

Performance Assessment of Tourism Sector as a Vital Tool of Economic Growth in Nigeria

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ABSTRACT

Tourism over the years has proven to be a surprisingly strong and resilient economic activity and a fundamental contributor to economic growth of nations by generating billions of dollars in exports and creating millions of jobs. This paper theoretically appraises economic contribution of tourism sector to Nigerian economy alongside the constraints militating against the development of the sector. The trend analysis of tourism sector's total contribution to Gross Domestic Product, employment generation and visitor exports fluctuated in the years reviewed. Poor funding, poor infrastructural facilities, insecurity and unfriendly business environment are among several impediments to the growth of the sector. The paper therefore recommends that more funding to the sector in addition to improvement in infrastructure and removal of multiple tax regime for hoteliers would be right strategies to enhance the repositioning of the sector as a vital tool for growth of the nation's economy.

KEYWORDS: Tourism, Gross Domestic Product, Employment generation, Insecurity, Infrastructure.

INTRODUCTION

The positive economic impact of tourism on balance of payments, on employment, on gross income and production has long been recognized. Acknowledging these advantages, many developing and developed countries today rely on tourism as an option for sustainable development of their economy. Tourism industry has now grown to be the world's largest industry and one of the fastest growing economic sectors. The recent publication of World Travel & Tourism Council (WTTC, 2014) showed that in 2013, travel & tourism's total contribution to the global economy rose to US\$7 trillion, about 9.5 per cent of global GDP, not only outpacing the wider economy but also growing faster than other significant sectors such as financial and business services, transport and manufacturing and its total contribution to employment was nearly 266 million jobs about 8.9 percent of world employment. The sustained demand for travel & tourism, together with its ability to generate high levels of employment continues to prove the importance and value of the sector as a tool for economic development and job creation. Travel & Tourism, according to WTTC are expected to grow at the rate of 4.5 percent annually for the next ten years.

Travel and Tourism contributed US\$170.7billion to the GDP of African sub-region and generated 19.35 million jobs in 2013. This include employment by hotels, travel agents, airlines and other

passenger transportation services excluding commuter services as well as the activities of restaurants and leisure industries which is directly supported by tourists. The top three African countries that have the sector contributing highly to their GDP are South Africa, Egypt and Morocco with US\$33.4billion, US\$31.6billion and US\$19.7billion respectively.

However, in spite of enormous tourism potentials in Nigeria, globally out of 184 countries the country was ranked 178th in the sector's share of GDP and total employment and 176th in its share of the country's visible exports trailing behind countries such as Namibia, Gambia, Morocco, South Africa, Tunisia and Kenya (WTTC, 2014).

It is with this backdrop, this paper intends to assess the contribution of the sector to the nation's GDP, employment generation and visitor exports and identify major impediments to tourism development in the country with a view to reposition the industry as an alternative source of revenue for achieving the needed sustainable economic development.

ECONOMIC IMPACT OF TOURISM: AN OVERVIEW

Travel and Tourism is an important economic activity in most countries around the world. Tourism's economic impact refers to the changes in economic contribution that result from specific events or activities that comprise 'shock' to tourism demand. These changes generate three types of impacts or effects on the nations' economy: the direct impact, indirect effect and induced effect.

The direct effects of tourism concern expenditure within the primary tourism sectors: lodging, restaurants, transportation, amusements and retail trade. Indirect effects concern immediate consumption for production of goods and services in the tourism sector. These are goods and services that tourism companies purchase from their suppliers forming tourism supply-chain, while induced effects concern expenditure by employees from wages paid by companies in direct contact with tourists. Induced effects also include the consumption of companies that have benefited directly or indirectly from initial expenditure in the tourism sector.

