth in Tunisia both in the long and short run.

Mishra et al. (2011)	India	VECM model	A uni-directional causality relationship running from tourism to economic growth in India was detected in the long run.
Caglayan et al. (2012)	11 groups of countries	Panel analysis	There was no causal relationship that was found between tourism and economic growth in Sub-Saharan African countries, Asia, Middle East and North African countries. Economic growth was positively affected by tourism in Oceania, South Asia and East Asia. Economic growth had a positive impact on tourism in Latin America and Caribbean and America. Moreover, a feedback effect between tourism and economic growth was detected in European countries.
Srinivasan et al. (2012)	Sri Lanka	ARDL Approach	In both the short and long run, tourism was found to have played a very important role in positively influencing economic growth in Sri Lanka.
Cortes-Jimenez et al. (2011)	Tunisia	VECM model	Although tourism exports enabled Tunisia to have foreign currency needed to import capital goods, its direct impact on economic growth was not significant. Economic growth led tourism hypothesis was also found to have been valid in Tunisia.

Source: Author Compilation

Kumar (2014), Kumar and Kumar (2013), Ohlan (2017), Karadzova and Dicevska (2011) and Isik et al. (2017) are some of the few authors whose studies investigated the finance-tourism-growth nexus. Using an ARDL framework, Kumar (2014) studied the interrelationship between financial development, tourism, information communication technology and economic growth in Vietnam with time series data ranging from 1980 to 2010. The study noted that financial development had a positive influence on both tourism and economic growth in Vietnam. Kumar and Kumar (2013) also explored the contribution of tourism, urbanization and financial development towards economic growth in Fiji using ARDL approach with time series data from 1981 to 2009. Their study revealed that financial development, tourism and urbanization were co-integrated and that tourism alongside financial development had a positive influence on economic growth of Fiji.

Karadzova and Dicevska (2011) observed that effective financial systems alongside living standards of the people and economic development boosted the tourism industry in the Republic of Macedonia. Isik et al. (2017) noted that there was a co-integrating relationship between economic growth, financial development, international trade, tourism expenditure on CO2 emissions in the Republic of Macedonia. Moreover, Ohlan (2017) revealed that in the case of India, financial development, tourism and economic growth were co-integrated. The same study also detected a uni-directional causality relationship running from tourism towards economic growth in the long run in India. These empirical studies deviate from the current study in the following ways: (1) they ignored the impact of financial development on tourism's ability to trigger economic growth, (2) did not focus on the African continent, in particular Southern African countries which heavily rely on tourism for economic growth purposes., (3) used time series analysis, (4) they are single country studies and (5) used outdated data. The current study fills in these gaps.

Table 2: Variables, a priori expectation and theory intuition

Variable	Theory intuition	Expected sign
FIN	The provision of financial services such as savings mobilisation, risk diversification and management and the allocation of capital towards high yielding projects were according to Schumpeter (1911) the channels through which a financial sector positively influences economic growth. Keynes (1936) observed that stock market returns volatility lead to non-efficient allocation of resources and slow economic growth especially when speculative bubbles are influencing the returns in contradiction to the dictates of economic fundamentals present.	+/-
OPEN	Balassa (1978) argued that exports revenue increases foreign currency inflow and this makes it cheaper to import critical implements that are needed for the production process. In the presence of trade openness, large corporates also prefer to import inputs and products that can be sourced locally thereby crowding out domestic firms (Baltagi et al. 2009).	+/-
INFL	Schreft and Smith (1997) argued that higher inflation pushes up interest rates which leads to non-efficient resources allocation in contradiction, Tobin (1965) showed that consumers increase their levels of investment and contribution to financial development and economic growth by shifting their money assets to capital assets in a bid to protect themselves from the effects of high inflation.	+/-
POP	Higher levels of population increase positive spillovers for economic growth as more workers increase their level of specialisation in the consumer sector (Becker et al. 1999). On the other hand, increased population means more resources are channelled towards consumption expenditure instead of productive activities.	+/-
GC	Keynes (1936) argued that government consumption expenditure is instrumental in stimulating economic growth. According to Suruga and Le (2005), government's non-capital expenditure negatively affects the growth of the economy. The same study observed that foreign direct investment, itself a source of economic growth is stifled by the excessive government's non-capital expenditure.	+/-
FDI	Calvo and Sanchez-Robles (2002) noted that economic growth requires capital investment, technology, innovation, skills and market know-how, all of which comes through FDI. On the other hand, Bornschier and Chase-Dunn (1985) explained that FDI negatively impacts on economic growth by promoting a predominantly monopolistic industrial structure which does not enhance the use of factors of production.	+/-
UNEMPL	Higher levels of unemployment imply less income tax revenue collected which could have been used to stimulate economic growth related initiatives. It also leads to less demand of the final goods hence stifling production activities in the economy.	-

Source: Author compilation

3. Methodology

Data used for the study: Panel data ranging from 1995 to 2014 was used for the purposes of the current study for Southern African countries such as Zimbabwe, South Africa, Namibia, Swaziland, Malawi, Mauritius, Mozambique, Madagascar, Seychelles and Tanzania. Some Southern African countries such as Botswana, Zambia, Democratic Republic of Congo, Angola and Lesotho were excluded because of the unavailability of data for some variables. The period from 1995 to 2014 was selected mainly because of data availability considerations. The secondary data was extracted from the World Development Indicators, African Development Bank, International Monetary Fund and United Nations Development Programme databases.

