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THE INFLUENCE OF GOOD GOVERNANCE ON THE TOURISM SECTOR: THE CASE OF SOUTH AFRICA

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ABSTRACT

Over the last decades, the tourism sector has contributed to the national and regional economies in South Africa, while governance levels have regressed over time. The study's objective was to investigate the impact of good governance on the success and growth of the tourism sector in South Africa, a proxy for developing countries. The hypothesis is that good and effective governance could positively impact tourism growth. A quantitative research methodology was used with econometric methods such as an Autoregressive Distributed Lag Error Correction (ARDL-ECM) process. The estimation indicated a long-run relationship between the variables. The tourism sector contributes significantly to the South African economy, and the government should note the importance of good governance, as indicated through this study, in the success and development of the sector. Given tourism's potential to achieve some of the Sustainable Development Goals and positively influence economic growth and development, relevant parties are urged to pursue good governance in the sector.

1. INTRODUCTION

Uncertain global conditions resulting from the COVID-19 pandemic, the resulting economic downturns, and social unrest have increased the necessity of growth and development avenues (Siswanto, Tegor, Haqiqi, Yusmalina & Susanto, 2022; Xue, Shahbaz, Ahmed, Ahmad & Sinha, 2022). For economies to survive these conditions and build resilience for future disturbances, it is necessary to identify opportunities for growth and development within economic sectors. Various studies (Cavalheiro, Joia & Cavalheiro, 2020; Khayrulloevna, 2020; Shariffuddin, Azinuddin, Hanafiah & Zain, 2021) note the beneficial impact of tourism-related activities on the economy. The tourism sector is a viable facilitator for economic growth and development (Brida, Gómez, & Segarra, 2020; Detotto, Giannoni, & Goavec, 2021; Rheeders & Meyer, 2022; Aleksandrovna, 2022).

On a global scale, the tourism sector is progressing forward and recovering from the global COVID-19 pandemic, natural disasters, economic shocks, and events of poor government. According to the UNWTO (United Nations World Tourism Organisation) (2023), tourism in most regions has improved from previous declines in arrivals and expenditure. Accordingly, in 2022, tourism arrivals reached 900 million globally, led by the Middle East and European regions (UNWTO, 2023). The UNWTO (2023) expected the tourism sector's arrivals of regions to recover between 80 and 95% of the pre-COVID-19 levels.

The World Travel and Tourism Council (WTTC) (2022) postulate that the tourism sector could bring South Africa relief regarding its economic contribution. The South African tourism sector is predicted to increase at an average pace of 7.6% yearly over the next ten years, significantly outpacing the 1.8% growth rate of the nation's overall economy, according to WTTC's Economic Impact Report (EIR). However, according to Julia Simpson, WTTC President & CEO, "Although the future looks bright for the South African Travel & Tourism sector, the recovery this year will be slower than expected. Knee-jerk travel restrictions imposed over South Africa and other African destinations were impulsive and unjustified. Instead of punishing, these countries should have been praised for discovering the variant early. However, with GDP contribution and rising jobs, the long-term forecast looks very positive" (WTTC, 2022).

Poor governance has the potential to impact tourism negatively. It affects the core components that allow the tourism sector to grow within an enabling environment (Dieke, 2003; Schilcher, 2007). These components include: (1) Safety and security: absent and ineffective governance lead to unrest, instability, and increased crime rates, and tourists do not prioritise such regions; (2) Infrastructure: the tourism sector is dependent on well-capacitated

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and quality infrastructure, including roads, seaport, airports, public transport, clean water and electricity. Infrastructure provision is a significant component of government service delivery, and better governance leads to adequate infrastructure development and maintenance. Such a situation could be more attractive for tourists who expect modern services; (3) Environmental sustainability: Tourism often depends on a destination's natural environment and cultural heritage. Poor governance can lead to environmental degradation and destruction of cultural heritage sites, which can diminish the appeal of a destination for tourists; (4) Service delivery: the quality of service delivery, such as hospitality, transportation, and entertainment, can significantly affect the tourist experience. Poor governance can result in a lack of regulation and standards, leading to poor service delivery, which can deter tourists from returning; (5) Investment: Tourism is a significant contributor to the economy, and it requires significant investment in infrastructure, marketing, and development. Poor governance can discourage investment, resulting in a lack of resources to develop the tourism sector (Khan, Ahmad, & Haleem, 2021; Nunkoo, 2015). Poor governance can negatively impact the tourism sector, including safety and security, infrastructure, environmental sustainability, service delivery, and investment. Governments must prioritise good governance practices to ensure a thriving tourism sector.

