

**THE IMPACT OF TOURISM ON THE JORDANIAN
ECONOMY**

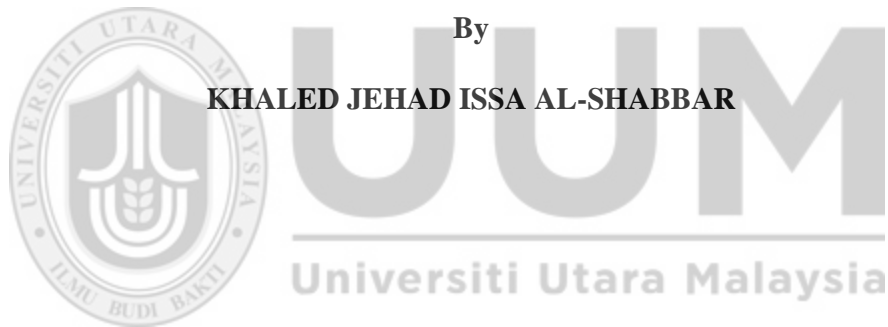


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UUM
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**MASTER OF ECONOMICS
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THE IMPACT OF TOURISM ON THE JORDANIAN ECONOMY



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OF MASTER OF ECONOMICS**



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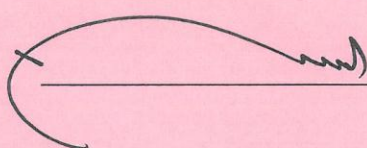
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ABSTRACT

The world is heading to improve tourism sectors. And so do Jordan. Currently, tourism is Jordan's important foreign exchange generator. Tourism, one of the world's largest and fastest growing industries is a strategic factor for the economic growth. Since the empirical results associated with the relationship among economic growth and tourism within neoclassical framework are inconsistent, this study has been placed to show that tourism sector has a role in the economic growth using the Jordanian context by using data from 1981-2014. The objectives are to determine the long run and the short run relationships among economic growth, tourism receipts, and government tourism expenditures. The study employs econometric techniques such as unit roots, Johansen cointegration, and Error Correction Model (ECM). The results from Johansen cointegration show a positive and statistically significant relationship between tourism receipts and economic growth. On the other hand, the test shown negative and significant relationship among government tourism expenditures and economic growth. Short run relationships expose only tourism receipts is significant and positively related to growth. The coefficient of the speed of adjustment was not high when there is a state of disequilibrium. Besides improving the present knowledge, the findings also proposed to policy makers to further improve and sustain tourism sector in order to generate higher economic growth.

Keywords: Economic Growth, Neoclassical Growth Model, Tourism Receipts, Government Tourism Expenditures, Johansen Cointegration, Error Correction Model ECM.

ABSTRAK

Banyak negara di dunia termasuk Jordan sedang menuju ke arah meningkatkan sektor pelancongan. Pada masa ini, pelancongan di Jordan merupakan penjana pertukaran asing yang penting. Pelancongan adalah salah satu industri terbesar yang mengalami perkembangan pesat di dunia dan merupakan faktor penting dalam pertumbuhan ekonomi. Kebelakangan ini banyak keputusan empirikal yang berkaitan dengan hubungan antara pertumbuhan ekonomi dan pelancongan dalam rangka kerja neoklasik adalah tidak konsisten. Justeru itu kajian ini akan menunjukkan bagaimana sektor pelancongan mempunyai peranan dalam pertumbuhan ekonomi Jordan dengan menggunakan data tahun 1981-2014. Objektif kajian adalah untuk menentukan hubungan jangka panjang dan jangka pendek antara pertumbuhan ekonomi, pendapatan pelancongan, dan perbelanjaan pelancongan kerajaan. Kajian ini menggunakan kaedah ekonometrik seperti punca unit (*unit root*), kointegrasi Johansen, dan Model Pembetulan Ralat (ECM). Hasil daripada kointegrasi Johansen menunjukkan hubungan yang positif dan signifikan antara pendapatan pelancongan dan pertumbuhan ekonomi. Sebaliknya, ujian yang menunjukkan hubungan yang negatif dan signifikan antara perbelanjaan pelancongan kerajaan dan pertumbuhan ekonomi. Hubungan jangka pendek menunjukkan hanya hasil pelancongan yang penting dan positif terhadap pertumbuhan. Kelajuan pelarasan pekali tidak tinggi apabila terdapat ketidakseimbangan. Selain meningkatkan pengetahuan semasa, dapatan juga mencadangkan kepada pembuat dasar untuk meningkatkan lagi dan mengekalkan sektor pelancongan bagi menjana pertumbuhan ekonomi yang lebih tinggi.

Kata kunci: Pertumbuhan Ekonomi, Model Pertumbuhan Neoklasik, Penerimaan Pelancongan, Perbelanjaan Pelancongan Kerajaan, Kointegrasi Johansen, Model Ralat Pembetulan (ECM).

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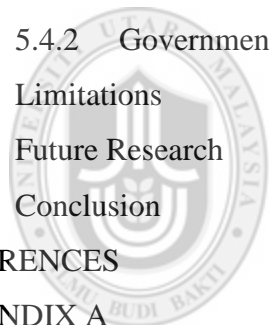
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List of Abbreviations

CBJ	Central Bank of Jordan
GDP	Gross Domestic Product
UNWTO	United Nation World Tourism Organization
ECM	Error Correction Model
WTO	World Tourism Organization
WTTC	World Travel & Tourism Council



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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter shed some light on the background information related to the current tourism situation in Jordan such as tourism industry, tourism planning and development in Jordan. The chapter also presents the problem statement, research questions, research objectives, significance of the study, scope of study, and the organisation of the study.

1.2 Background of the Study

Recently, tourism sector has expanded and becomes one of the main sectors in the economy. World tourism organization has announced in its annual report for the year 2013 that more than 1.087 million people were travelling around the world, which generates more than USD 1.4 trillion revenues. World tourism organization predicted that there will be around 16 billion tourists travelling internationally in 2020, spending more than USD 2 trillion annually or USD 5 billion daily (UNWTO, 2015). Therefore, governments are taking more attention to the tourism sector and trying to improve it because of its benefits in creating jobs opportunities, attracting foreign exchange earnings and contributing to tax revenues. Therefore, countries are

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