4. Results

General and Econometric Model Specification: The relationship between economic growth, independent and explanatory variables as described and explained in the literature is shown in the form of equation 1 (general model specification).

$$GROWTH = f(TOURISM, FIN, OPEN, INFL, POP, GC, FDI, UNEMPL) \quad [1]$$

Where GROWTH, TOURISM, FIN, OPEN, INFL, POP, GC, FDI and UNEMPL stands for economic growth, international tourism receipts, financial development, trade openness, inflation, population growth, government consumption expenditure, foreign direct investment and unemployment rate respectively. Table 3 summarises the proxies for all the variables used by the current study.

Table 3: Proxies used to measure the variables

Economic growth (GROWTH)	GDP per capita
International tourism (TOURISM)	International tourism, receipts (% of GDP)
Financial development (FIN)	Domestic credit provided by financial sector (% of GDP)
Trade openness (OPEN)	Exports of goods and services (% of GDP)
Inflation (INFL)	Inflation, consumer prices (annual %)
Population growth (POP)	Population growth (annual %)
Government consumption expenditure (GC)	General government consumption expenditure (% of GDP)
Foreign direct investment (FDI)	Foreign direct investment, net inflows (% of GDP)
Unemployment rate (UNEMPL)	Unemployment, total (% of total labour force)

Source: Author's compilation

The proxies for variables were selected in line with similar previous studies and was also a function of data availability. To investigate the impact of tourism on economic growth in the SADC countries, the following general econometric model was used.

$$GROWTH_{i,t} = \beta_0 + \beta_1 TOURISM_{i,t} + \beta_2 X_{i,t} + \mu_i + \varepsilon_{it} [2]$$

Where X represents for a matrix of control variables, subscripts t and i stands for country and time respectively whereas μ_i represents the time invariant and unobserved country specific effect. β_0 stands for the intercept term, ε_{it} is the error term whilst $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ and β_7 are the co-efficients of the variables used.

The full econometric model (equation 3) captures the following: (1) the nexus between tourism and economic growth and (2) the impact of the interaction between financial development and tourism on economic growth and (3) the relationship between economic growth and explanatory variables.

$$GROWTH_{i,t} = \beta_0 + \beta_1 TOURISM_{i,t} + \beta_2 FIN_{i,t} + \beta_3 (TOURISM_{i,t} \cdot FIN_{i,t}) + \beta_4 OPEN_{i,t} + \beta_5 INFL_{i,t} + \beta_6 POP_{i,t} + \beta_7 GC_{i,t} + \beta_8 FDI_{i,t} + \beta_9 UNEMPL_{i,t} + \mu_i + \varepsilon_{it} [3]$$

A positive and significant (β_3) shows that the complementarity between tourism and financial development enhanced economic growth in Southern African countries. Pooled OLS, fixed and random effects were the three panel data analysis methods that were used to estimate equation 3. The three panel data estimation techniques were all used for the current study in order to ensure the results are robust. Their other advantage why the current study used panel data estimation techniques is that they are better able to capture the complexity of human or data behaviour in comparison to time series or cross sectional data, they are

better placed to control the effects of omitted variables and produce more accurate estimations for individual outcomes by pooling the data together.

Pre-estimation diagnostics: Correlation analysis and descriptive statistics were the two pre-estimation diagnostics that were performed in this sub-section.

Table 4: Correlation analysis

	GROWTH	TOURISM	FIN	OPEN	INFL	POP	GC	FDI	UNEMPL
GROWTH	1.0000								
TOURISM	0.7799***	1.0000							
FIN	0.5576***	0.2831***	1.0000						
OPEN	0.6567***	0.6101***	0.1606**	1.0000					
INFL	-0.0781	-0.0114	0.0189	0.0038	1.0000				
POP	-0.5868***	-0.4189***	-0.5752***	-0.5946***	-0.0633	1.0000			
GC	0.5293***	0.5301***	0.2968***	0.4079***	-0.1987	-0.2178	1.0000		
FDI	0.2478***	0.3277***	-0.0974	0.2552***	-0.0546	0.0577	0.2978***	1.0000	
UNEMPL	0.0044	-0.3656***	0.1661**	0.0359	-0.0780	-0.0960	0.1036	0.0105	1.0000

Source: Author's compilation from E-Views

Note: ***, ** and * denote 1%, 5% and 10% levels of significance, respectively.