Even though the tourism sector can drive economic growth and development in South Africa, many structural problems prevent this. According to Roux (2021), South Africa contributed six cities to the top 20 most dangerous cities globally. The Crime Index ranked the following cities (from highest crime rating) on the Global Crime Index in 2021 as Pretoria (Third - 81.94), Durban (Fourth – 80.84), Johannesburg (Fifth – 80.65), Pietermaritzburg (Seventh – 79.73) in 2021 (Numbeo, 2023). Accordingly, in 2023 the Crime index indicated the following; Pretoria (Second – 82.0), Durban (Third – 81.0), Johannesburg (Fifth – 80.7), Port Elizabeth (Eleventh – 76.9), Cape Town (Twentieth – 73.6). This index indicates a worsening in South Africa's position as a tourism destination from a safety and security point of view.

In addition, the Institute for Economics and Peace constructed the Global Peace Index, indicating overall serenity using metrics, investigating the link between companies, peace, and prosperity by comprehending the political, cultural, and economic factors. In 2021, South Africa ranked an overall 118th out of 163 countries in terms of the global peace index being categorised as a medium level of state of peace (Institute for Economics & Peace, 2022), an improvement from 123rd out of 163 in 2020. Even though the Global Peace Index has improved since 2020, the top 20 most dangerous cities list indicates a deterioration in safety in South Africa. It could therefore lead to a decline in the attractiveness of South Africa as a tourism destination.

According to the World Bank Governance Indicators Index (2023), good governance has deteriorated over the last two decades in South Africa, resulting in development challenges for the tourism sector. There is limited empirical research on the impact that good governance has on the development of the tourism sector in South Africa. The following studies that concern tourism and good governance include; Eagles (2009) focuses on good governance in parks and protected areas; Moscardo (2011) investigates tourism and good governance on a global level; Siakwah et al. (2020) focus on the use of good governance in an attempt to achieve sustainable development. Tirado Ballesteros and Hernández (2019) examined the challenges faced by tourism managers and governing bodies in rural tourism destinations in Europe. In addition, in the last five years, limited research has been found on the impact of good governance on tourism development in the South African context. Therefore, the study investigates the relationship between good governance and the tourism sector to assist in formulating policy and strategy for the sector's development.

2. LITERATURE REVIEW

From a theoretical perspective, Hall (2013) stated that the basic principles of good governance are critical in policy development for tourism. Hall identified four governance types: hierarchies, markets, networks and communities. In addition, a governance framework was formulated to include core elements such as policy themes, policy standpoints, distinctions between policymaking and implementation, success criteria, implementation gaps, the reasons and solutions for those gaps and the primary policy instruments used. According to Hall (20213), the relationship between tourism development and governance is complex and multifaceted, involving various theoretical foundations and concepts, including the following:

Governance Theory: In broad terms, governance is a process where an organisation makes and implements decisions. Regarding tourism, good governance is required for effective policy formulation and implementation, coordinating initiatives, and ensuring sustainable practices.

Sustainable Development: Effective governance is a cornerstone in facilitating sustainable tourism practices, including strategic planning, resource management, and community engagement.

Political Economy Theory explores the interrelationships between politics, economics, and social systems. Tourism development and good governance are related to the interactions between profit and politics and the impact and policy decision-making processes. This perspective is important in understanding how tourism policies are formulated and implemented and how different actors can benefit from or be disadvantaged by tourism development.

