

THE IMPACT OF TOURISM ON INTERNALLY GENERATED REVENUE IN PLATEAU STATE: 1999–2014

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***Abstract:** Reliance on non-renewable natural resources has led to fluctuations and shock in many mono economies. The need for diversification and exploiting alternative source of revenue is being encouraged by the Federal Government of Nigeria and its component States. This study used the Ordinary Least Square (OLS) to estimate the impact of tourism sector on the internally generated revenue of Plateau State. The study finds that tourism sector's contribution to internally generated revenue is not significant. The study concludes that the tourism potentials of Plateau State is underutilised and recommends the private and public sector investment to modernize and diversify the State tourism sector, the training of staff working in tourism related institutions in the State for better service delivery, ensuring the maintenance of peace and harmony and provision of infrastructures among other recommendations.*

Keywords: Tourism, Internally Generated Revenue, Employment.

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INTRODUCTION

Background of the Study

Nigeria is a mono economy, crude oil being the major source of revenue to the government. All the 36 States of Nigeria including the Federal Capital Territory (FCT) rely on the federation account for recurrent and capital expenditures. The federation account derives funds majorly from crude oil exportation. Any shock in the international oil market affects Nigeria's economy negatively. That was evident towards ending 2014 to 2015 when the price of crude oil fell to as low as \$40 from over \$100. The resultant effect was that a lot of State Government could not pay their worker's salary for over seven months. Realising the need for diversifying Nigeria's as well as the 36 States economies, alternative sources of income is being encouraged especially among the State governments. States are expected to harness their local potentials which they have comparative advantages to increase their internally-generated revenue profiles. Plateau State of Nigeria is one of the States blessed with good weather and natural potentials for

tourist attraction but which tourism is underutilized since the 1950's. The people of the State are hospitable, peace loving and accommodating. According to the Plateau State Government (PSG, 2001), the diverse people of Plateau State have very rich cultural heritage which they uphold religiously. The tourism potentials of Plateau State are enormous, tourist sites and potential tourist attractions are dotted all over the State. Numerous cultural festivals are celebrated in the State like *Puus Dung* by the *Ngas* Nation of Pankshin and Kanke Local Government Council (LGC), *Puus Kaat* by the *Mwaghavul* nation of Mangu LGC, *Nzen Berom* cultural day celebrated by the *Berom* Nation of Jos North, Jos South, Barkin Ladi and Riyom LGCS bit *Goemai* and bit *Piapung* by the *Goemai* and *Piapung* nations of Shendam/ Quaan Pan and Mikang LGCS respectively. Physical tourism attractions of the State include Assop and Kura Falls, Shere Hills, Wase Rock Formation, Riyom Rock Formations, Kawang Bassalt Rock Formations among others. There are tourist sites like National Museum and Monument and the Zoological Park in Jos, Wild Life Park, Pandam Game Reserve, Solomon Lar Amusement, Rayfield Resort among many others. In the words of Aniah et al (2009), the unique climatic conditions of Plateau State and the numerous tourism attractions and spots have made Plateau State the home of peace and tourism and also a tourist haven in Nigeria. Confirming the attractions in Plateau State, Charles (2010) added that Plateau State has tourism potentials ranging from Beautiful Sceneries, Spectacular Rock Formations, Water Falls, Lakes, Game Reserves, Zoological Garden, Wild Life Park and Museums. There are perhaps few States in Nigeria that can match the tourism potentials of Plateau State. As rightly observed by Aniah et al (2009), fine weather is one of the most important attractions of a tourist center. Plateau State's weather is friendly, endearing so many people from other parts of Nigeria and even from abroad.

Plateau State economic empowerment and development Strategy (PLASEEDS, undated), summarised the tourism potentials of Plateau State as thus:

The climate condition of Plateau State is temperate, cold and most favourable in the country, which has attracted the presence of expatriates and Nigerians from other parts of the country. The State has over 50 ethnic groups each with a distinct cultural heritage with no single dominant group. The people are hospitable, friendly and accommodating. They live peacefully among themselves and with ethnic groups from other states in the country. This is one of the reasons why the state is known as the home of peace and tourism.

