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Interaction Effect of Tourism and Foreign Exchange Earnings on Economic Growth in Nigeria

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First Published December 31, 2018 Research Article

<https://doi.org/10.1177/0972150918812985>

Abstract

Deteriorating nature experienced in the level of economic activities in Nigeria is evident in most sectors of the economy, including the tourism sector. But there is a need to develop the tourism industry because of its potentials for job creation, and the Nigerian government should make vital efforts to diversify the economy from oil production to other viable sectors in order to create wealth for the nation. Against this backdrop, this study examined the interaction effect of tourism and foreign exchange

earnings from the tourism industry on economic growth in Nigeria. The study engaged time series data sourced from the World Development Indicators for the period 1980–2016 and employed the fully modified ordinary least squares (FMOLS) and Johansen cointegration econometric technique of analysis. The empirical results from the FMOLS showed that revenue generated from tourism have a significant and positive effect on Nigeria’s economic growth; the interaction effect of tourism and foreign exchange earnings on economic growth in Nigeria is positive which implies that an increase in the tourism and foreign exchange earnings will lead to an increase in economic growth. Thus, based on these findings, the study recommended that as a matter of priority, the Nigerian government should encourage diversification through tourism promotion to achieve the desired level of economic growth and ensure that foreign exchange earnings from tourism transmits to the improvement of amusement parks and recreational centres which will significantly open new opportunities for tourism patronage and hence boost economic growth.

Keywords [Tourism](#), [foreign exchange earnings](#), [economic growth](#)

Global Business Review

ISSN: 0972-1509

Online ISSN: 0973-0664

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