Even though economic growth and globalisation are ongoing, global poverty, inequality, and other socio-economic issues still exist, having an adverse effect on economic and social stability (Stojanović, Ateljević & Stević, 2016). The tourism sector is one avenue that can be used to improve economic growth and development. Tourism is competitive, interlinked, and globalised (Detotto, Giannoni & Goavec, 2021). Tourism can assist in lessening poverty, improving income distribution, raising product and service demand, creating more tax revenues (Ren, Can, Paramati, Fang & Wu, 2019), and giving governments access to more foreign

monetary inflows (Detotto et al., 2021). Shamai and Yousofi Babadi (2018) state that the improvement of the tourism sector, in conjunction with social and cultural progress, leads to an increase in the prosperity of a region's economy. Furthermore, tourism will strengthen the country's economic resilience, but success in tourism growth will be visible if its sponsors are effectively organised. (Wijaya, Basir & Lawelai, 2022). Aleksandrovna (2022) urges that tourism should be deemed as important as it contributes to employment opportunities, and due to it being interlinked, it provides benefits for various other sectors. As such, it is clear that the development of the tourism sector contributes positively to the development of the socio-economic environment.

Good governance is increasingly becoming more popular in fields such as law, politics and economics. Researchers have dedicated significant attention to examining good governance as it has emerged to have economic and political significance on economies (Akram, Sultana, Sultana, Majeed & Saeed, 2021; Baig & Zehra, 2020). Good governance produces outcomes that satisfy societal needs while maximising the use of available resources. In addition, Siskawati, Yentifa, Zahara, and Gusta (2020) believe that good governance is the process by which the government conducts public affairs and manages public resources is known as good governance, and some people view this as a good government system. According to Addink (2019), good governance is a standard the government should uphold and one of the basics right of the residents. Detotto et al. (2021) state that good governance produces benefits through the following, (i) the first benefit is that it decreases transaction costs, enabling markets to be more efficient, and (ii) markets may "overcome established market shortcomings in allocating resources, obtaining productivity-enhancing technologies, and sustaining political stability in circumstances of rapid societal transition" due to competent governance. As a result, good governance can be seen as a source of development. According to Kaufmann, Kraay, and Mastruzzi (2010), the following six indicators comprise the Worldwide Governance Indicators: Voice and accountability; Political stability; Government effectiveness; Regulatory quality; the rule of law and Corruption control.

Detotto et al. (2021) postulate the importance of good governance by stating that the development of the private sector, households, and investors depends on a stable and predictable environment. In this respect, governance plays a crucial role. Various studies (Detotto et al., 2021; Gretzel & Jamal, 2020; Bichler, 2021; Maniatis, 2016) indicate that high-quality, strong institutions lead to economic growth and development. According to Nurman, Zainal and Rajasa (2021), good governance enables regions to develop and implement strategies for new market creation, ensuring price stability and efficient distribution of products. Tourism revenues could rise due to improved sector productivity and efficiency by solid governance (Detotto et al., 2021). Therefore, good governance can be considered a prerequisite for sustainable development (Stojanović et al., 2016).

For the tourism sector to produce valid social and economic benefits, the principles of good governance should be considered. Tourism governance encompasses activities in the economic and political environment found locally, nationally, and globally (Bichler, 2021). According to Gretzel and Jamal (2020), transparency and effective government, for example, the capability to develop and execute effective policies, restructure institutions, organise resources available, facilitate economic and social well-being, enforce the rule of law, reduce corruption and involvement, are all examples of good governance. One of the most contentious issues in the literature is how governmental policies affect the tourism sector and how crucial political stability is to the long-term viability of the sector. Özgit (2022) stated that the optimal strategy for long-term sustainable tourism necessitates the creation of a system for efficient monitoring and regulations that are swiftly put into place thanks to sound governance.

Bichler (2021) states that current research focuses on merging the three participants in the tourism sector, namely, the government, tourism-related businesses, and community members, to create clarity, effectiveness, and responsibility. In sustainable development, good governance can be understood as a collaborative endeavour that integrates environmental, social, and economic issues (Gretzel & Jamal, 2020; Siskawati et al., 2020). Although the concept of good governance is believed to be taken up by the public sector (government), it should be remembered that the community and private sector can also uphold governance. Raszkowski and Bartniczak (2018) postulate that public managers influence good governance in the sense that they should demonstrate strong leadership, the ability to inspire people to achieve the set goals, and the ability to use both intellectual and organisational capacity. However, there are challenges in governance for tourism regarding the various roles of government and the private sector and the sector's social and environmental costs (Siakwah et al., 2020).