Plateau State is no doubt a tourist destination in Nigeria but still lacks enabling environment. Plateau State tourism potentials can serve as a revenue booster which can augment income from the federation account.

STATEMENT OF THE RESEARCH PROBLEM

Plateau State is endowed with huge tourism potentials, but it still lacks enabling environment and innovation in the tourism sector. Private and public investments in tourism are inadequate for maximum economic benefits from the sector. At the federal

level, crude oil, the major source of foreign exchange earnings is a non renewable resource that can get exhausted after a period of time. When crude oil gets exhausted or less useful then the major source of income to Plateau State will cease, when that happens, it may lead to chaos and collapse of government. the oil sector is very volatile as frequent fluctuations in the international market often lead to a negative multiplier effect on mono economies, this negative effect usually trickle down to the various States making it difficult to accomplish development objectives in the various States.

Diversification makes economies less vulnerable to fluctuations in demand, more dynamic and more agile in the face of change (Arts, 2011). The need for economic diversification in most developing countries is overwhelming because of their defining mono-cultural economic characteristics where only one or two commodities dominate exports and provides the bulk of foreign exchange. Nigeria's position as a major oil exporter is threaten by several factors mentioned above, because of this, it is expedient on the Nigerian government as well as the State Governments to give more attention to the other sectors of the economy (Ojeka, 2011). It is in this regard that Plateau State Government should increasingly look inward and develop the sectors which it has comparative advantage. Tourism is no doubt top in the list if not the first.

AIM AND OBJECTIVE OF THE STUDY

This study seeks to find out the impact of the tourism sector on the internally generated revenue of Plateau State. It is the intension of the study to use available data to test and find out if the tourism sector is contributing significantly to the IGR of Plateau State or otherwise. The study will also make recommendations on how the tourism sector can be developed to make it a major source of revenue, employer of labour, catalyst for infrastructural development and a major contributor to the IGR of Plateau State.

RESEARCH QUESTIONS

The research is guided by the following research questions:

1. Does tourism has any significant contribution to the internally generated revenue of Plateau State?
2. What are the factors working against public-private investments in the tourism sector in the State?
3. How can the tourism potentials of Plateau State be harnessed for maximum economic benefits?

STATEMENT OF HYPOTHESIS

The hypotheses to guide this study are stated below:

H₀: Tourism sector does not contribute significantly to Plateau State internally generated revenue.

H₁: Tourism sector contributes significantly to Plateau State internally generated revenue.

The remaining work is divided into literature review, methodology, presentation of empirical result and analysis, summary, conclusion and recommendation.

LITERATURE REVIEW

The term tourism according to Tunde (2012) is derived from 'tour' meaning a journey at which one returns to the starting point. A circular trip usually for business, pleasure or education during which various places are visited and for which an Itinery is usually planned. The United Nations world tourism organisation (Untwo, 2013a) defined tourism as an activity involving the travels of persons to places outside their usual environment for not more than once for leisure. Olorunfemi and Raheem (2008) defined the concept of tourism as "the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related with the exercise of an activity remunerated from within the place visited"

Tourism the world over has continued to witness growth as more numbers of people are involved in travel and tours. Untwo (2014) estimated that international tourist arrivals grew by 5% in 2013, reaching a record 1,087 million, the organisation added that this is despite the global economy in 'low gear' it went ahead to forecast a 4% to 4.5% growth, again which is above the long term projections in 2014. Africa has not been left out of the growth experience in the tourism sector; Elsha Grancourt in Untwo (2013b) said tourism has become a sector of great importance in Africa. In 2012 for the first time; Africa broke the record in terms of international tourism with 52.3 million tourist arrivals and us\$ 33.5 billion in tourist receipts. It is evident that developing countries are beginning to attract tourists as maintained by Neumayer (undated), who averred that many developing regions in the world increase their market share rapidly and also derive a much higher share of their Gross Domestic Product (GDP) from tourism receipts than developed countries. Arts (2011) in its findings posited that tourism is growing faster in the world's emerging and developing regions than in the rest of the world. The study further added that in 2007, tourists spent us \$295 billion in developing countries almost three times the total international development assistance. Tourism is increasingly viewed as one of the best opportunities and most viable option for the sustainable economic and social development of developing countries (Shali and Nowak, 2005).the important role tourism plays in job creation and income generation for countries as well as regions in countries cannot be underestimated.