The measurement of economic significance of tourism had undergone a paradigm change with the introduction of Tourism Satellite Accounting Methodology (TSA: RMF 2008) by United Nations Statistics Division. TSA extract from the National Accounts, the contribution that tourism makes to each other sector of the economy allowing measurement of the true contribution of tourism to GDP, employment and visitor exports. TSA provide an internationally recognized and standardized method of assessing the scale and impact of tourism related production and its links across different sectors. TSA can provide a comprehensive database which identifies tourism's role in an economy and provides a rigorous and reliable basis for drawing comparisons between tourism and other sectors in terms of their contribution to the economy, as well as international comparisons. They also provide an invaluable tool for measuring and monitoring the development of tourism and assessing its economic contribution. In addition, they provide a foundation for more sophisticated analyses of impact of tourism and the assessment of different policy regimes using techniques such as computable general equilibrium modelling.

While the UN Statistics Division-approved Tourism Satellite Accounting Methodology quantifies only the direct contribution of Travel and Tourism on growth and GDP, employment and foreign

trade, World Travel & Tourism Council recognises the Travel & Tourism's total contribution because it is much greater and captures the indirect and induced effects of tourism on GDP, employment and foreign trade.

The direct contribution of Travel & Tourism reflects the GDP and jobs generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services (excluding commuter services) as well as the activities of restaurants and leisure industries that deal with tourists. It also include government spending on travel & tourism services that are directly linked to visitors such as cultural (e.g museum) or recreational (e.g national parks). Travel & tourism direct contribution to Nigeria's GDP was N757.3 billion (1.6%) of GDP in 2013 and is forecast to rise by 2.5% in 2014, and to rise by 5.8 pa from 2014 to N1, 366.0 billion (1.6% of total GDP) in 2024 and the industry directly supported 866, 000 jobs (1.3% of total employment), which is expected to fall 0.8% in 2014 and rise by 3.3% per annum to 1,194,000 jobs (1.4% of total employment) in 2024 (WTTC, Nigeria, 2014).

The total contribution of travel & tourism includes 'its wider impact' that is, the indirect and induced impacts on the economy. The indirect contribution includes the GDP and jobs supported by: Travel & tourism investment spending i.e. an important aspect of both current and future activity that includes investment activity such as purchase of new aircraft and construction of new hotels; Government 'collective' spending which helps Travel & Tourism activity in many different ways e.g. tourism marketing and promotion, aviation, security services, and resort area sanitation services etc; domestic purchases of goods and services by the sectors dealing directly with tourist e.g. purchases of food and cleaning services by hotels, of fuel and catering services by airlines, and IT services by travel agents. The induced contribution measures GDP and jobs supported by the spending of those who are directly or indirectly employed by the Travel & Tourism industry. The country's total contribution of Travel & Tourism to GDP was N1, 559.5 billion (3.2% of GDP) in 2013 which is forecasted to rise by 1.9% in 2014 and to rise by 6.1% pa to N2, 886.2 billion (3.4% of GDP) in 2024. The employment indirectly supported by the industry was 1,837,000 (2.8% of total), this is expected to fall to 1,811,000 (1.4% of total) in 2014 and rise by 3.6% pa to 2,592,000 jobs (3.0% of total) in 2024.

Visitor exports generated N107.1 billion (0.6% of total) in 2013, this is forecasted to fall by 0.9% in 2014 and grow by 3.5% pa from 2015 to N149.7 billion (0.6% of total) in 2024 (WTTC, Nigeria, 2014).

METHODOLOGY

The methodological approach adopted in this study is theoretical and to this effect, the study was based on the report of World Travel & Tourism Economic Impact: World 2014 and World Travel & Tourism Economic Impact: Nigeria 2014.

The data collected from WTTC data base online were presented to show the trend of economic contribution of tourism to the nation's economy in the last decade, the challenges that continue to bedevil the sector were also identified to justify its low performance despite huge tourism resources that are abundant in the country.

THE CONTRIBUTION OF TOURISM TO NATIONAL ECONOMY

Governments at federal and state levels having realised the huge potentials of tourism to galvanize economy and create new jobs and also taking a leave from United Arab Emirates, South Africa and few other African countries with a success stories in tourism industry, declared in 2002 to make tourism one of its six key areas for economic development in 2003-07. However, this is yet to come to reality because the contribution of the sector to the economy is still far cry from those achieved by South Africa, Morocco Egypt, Ghana and Zimbabwe. According to Bismarck Rewane cited in Ajibola (2013) Nigeria still remains one of the countries yet to begin nurturing its historical and anthropological assets to position them to become attractive. It therefore means that the country stands a good chance of achieving a higher economic contribution if the government shows greater commitment to the development of tourism sector.