Tourism is a tool utilised for both economic and political purposes. This tourism tool is based on the ideas of the rule of law. This concept of the rule of law is associated with the notion of justice and is closely tied to human rights law (Maniatis, 2016). The rule of law is a legal tool composed of laws relevant to tourism-related activities (Phakdisoth & Kim, 2007). A country's government is said to be effective if it adheres to the principle of the rule of law. Figure 2 presents the relationship between tourism development and trust in government.

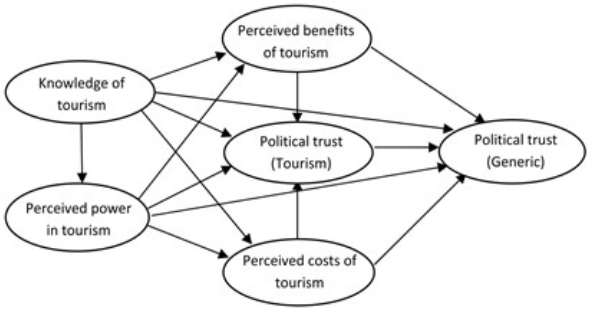


Figure 2. Linkages of tourism and trust in government
Source: Pagliara, Aria, Russo, Della Corte & Nunkoo (2021)

Pagliara et al. (2021) model is a theoretical framework linking tourist development with public trust in government. The theory links the tourism sector and the concept of good governance. The theory entails the interaction between the tourism sector and the public's perceived trust in the local government. As such, the linkage between the tourism sector and good governance can be given as an increase in a destination's perceived trust in its local government's ability to steer the destination towards success and a well-established governing institution. This is because some government organisations and their services are more well-known and regarded as more vital than others. According to the political economy, the government has a key role in the growth and planning of the tourist sector. Local governments bear a large portion of the responsibility for managing and promoting tourism since they are legally required to adopt policies related to land-use planning and regulate local growth. They also manage the majority of the planning aspects necessary for tourist development. The interactions between the many players affecting or attempting to influence the creation of tourist policy and the methods used to carry it out are governed by the concept of power.

This section empirically assesses the relationship between good governance and tourism. The section firstly analyses developed countries followed by developing countries. In 2020, Swamy and Ma investigated the implication of good governance on international tourism in the United States of America from 2008 to 2019 using a wavelet transform method. According to the results, a significant link exists between the World Bank Governance Indicators and international inbound tourism in both the medium and long run. Overall, the findings demonstrate how good governance enhances the competitiveness of host countries by attracting foreign tourists. Usman, Elsalih and Koshadh (2020) explored the link between tourism development and the role of institutional quality in EU-28 Countries from 2002–2014 using a dynamic panel data analysis. Herein, the results indicated that a 1% increase in the institutional quality indicators could translate to a 0.002% increase in tourism development. In 2016, Kubickova studied the linkage between good governance and tourism through a panel data analysis from 1995 to 2007 in the Central American region. Herein it was found that government effectiveness posits a positive impact on tourism. Tourism is a crucial driver of economic growth in most regions, and effective governance levels could increase tourism's competitiveness. Swamy and Ma (2022) assessed the relationship between good governance and international tourism in the US from 2008 to 2019. The study found significant relationships between factors of good governance and international inbound tourism in both the short- and long run. The policy implies that countries must enhance their good governance to boost sustainable tourism competitiveness in attracting tourist inflows (Swamy & MA, 2022).

Beha (2023) investigated the effect of good governance and quality of institutions on tourism development in a panel of 27 countries from the European Union from 2008 to 2021. The control variables used, which also represent the determinants of tourism, are GDP growth rate per capita, inflation, higher education, quality of the environment, and trade. Quality of institutions indexes are constructed based on indicators of government effectiveness, political stability, regulatory quality, the rule of law, and voice and accountability. To estimate the impact of selected determinants in tourism development, we used the Generalised method of the moments-GMM model. According to the results, there is a positive connection between the quality of institutions and tourism.