It is clear in Table 4 that variables such as tourism, financial development, trade openness, government consumption expenditure and FDI were individually positively and significantly correlated with economic growth in the Southern African countries. The finding resonates with theoretical literature as espoused in Table 2. As per theoretical expectation, both inflation and population growth were significantly negatively correlated with economic growth in the case of Southern African nations. Contrary to theoretical predictions, a positive correlation between unemployment and economic growth was detected. Following Stead (1996), the correlation results in Table 4 shows that the problem of multi-collinearity does not exist.

Table 5: Descriptive statistics

	GROWTH	TOURISM	FIN	OPEN	INFL	POP	GC	FDI	UNEMPL
Mean	2 907	7.74	50.73	38.9	324	1.97	17.97	4.73	12.78
Median	1 129	3.35	28.1	31.87	7.21	2.01	16.94	2.91	7.45
Maximum	15 687	44.08	192.7	107.99	36 012	3.52	63.94	54.06	37.6
Minimum	142	0.29	1.69	10.17	0.01	0.01	2.05	0.03	1.30
Std. Dev.	3 395	10.4	50.57	20.75	3 068	0.93	7.83	6.68	9.70
Skewness	1.47	2.02	1.30	1.09	10.36	-0.32	1.92	4.09	0.48
Kurtosis	4.68	5.97	3.69	3.63	111.62	1.86	9.96	24.7	1.60
Jarque-Bera	95	210	60	43	101 903	14	526	448	24
Probability	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Author's compilation from E-Views

There are two major reasons which compelled the author to first convert all the data for the variables studied into natural logarithms before using it for main data analysis (Nor. et al. 2015). These are: (1) To address the problem of inaccurate results due to the data which did not follow a normal distribution. The probabilities equal to 0 of the Jarque-Bera criteria for all the variables studied supports this assertion. (2) To deal away with the problem of extreme and abnormal values. In table 5, the standard deviation of economic growth and inflation which exceeded a 1 000 provides evidence that there existed abnormal or extreme values in the two variables.

Main data analysis and interpretation: Three econometric procedures were sequentially performed in this sub-section, namely panel unit root tests, followed by panel co-integration test and finally panel data analysis using pooled OLS, fixed and random effects.

Table 6: Panel unit root tests –Individual intercept and trend

Level	LLC	IPS	ADF	PP
L(GROWTH)	-1.1777	-1.3597*	27.1262	18.6193
L(TOURISM)	-0.2979	-0.2009	21.4607	32.0100
L(FIN)	-0.9089	-0.5215	20.8430	23.6723
L(OPEN)	-2.8560***	-2.3662***	39.4252***	46.6409***
L(INFL)	-4.2214***	-2.9473***	42.5822***	52.0118***
L(POP)	-5.1658***	-5.5907***	68.9231***	52.8591***
L(GC)	-0.2369	-0.1122	20.0532	23.2694
L(FDI)	-1.8102**	-2.1166**	34.5590**	84.8921***
L(UNEMPL)	-0.2395	-1.0879	25.4225	43.4559***
First difference				
L(GROWTH)	-4.5293***	-3.0907***	40.8655***	74.1177***
L(TOURISM)	-4.3585***	-4.0856***	50.6874***	140.3720***
L(FIN)	-1.3148*	-2.4689***	36.1715**	95.1515***
L(OPEN)	-7.0592***	-4.9248***	60.0255***	115.8950***
L(INFL)	-9.2231***	-6.4087***	74.5379***	150.9230***
L(POP)	-3.5388***	-4.6351***	57.2571***	87.1192***
L(GC)	-1.0492*	-3.4050***	48.8738***	101.6050***
L(FDI)	-4.1054***	-6.7393***	78.4082***	171.4140***
L(UNEMPL)	-2.9268***	-3.1032***	42.9001***	110.3280***

Source: Author's compilation from E-Views

Note: LLC, IPS, ADF and PP stands for Levin, Lin and Chu (2002); Im, Pesaran and Shin (2003); ADF Fisher Chi Square and PP Fisher Chi Square tests respectively. *, ** and *** denote 10%, 5% and 1% levels of significance, respectively.

All the variables were stationary at first difference, a finding which could not be found at level. This means that the data for the variables under study were integrated of order 1, a condition which must be satisfied before con-integration tests are done (Jiang & Liu. 2014). Kao residual co-integration test was then done and the results showed that there is a long run relationship between and among the variables studied in the SADC countries.

