The Effect of Urbanization and Industrialization on Tourism Revenues: The Case of Turkey

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Abstract

Tourism revenues constitute a significant and growing part of the Turkish economy. This paper aims to examine the impact of urbanization and industrialization on tourism revenues in Turkey. Time-series analysis is conducted for the period 1990 to 2020. Empirical evidence of this paper supports the presence of cointegration vectors and therefore confirms the long-run relationship between the variables of interest. Fully modified OLS, dynamic OLS, and canonical cointegration regressions are used for the long and short-run estimations. The results indicate the significant positive effect of urbanization on tourism receipts. Industrialization, on the other hand, has a significantly negative effect on tourism revenues. This study suggests the formulation of policy by the policymakers in Turkey that will ensure increase of resources allocation to the leading economic sector that will enable a spread-effect to tourism revenue.

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