Regarding developing regions, Shamai and Yousofi Babadi (2018) identified 30 experts on urban themes and tourism development in Masjed Soleyman City, Iran, who completed a questionnaire to establish the role of good governance in sustainable income in the tourism sector. The two most important factors to consider flowing from this study were; the provision of infrastructure and facilities for attracting private investment. Baig and Zehra (2020) used a Structured Equation Model in several areas in Gilgit-Baltistan, Pakistan, to investigate the impact of good governance on tourism development between 2007 and 2017. They found a positive link between good governance and the tourism sector. More specifically, the study found that Political stability substantially influences tourism development. Accordingly, a 1 % increase in political stability in a region could boost tourist arrivals by 0.50%. In addition, a 1 % rise in crime reduces tourist visits by 0.53% in terms of regional law and order. Akram et al. (2021) conducted a study in Pakistan from 1997 to 2018 using ordinary least square regression models. Results indicate that if the Rule of Law improves by 1%, the tourism receipts) improves by 0.05% and 0.081% for tourism arrivals. The findings are consistent with earlier studies (Maniatis, 2016; Steyn & Vuuren, 2016; Tsai et al., 2012). Corruption control significantly and positively impacts tourist arrivals, with a coefficient of 0.052%. Previous research (Das & Dirienzo, 2010; Ekine, 2018; Gallego et al., 2016) supports similar findings. In addition, there is a positive relationship between Political Stability and tourism arrivals and consumption. More specifically, the study's results indicated that a 1% increase in Political Stability caused a 9.80% increase in tourism consumption and 8.98% in tourism arrivals.

Khan et al. (2021) investigated 65 developing economies to analyse the link between good governance and tourism through a panel analysis from 2000 to 2015. Governance indicators such as government efficacy, political stability, regulatory quality, rule of law, and voice and accountability all favour tourist development. Terrorism, environmental deterioration, and corruption have all harmed tourism development and the components of tourism development. Economic growth and commercial openness positively impact tourist development and comments. A decent administration can develop tourism, but terrorism and corruption must be abolished.

Conversely, in the 2016 study of Steyn and Jansen van Vuuren analysing 158 countries, it is found that only four of the principles of good governance does have a relationship with tourism arrivals, namely, (i) Political stability, (ii) government effectiveness, (iii) control of corruption and (iv) the rule of law. However, (i) voice and accountability and (ii) regulatory accountability do not influence tourism arrivals. It explains why some aspects of governance

are more important to tourism than others.

The study of Detotto et al. (2021) investigates the link between tourism development and good governance. A panel of 100 countries' data was utilised from 2002 until 2012 with tourism income and governance indicator variables. The study indicated that an increase in the governance index is correlated with an increase in the aggregate tourism output's average levels. The results confirm that a 1 % increase in good governance could lead to a 0.7% increase in tourism output. Athari, Alola, Ghasemi & Alola (2021:10) estimated findings by using the Pooled OLS (Ordinary Least Square) and the Generalised Moment of Methods (GMM) reveal that Political Risk is a considerable obstacle to the increase of total tourism arrivals in the panel of 76 countries from 1995 to 2017. The results indicated that a 1% increase in the real exchange rate could have a 2.8% decline in tourism arrivals.

Shah (2023) examined the impact of effective governance on the tourism poverty nexus in six South Asian countries from 2002 to 2019. An econometric methodology included fully modified ordinary least squares (FMOLS) and dynamic ordinary least squares (DOLS) econometric models. The results confirmed the positive and significant impact of tourism development and the effectiveness of the government on poverty reduction. In addition, results confirm that governance quality and tourism development have complementary impacts on poverty reduction.

Daryaei, Aliashrafipour, Eisapour, and Afsharian (2012) opine that good governance is among the most important factors for success in developing countries. As a key driver of economic development, the tourism industry is one of the most important policy concerns. The study included a comparative study of 30 selected developing countries and 30 OECD countries from 1996-2009. The results show that economic growth and the level of technology to promote tourism positively affected both groups of countries. In study included the six Governance Indicators of the World Bank (2023), such as accountability of power, political stability, rule of law, regulatory quality, corruption and government effectiveness, and the results show that improving the governance indicators has a positive effect on tourism in both sets of countries.