For example page (1999) cited in Makochekanwa (undated) conducted a research using data from tourism sector found that tourism was more labour intensive in low labour cost countries. His findings further revealed that tourism's contribution to employment was second to agricultural sector in terms of contribution to employment in the case of South Africa. Leventis and Gani (2000) in Neumayer (undated) said tourism provides low skilled and labour intensive services that can provide a relatively stable income stream than the volatile receipts from natural resources extraction. Tourism is a beacon for pro-

business policies and reforms that can help Small and Medium Enterprises (SMES) development and stimulate foreign investment (arts, 2011). For a country like Nigeria and its various States in the federation longing for effective economic diversification, tourism presents such an opportunity. Tourism is profoundly important for economic development through its impacts on employment, exports, stimulation of infrastructure provision, generation of revenue and promotion of international culture appreciation, peace and harmony (Frangialli, 2001) in Olorunfemi and Raheem (2008). Ayeni and Ebohan (undated) averred that tourism has become a major source of diversification...allowing new employment and income earning opportunities. Tourism can be a leading industry in the fight against poverty. Tourism can bring many benefits to the government, local authorities and the private sector through the generation of foreign revenue, financial returns on investment and tax revenue. Tourism sector is a magnet for foreign direct investment and affords developing countries the opportunities to attract inward direct investments both for soft and hard tourism infrastructures (Ayeni and Ebohan, undated). Despite the tourism potentials in Nigeria and Plateau State some challenges are encountered. According to Adeleke (undated), peace and stability are important prerequisites to tourism development. Plateau State has had a bitter experience of ethno-religious crisis and political instability which affected the tourism image of the State. It is well known that crime, ethnic crisis and political instability send tourist arrival plummeting (Adeleke, undated). Adeleke further added that tourism will never flourish as long as there is instability. Peace is a prerequisite for robust tourism sector to prevail in Plateau State.

METHODOLOGY, SOURCES OF DATA AND THE SCOPE OF THE STUDY

Generally, a dearth in data and research work on tourism in Plateau State and the unavailability of previous research work on the impact of tourism on the IGR of Plateau State has necessitated the study to employ simple linear regression analysis using the ordinary Least Square Method (OLS). The OLS is used in other to estimate the relationship between tourism contribution, recurrent expenditure on tourism and the internally generated revenue of Plateau State. Tourism contribution is determined by the revenue generated by the Plateau State Tourism Commission and the Ministry of Tourism and Hospitality. Also, the impact of government recurrent expenditure is also estimated to get an understanding on whether the tourism sector contributes negatively or positively to the IGR of Plateau State. In specifying the model for this work, it is stated that tourism contribution has positive impact on IGR while government recurrent expenditure leads to fall in the IGR. Put in other words, Plateau State tourism contribution is an injection to the IGR of while the recurrent expenditure is a leakage. However, it is a fact that other factors determine the level of IGR in plateau State. But the major concern in this paper is to determine the extent to which tourism contribution and how government expenditure on tourism affects the IGR of plateau state. Given the potentials of Plateau State, it is expected that the sector will be a major source of earning to the state and not the state spending much of its resources to maintain the sector.

Therefore our equation is stated as

$$IGR = f(tc, rext)$$

This equation can be expressed in a linear form

$$IGR_T = \alpha_0 + \alpha_1 tc_t - \alpha_2 rext_t + u_t$$

$$\alpha_1 > 0 \text{ and } \alpha_2 < 0$$

Where:

IGR = Internally Generated Revenue

TC = Tourism Contribution

REXT = recurrent expenditure on tourism

U = error term

α_0 = intercept of the equation

α_1 - α_2 = estimates

Our apriori expectation is for α_1 to have positive sign and α_2 to have a negative sign.