INDICATORS OF THE CONTRIBUTION OF TOURISM TO NATIONAL ECONOMY

Table 1 below presents the indicators of the contribution of tourism to national economy for a period of fifteen years spanning 2000 to 2014.

Table 1: indicators of the contribution of tourism to national economy: 2000-2014

Period	Total contribution to GDP	% share of GDP	Total visitor exports	% share of total Exports	Total contribution to employment	% share of total employment
2000	209.09	4.40	18.92	0.70	1643.70	3.80
2001	219.56	4.40	18.69	0.80	1700.40	3.90
2002	356.95	5.00	30.87	1.20	1960.90	4.30
2003	379.48	4.30	7.50	0.20	1773.60	3.70
2004	652.96	5.50	6.51	0.10	2349.60	4.80
2005	832.69	5.60	18.25	0.30	2445.60	4.90
2006	494.11	2.60	26.89	0.30	1209.00	2.30
2007	879.29	4.10	42.40	0.60	1988.80	3.60
2008	1870.4	5.40	159.0	1.10	2616.40	4.40
2009	1686.9	4.40	172.2	1.50	2266.60	3.80
2010	1315.8	2.90	149.8	0.80	1583.20	2.40
2011	1291.2	2.80	129.8	0.60	1595.10	2.50
2012	1460.0	2.90	109.0	0.60	1779.50	2.50
2013	1559.5	3.10	107.1	0.70	1836.80	2.70
2014	1589.6	3.10	106.2	0.70	1811.00	2.70

Source: World Tourism Council data base online

It could be seen from the table that the economic contributions of tourism sector to the nation's economy are not consistent and do not show either an increasing or decreasing trend over the period considered. In fact the percentage share of tourism sector to total GDP ranged from 5.60% in 2005 and fluctuated within the intervening years to fall to 3.10% in 2014. As evident from the table, the share of the sector in the total exports was so meagre despite having more than 7000 tourist sites in the country. The table further revealed that the contribution of the sector to employment generation is still very low, the percentage share of the sector to total employment ranged from 4.9% in 2005 and zigzag in the subsequent years to fall to 2.70% in 2014. This abysmal performance might be attributed to low business confidence index in the country's travel & tourism sector as found in the study of Bello et.al (2014).

CONSTRAINTS AND CHALLENGES

The tourism sector has a huge potential to transform and diversify Nigeria's economy and make it less dependent on oil & gas. However a host of constraints and challenges act as impediments towards attainment of this potential. Some of the factors that constitute the stumbling blocks to the development of tourism are as follows:

Government Funding of Tourism Sector: Low budgetary allocation is the first major impediment to transform the sector into revenue driver for the economy. A cursory glance of Federal Government 2012 budget clearly showed that tourism was not on the priority list of the government. The budget was pegged at N2.2 billion which was to be shared among 13 parastatals. The National Tourism Development Corporation (NTDC) that was charged with the responsibility of marketing Nigerian tourism, according to Edem (2013) got a partly sum of N1,344,787,346. Out of this, N1,134,077,646 goes into salaries and overheads while 210,709,700 was earmarked for capital expenditure. For a country targeting tourism as a prime source of revenue for growth, this amount was too far below what can catalyse growth.

Infrastructural Challenge: The infrastructural morass which Nigeria have become inured to leaves many visitor a sore impression of the country. Epileptic power supply, bad road network, an unreliable public transportation system and dilapidated state of many of Nigeria's historic sites have deterred both domestic and international tourists. Even though air transport capacity (both external and internal) is fairly satisfactory to meet the needs of tourism growth in the immediate future, the safety aspect of the internal air transport has recently become a matter of concern and this has further narrowed the chances of achieving growth through tourism.