Ingram, Tabari and Watthanakhomprathip (2013) explored the relationship between political instability and tourism growth in Thailand. The methodology is based on cross-sectional and qualitative methods. The findings confirm the popularity of Thailand as a tourist destination.

From the literature review section, it is concluded that tourism is a key driver of economic development in both developed and developing regions, and increased good governance, quality of institutions, and political stability could facilitate continued increases in tourism revenues.

3. METHODOLOGY

Globally, most researchers have identified tourism as an important economic sector via international and local visitors, creating jobs and business development (Haller, Butnaru, Hârşan, & Ştefănică, 2021; Kongbuamai, Bui, Yousaf & Liu, 2020; Sarpong, Bein, Gyamfi, & Sarkodie, 2020; Sánchez-Sánchez, De-Pablos-Heredero & Montes-Botella, 2021). Inbound tourism is one of the world's top-performing trade categories, allowing for foreign exchange income.

The research methodology followed is quantitative. Time series secondary data were collected from 1995 to 2021 from the World Bank data sets, including the World Bank Development Indicators (2023) and the World Bank Governance Indicators (2023) for South Africa, which country is a proxy for developing countries. Following studies of influence were used in the design of the methodology: Duran (2013); Swamy & Ma (2022); and Osinubi, Ajide, & Osinubi (2022).

Table 1 is a summary of the variables included in the study. The research aimed to assess the impact of good governance on the tourism sector in South Africa. The real effective exchange rate is also seen as a country's value to the outside world. The governance indicators developed by the World Bank, including the Rule of Law, Political Stability, and Effective Governance, are included. These three sub-variables from the World Bank Governance Indicators were selected as they are the most suitable and relevant variables that could explain governance impacts on tourism. Table 1 presents the various variables selected with a description and its source.

Table 1. Variable included in the study

Variable name (type of data in brackets)	Abbreviation used in equation (log format in brackets)	Variable description	Source
International Tourism expenditure (US$ values)	TOUREXP (LTOUREXP)	Total expenditures of international visitors in the country, including payments to all tourism service providers and foreign carriers for international transport.	World Bank Development Indicators (2023)
International Tourism arrivals (number of tourists)	TOURARR (LTOURARR)	The number of tourists (overnight visitors) who travel to a country other than that in which they have their usual residence.	World Bank Development Indicators (2023)
Rule of Law (index between +2.5 and -2.5)	ROL (LROL)	The perceptions of the extent to which the public has confidence in the government to ensure society abides by rules, also regarding property rights, the police, and the courts, in preventing crime and violence.	World Bank Governance Indicators (2023)
Political stability (index between +2.5 and -2.5)	POLSTAB (LPOLSTAB)	Measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism.	World Bank Governance Indicators (2023)
Government effectiveness (index between +2.5 and -2.5)	GOVEFF (LGOVEFF)	The perceptions of the quality of public services, the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.	World Bank Governance Indicators (2023)
Real exchange rate (Index with 2015 as the base year)	RER (LRER)	The real effective exchange rate is the nominal effective exchange rate index adjusted for relative movements in the national price or cost indicators of the home country, selected countries, and the euro area.	World Bank Development Indicators (2023)

Source: Authors' compilation.

The ARDL model equation, as estimated, is listed as follows:

Equation 1: $L[TOUREXP]_t = a_0 + \alpha_1 L[TOUREXP]_{t-1} + \alpha_2 LagLTOURARR[_{t-1}] + \alpha_3 Lag[LROL]_{t-1} [+ \alpha_4 Lag[LPOLSTAB]_{t-1} + \alpha]_5 L[GOVEFF]_{t-1} + \alpha_6 Lag[LRER]_{t-1}$ ……. (1)

Where LTOUREXPt denotes the change in the natural logarithm value of total tourism expenditure at time t; LTOURARRt denotes a change in the natural logarithm number of international tourist

arrivals at time t; LROLt denotes a change in the natural logarithm index value of the rule of law index at time t, LPOLSTABt is the logarithm index value of the political stability index at time t ,LGOVEFFt is the logarithm of the value of the effective governance index at time t, and LRERt denotes the natural logarithm value of the real effective exchange rate index at time t. The a_0 represents the intercept, n is the optimum number of lags, and the parameters α_i, i=1,2,3,4,5 indicate the long-run multipliers.