DATA SOURCES AND SCOPE OF THE STUDY

The data required for estimating the model were obtained from the approved budget of Plateau State Government of Nigeria from 1999 to 2014 where the IGR, tourism contribution (TC) of the tourism commission as well as the ministry of tourism and hospitality and the Recurrent Expenditure of the Tourism (REXT) on the Tourism Commission and that of Ministry of Tourism and Hospitality. The study is limited by the data used, as data used is from government-own tourist establishment while data from private-owned tourist agencies could not be gotten.

PRESENTATION OF EMPIRICAL RESULT AND ANALYSIS

In order to avoid spurious regression results, stationarity test is conducted as in Goshit and Landi (2012). In testing for stationarity of the variable, the Augmented Dickey-Fuller (ADF) test is used to determine the degree of integration of the variables.

The result of the unit root is presented in table 1 below using 5% critical values.

Table 1: Unit Root Test Using ADF Statistics

Stationarity test for variables				
VARIABLES		ADF TEST STAT	CRITICAL VALUES (5%)	ORDER OF INTEGRATION
IGR	LEVEL	3.555327	-3.081002	1 (0)
TC	LEVEL	-2.535660	-3.098896	NON STATIONARY
	1ST DIFFERENCE	-3.387309	-3.3144920	1 (1)
REXT	LEVEL	2.356232	-3.144920	NON STATIONARY
	1ST DIFFERENCE	-6.879666	3.098896	1 (1)

Note: ADF Test Statistics and Critical Values are in Absolute Terms.

Source: Author's Computation

H₀: there is unit root

H₁: there is no unit root

Decision Rule

We accept H₀ if the ADF is less than the critical values at 5% degree of freedom otherwise we accept H₁.

From the result in table 1 IGR passed the test at level while TC and REXT only became stationary at 1st difference. Therefore we accept the alternative hypothesis that the variables are stationary at 5% DF critical values.

The result from the ordinary least square (OLS) is presented in table 2 below:

Table 2: Result of the Estimated Model

CONSTANT	COEFFICIENT	STANDARD ERROR	T-STATISTICS	PROBABILITY
Constant	-10.05439	6.238668	-1.611625	0.1310
Log(TC)	0.144992	0.275796	0.525723	0.6079
Log(REXT)	1.580208	0.413892	3.817923	0.1310

r- squared	0.662675	mean dependent var	21.28914
adjusted r squared	0.610778	s.d dependent var	1.756806
s.e of regression	1.096029	akaike info criterion	3.188626
sum squared resid	15.61665	scwarz criterion	3.333486
log likelihood	-22.50901	hannan-quinn criter	3.196044
f-statistics	12.76923	durbin-watson	1.950486
prob (f-statistics)	0.000856		

Tourism contribution has the expected sign inline with the apriori expectation while the recurrent expenditure on tourism does not. The result shows that tourism contributes positively but not significantly to internally generated revenue of Plateau State within the period of study. It shows that a unit increase in tourism contribution will lead to 14% increase in tourism contribution which is rather insignificant given the tourism potentials of Plateau State. The result further indicates that recurrent expenditure did not possess the right sign; it shows that recurrent expenditure is positively related to IGR. This may be possible given that the federal statutory allocation is what the State depends on to maintain the recurrent expenditure which is usually way above tourism contribution to IGR. The higher the REXT, the higher the value added tax (vat) and since vat is part of IGR, then the higher the REXT the higher the IGR. The result therefore shows that a unit increase in recurrent expenditure leads to 158% increase in internally generated revenue of Plateau State.