Unfriendly Business Environment: Un-conducive investment climate resulting from the prohibitive cost of operating business as well as strangulating taxes in multiple forms from the three-tiers of government not only discourages the new investors from investing in tourism industry but also capable of driving the existing players out of business because the pass on cost discourage both domestic and international tourist. The average cost of hotel accommodation in Nigeria is out of reach of an average holiday maker. The prices range between US\$550 to US\$81,226 per night (Niyi, 2010) cited in Bello (2014). This is a bad trend from wooing tourist and tourism investors.

Manpower Problem: The tourism sectors lack trained manpower and well- planned manpower development strategy. The human resources capabilities lag far behind in terms of quality, standard and skills delivery despite the establishment of National Institute of Hospitality and Tourism (NIHOTOUR). The NIHOTOUR has come under heavy criticism, for its ineffectiveness as a provider of tourism educational service. The courses offered by the institute focus mainly on hotel and catering management (NIHOTOUR, 2010) with little or no emphasizes on other sectors of tourism industry such as ecotourism and general tourism development. In addition, on a tour inspection Ashikodi (2010) observed that the institute campus in Lagos is ill-equipped, lack credible on-site practice facilities, badly maintained and poor and low level of management and staff. A number of other institutions that offer courses in tourism and hotel management deliver theoretical aspects of tourism with emphasis on hospitality sector only. This affects the development of highly skilled human capital resources capable of providing strategic development plans for travel and tourism profession in Nigeria.

Ineffective Promotion Strategies: The marketing of Nigeria as a tourist destination lacks strategic marketing approach. The marketing collaterals are not up to international standards though are informative they are not consumer friendly. In addition both private and government investors still lack skills in packaging tourism products for local and international consumers. The National Tourism Development Corporation (NTDC) that was charged with the responsibility of promoting and marketing tourism within and outside the country could only achieve little because of partial implementation of programmes, underfunding and high level of corruption (Adeleke, 2010).

Inaccurate Records: Tourism in the country is crippled by lack of accurate statistics on tourist traffic. This poor record of tourism activities makes it very difficult to put a figure to the contributions from the sector. However, it was estimated that the country's international tourist receipts was put at about US\$622 million (1.9%) (WTTC, 2014). In view of this poor performance when compared with enormous tourist potential in the country, there is an urgent need for fundamental rethinking and radical redesign of tourism business process in the country to bring about dramatic improvement in her performance.

Insecurity: Safety and security are key elements in determining the competitiveness of a country's travel and tourism Bello and Adebayo (2012) cited in Bello et.al (2014). WTTC (2012) also reiterated that tourists and tourism investors are likely to be deterred from travelling to or investing in a country perceived to be insecure. Insecurity is another major impediment to tourism development in the country. The perception of the country as unsafe because of high crime rates, that is, hotels providing shelter for criminal gang, tourist sites patronized by drug users, muggers, kidnappers and prostitutes, frequent political, religious and ethnic disturbances have served to hinder tourism contribution to growth.

Poverty: Wide spread poverty account for low level of domestic tourism as many Nigerians are too poor to go on vacation and those with resources have not yet developed a "culture" of tourism.

Absence of Political Will: This factor is the skeleton for the framework of other factors. Previous and present administrations and handlers of tourism sector have displayed weak impetus to drive change in tourism sector. In 2006, the "Nigerian Tourism Master Plan" was developed to give institutional and capacity strengthening support to tourism sector. Nine years after the master plan was drawn, the commentary on Nigeria tourism is not as successful as other notable African tourist countries because of poor implementation of the plan. In fact Nigeria was not listed among the top ten African tourist destinations by WTTC in 2013.

CONCLUSION/RECOMMENDATIONS

Globally, tourism has become a sustainable revenue earner, competing favourably with manufacturing sector in both developed and developing countries. In Africa, tourism has impacted greatly in the economies of Morocco, South Africa, Tunisia and Kenya. In Nigeria however, the success story is yet to be realised. The contribution of the sector to the Nigeria economy is still very little. In view of this, it is recommended that government should create enabling environment, develop infrastructure, safeguard investments, reduce official

bottlenecks and motivate local and international investors to participate and increase investments in the sector.

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