In deciding which econometric process or methodology is followed to achieve the research goals, the time series data were analysed before selecting the most suitable analysis methods. The order of integration of the series of interest is also a crucial determinant of a suitable econometric time series analysis. If a variable is stationary, its values usually return to its long-run average values, and its features are not only affected by the change in time. During the unit root test for stationarity, results suggested that the series are combinations of I(0) and I(1) variables. In the case of mixed stationarity (both I(0) and I(1)), the Autoregressive Distributed Lag Error Correction (ARDL-ECM) framework was selected as the best fit for this study (Pesaran & Shin, 1998; Pesaran et al., 2001). ARDL is a robust econometric method for analysing distributed lagged changes (Pesaran et al., 2001; Shrestha & Bhatta, 2018).

Moreover, because of its capacity to transform stationary and non-stationary variables into an error correction model (ECM) with stationary series only, the ARDL model has gained more relevance in time series econometrics. Comparisons of ARDL with other similar cointegration techniques have indicated that this method is more robust (Harris & Sollis 2003; Panapoulou & Pittis 2004). ARDL has proven to be more efficient in the case of relatively small sample size data sets and more effective in cointegrating regressions such as the fully modified and dynamic ordinary least squares (FMOLS & DOLS) (Pesaran & Shin, 1998). ARDL models can also mitigate the second-order asymptotic effects of cointegration. Hence, it performs better regarding estimation accuracy and sound statistical inferences even in the presence of endogenous variables (Harris & Sollis 2003; Panopoulou & Pittis 2004). There are specific requisites which are critical to the use of the ARDL-EC model. First, it is of utmost importance that both the dependent and explanatory variables are stationary at level or stationary at first difference or a combination of both (Pesaran & Shin, 1998). Estimation of non-stationary time series will produce biased results such that the regression results will suggest the existence of significant relationships among variables when in the real sense, the variables are uncorrelated. In such situations, the regressions are said to be spurious, and inferences based on such results are misleading. Also, to estimate a long-run relationship, the concerned variables must be capable of forming an equilibrium relationship over a long-run period (Engle & Granger, 1987; Pesaran et al., 2001).

The econometric modelling process included the following steps: the Augmented Dickey-Fuller (ADF) tests were used to determine the level of stationarity or also known as unit root tests, the estimation of the possibility of long-run relationships using the Bound-test for cointegration, and included the estimation of error correction model and also testing for short-run relationships, Granger causality tests and lastly diagnostic and model stability tests. Regarding the Bounds test, the calculated F-statistic value is compared to the upper and lower critical values in the estimation. If the F-statistic is below the lower and upper Bound, no cointegration exists between the variables. After confirmation of the long-run and cointegration via the Bounds-test, the error correction model (ECM) is estimated and includes short- and long-run dynamics. The ECM's coefficient must be negative, with a significant p-value, indicating convergence to equilibrium and cointegration between variables. Lastly, model diagnostic and stability checks were done by testing for robustness. Three tests were conducted to test for serial correlation, normal distribution and heteroskedasticity. Lastly, the CUSUM test was used to test the stability of the model.

4. FINDINGS AND DISCUSSION

Table 2 and Figure 3 summarise the main descriptive statistics for the study period, 1995 to 2021. International tourism expenditure in the country was highest in 2010, the year of the first African soccer world cup, with US$ 8.4 billion, while 2020 had the lowest expenditure of only US$ 1.6 due to the COVID-19 pandemic. The graph has had a downward trend since 2010. Similar trends are visible from the data on international tourist arrivals, but arrivals peaked in 2015 to 2019 with 15.1 million tourists per annum. COVID-19 pushed that number down to only 3.9 million visitors in 2020. The three good governance variables, political stability, the rule of law, and government effectiveness, have similar trending graphs. Political stability peaked in 2005 under the leadership of President Mbeki but has declined since then to a low point in 2020. The rule of law index peaked in 2005, with a low point in 2016. Government effectiveness started in 1995 at the start of the new dispensation in SA but has steadily decreased since 2021. The real effective exchange rate has also been declining steadily from a high point of 122 in 1995 to the lowest point in 2019 of 70. The local currency, the Rand, has depreciated significantly over the study period. Does this lead to higher numbers of international visitors with a weakening currency?

