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Analysis of the Tourism-Led Growth Hypothesis in Turkey with Non-Linear Time Series Models

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ABSTRACT

The contribution of tourism to economic growth has great interest in the economic growth literature, especially because it is an activity that earns foreign exchange, provides employment and is an important source of income for the government. In the study, economic growth and tourism relationship for Turkey has been examined with non-linear time series models since the investigated variables show non-linear properties. In this context, the tourism-led growth hypothesis for Turkey is analyzed by employing nonlinear ARDL (NARDL) and Markov switching regression models (MSR). In the applied modeling, firstly, the cointegration relationship between the investigated variables is examined by using the nonlinear bounds test approach. After the cointegration relationship is found, the nonlinear ARDL model is employed to obtain the long-term regression coefficients. Finally, MSR model is also employed for robustness check. The non-linear model results indicate that tourism has a positive effect on economic growth and the results support the tourism-led growth hypothesis for Turkey.

KEYWORDS Economic Growth; Tourism

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