In terms of goodness of fit of the model, the adjusted $r^2 = 0.662675$ which is not quite high but falls within acceptable region. The r^2 adjusted is indicative that other contributors to IGR are available which is not captured by the model. However the result shows that 66% of variation in IGR is well explained by the explanatory variables. The high value of the f -statistics (12.76923) implies that the variables are jointly statistically significant at 5% significant level.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

The paper has empirically examined the contribution of the tourism sector to the internally generated revenue of Plateau State. The paper found that tourism potentials of Plateau State are not adequately utilised and that tourism does not contribute significantly to the internally generated revenue of Plateau State during the period under study. Rather, the tourism sector is a burden as the state relies on the federal allocation to maintain the tourism sector.

The paper concludes that the tourism sector in Plateau State is underutilised, given the tourism potentials of Plateau State. More efforts and innovative ways need to be adopted in terms of organisation, coordination and advertisement to make the sector attractive to tourists which can in turn lead to the positive contributions that sustainable tourism is associated with.

The paper recommends that the government of Plateau State need to lay more emphasis on developing the tourism potentials of Plateau State through effective coordination among the tourism related institutions as well as the private sector as tourism cannot be sustainable under sole government control. There is also the need for training of workers who are working in the tourism sector for more effective service delivery. The government of Plateau State should provide necessary infrastructures that encourage tourism. Some tourist attractions abound in remote areas and are hardly utilised due to lack of infrastructures such as roads, electricity, hotels etc. providing infrastructures can open up the hinterlands, provide employment opportunities to youths, women and craftsmen based in rural areas and at the same time boost the IGR of Plateau State. Finally, the government should take security challenges seriously as security threats usually have a negative effect on tourism patronage as it easily sends tourism consumption plummeting.

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APPENDIX

APPENDIX I: DATA SHOWING IGR, TC AND REXT

YEAR	INTERNALLY GENERATED REVENUE (₦)	TOURISM CONTRIBUTIONS (₦)	RECURRENT EXPENDITURE ON TOURISM (₦)
1999*	146,096,758	720,000	10,725,962.4
2000	392,773,033.1	4,319,951	79,880,395.21
2001	941,970,200	3,474,321	101,648,345.9
2002	1,281,620,650	4,447,156	32,874,131.63
2003†	1,281,620,650	13,100,000	49,235,787
2004	1,697,783,920	2,136,924	55,797,049.51
2005	2,119,733,466	1,631,157	113,985,329.7
2006	2,381,909,068	15,802,283	83,722,359.92
2007	2,448,705,521	45,185,652	100,646,530.9
2008	4,064,587,832	40,052,904	118,813,702
2009	4,401,959,360	33,206,389	138,359,169.9
2010	4,426,556,564	4,173,184	135,524,365.9
2011	5,384,536,130	4,961,658.9	24,214,5324.8
2012	7,129,219,596	18,035,869	145,588,642.7
2013	8,830,318,789	22,110,223	274,398,532
2014†	16,536,805,141	25,750,000	291,150,216

Source: Approved Budget, Plateau State Government for Various YEARS

*Supplementary Budget

† Estimate of Budget

APPENDIX II: RESULT OF THE ORDINARY LEAST SQUARE

Dependent Variable: Log (IGR)

Method: Least Squares

Date: 07/01/15 time: 03:33

Sample: 1999 2014

Included Observations: 16

VARIABLE	COEFFICIENT	STD. ERROR	T-STATISTIC	PROB.
Log(TC)	0.144992	0.275796	0.525723	0.6079
log(REXT)	1.580208	0.413892	3.817923	0.0021
C	-10.05439	6.238668	-1.611625	0.1310

	MEAN	DEPENDENT
R-Squared	0.662675	Var 21.28914
Adjusted R-Squared	0.610778	S.D. Dependent Var 1.756806
S.E. of Regression	1.096029	Akaike INFO Criterion 3.188626
Sum Squared Resid	15.61665	Schwarz Criterion 3.333486
log Likelihood	-22.50901	Hannan-Quinn Criter. 3.196044
F-Statistic	12.76923	Durbin-Watson Stat 1.950486
Prob(F-Statistic)	0.000856	