Table 7: Kao Residual Co-Integration Test - Individual intercept

	T-statistic	Probability
Augmented Dickey-Fuller (ADF)	-2.8404	0.0023

Source: Author's compilation from E-Views

All the three panel data analysis frameworks (pooled OLS, fixed and random effects) shows that tourism had a negative and significant influence on economic growth in the Southern African countries in line with arguments by Mathieson and Wall (1982) and Kumar et al (2015). In line with literature (Schumpeter. 1911 & Keynes. 1936), the current study found out that financial development positively and significantly affected economic growth in Southern African countries across all the three panel data analysis frameworks used. According to fixed effects approach, the interaction between tourism and financial development positively but non-significantly impacted on economic growth whereas random effects and pooled OLS noted that the interaction between tourism and financial development had a positive and significant influence on economic growth in the SADC countries. These findings resonate with theoretical literature. It is evident from these results that the complementarity between financial development and tourism improved the economic growth rate in Southern African countries in line with Ohlan's (2017) findings.

Table 8: Panel data analysis results

Variable	Fixed effects	Random effects	Pooled OLS
TOURISM	-0.4658***	-0.5599***	-0.5599***
FIN	0.2330*	0.5914***	0.5914***
TOURISM.FIN	0.0978	0.7139***	0.7139***
OPEN	0.2069**	0.6139***	0.6139***
INFL	-0.0443**	-0.1332***	-0.1332***
POP	-0.0307	-0.0938***	-0.0938
GC	0.0560	0.3572***	0.3572***
FDI	0.0753***	0.0057	0.0057
UNEMPL	-0.1770*	0.3955***	0.3955***
Adjusted R-squared	0.9488	0.8175	0.8175
F-statistic	206.02	100.04	100.04
Prob (F-statistic)	0.0000	0.0000	0.0000

Source: Author's compilation from E-Views

Note: ***, ** and * denote 1%, 5% and 10% levels of significance, respectively.

Across all the three panel data analysis methods, economic growth was positively and significantly influenced by trade openness, a finding which resonates with Balassa (1978) whose study observed that exports revenue brings foreign exchange (a key ingredient for economic growth) into the exporting country's economy. Inflation had a significant negative influence on economic growth in support of the available literature explained by Schreft and Smith (1997). According to fixed effects and pooled OLS, population growth negatively but non-significantly influenced economic growth whereas the random effects approach observed that economic growth in Southern African countries was negatively and significantly influenced by population growth.

In support of Keynes (1936) whose study argued that government consumption expenditure is instrumental in stimulating economic growth, random effects and pooled OLS showed that government consumption expenditure positively and significantly affected economic growth in Southern African countries. Fixed effects approach, however, observed that government consumption expenditure positively but non-significantly influenced economic growth in the Southern African countries studied. Whilst fixed effects noted that FDI had a significant positive impact on economic growth, random effects and pooled OLS revealed that economic growth was positively but non-significantly affected by FDI. The finding supported Calvo and Sanchez-Robles (2002) whose study argued that skills, innovation, market know how and capital investment which all comes along with FDI are instrumental in spearheading economic growth. Unemployment had a significant negative impact on economic growth under the fixed effects approach, in line with the theory intuition (see Table 2). The random effects and pooled OLS showed that economic growth was positively and significantly affected by unemployment, a finding which contradicts majority of existing theoretical and empirical literature on the subject matter.

5. Conclusion

The study explored the impact of financial development in the tourism-growth nexus in Southern African countries using three panel data analysis approaches (pooled OLS, fixed and random effects). Specifically, the study investigated whether financial development is a channel through which tourism influences economic growth in SADC countries or if the complementarity between financial development and tourism has a significant positive impact on economic growth in the Southern African region? Theoretical and empirical literature review shows that the separate positive impact of tourism and financial development on economic growth is no longer a disputed matter. What has so far not been conclusively studied is whether financial management is a channel through which tourism influences economic growth. It is against this backdrop that the author undertook the current study in order to fill in that gap and make a contribution to literature. The paper found out that tourism had a significant negative influence on economic growth whereas financial development positively and significantly affected economic growth in the Southern African region. The complementarity between tourism and financial development had a positive (fixed effects) and significant positive influence (pooled OLS and random effects) on economic growth in Southern African countries, in line

with literature. Southern African countries are therefore urged to develop policies aimed at deepening financial sector development levels in order to enhance tourism and economic growth. The study also urges Southern African countries to develop their financial sector in order to accelerate the positive impact of tourism on economic growth. Moreover, policies aimed at increasing trade openness, government consumption expenditure and FDI inflows should be implemented by the Southern African countries in order to enhance the growth of the economy. Future studies should investigate how other macro-economic variables influence tourism's ability to positively impact on economic growth not only in the Southern African region but in other African regions and continents as well.

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