Table 2. Descriptive statistics

Concept	Tourism expenditure (Billion US$)	International tourism arrivals (millions)	Political stability	The rule of law	Government effectiveness	Real effective exchange rate
Mean	4.740	9.417	-0.228	0.051	0.376	91.870
Maximum	8.400	15.121	0.215	0.181	1.038	122.423
Minimum	1.590	3.886	-0.708	-0.202	-0.017	70.441
Std. Dev	2.030	3.847	0.224	0.105	0.297	14.834
Kurtosis	1.696	1.566	2.898	3.256	2.597	2.080
Jarque-Bera	1.919	2.721	0.818	5.143	2.578	1.472
Observations	27	27	27	27	27	27

Source: Authors' own compilation

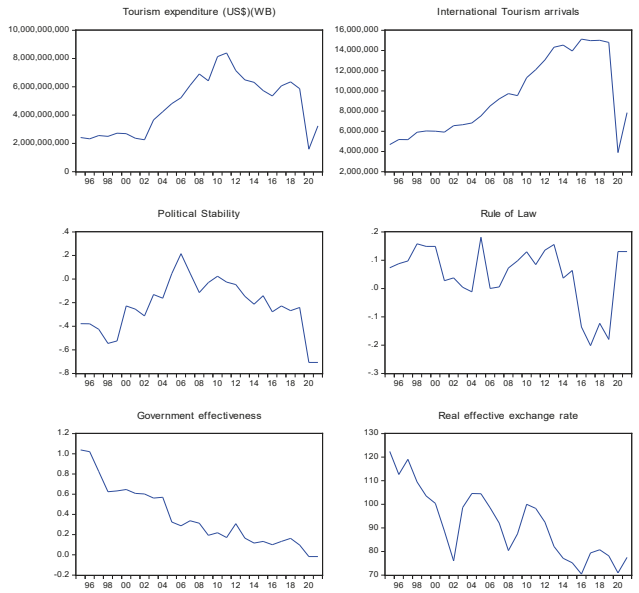


Figure 3. Trends in Variable from 1995 to 2021
Source: Authors' compilation, Eviews (2023)

3.1. Stationarity - unit root tests

The ARDL model allows for the estimation of regression models with a combination of variables that are stationary at level (integrated of order zero I(0)) and non-stationary variables made stationary by first differencing (integrated of order one I(1)). For this purpose, we chose the Augmented Dickey-Fuller (ADF) test among the available unit root tests. The results for the unit root tests are presented in Table 3. All variables are stationary at the first difference; therefore, the ARDL or the Johansen cointegration method could be used. Due to the time series time frame of just under 30 years, the ARDL method was selected.

Table 3. Unit root test results

Variables	Level of stationarity		Result
	ADF levels [I(0)]	ADF 1st difference [I(1)]	
LTOUREXP	0.3217	0.0004*	I(1)
LTOURARR	0.1976	0.0002*	I(1)
LROL	0.1140	0.0089*	I(1)
LPOLSTAB	0.8414	0.0004*	I(1)
LGOVEFF	0.8624	0.0001*	I(1)
LRER	0.2586	0.0046*	I(1)

Note: P-values are listed, and significant values are estimated at less than 5%, indicated as *.

Source: Authors' compilation

3.2. Bounds test and long-run results

The lag length selection was estimated after selecting the econometric model based on the ARDL methodology. All three selection criteria indicated one lag (2) during the lag length selection estimation. The Akaike information criterion indicated the selected and best-performing model 2,2,0,2,2,1.

Following the lag length selection process, the next step in the econometric methodology was the Bounds test for possible cointegration and long-run relationships between the variables. The Bounds cointegration test of Pesaran et al. (2001), used to test for cointegration, was selected. This method is advantageous over other cointegration tests, such as Engle and Granger (1987) and Johansen (1991), which require that all variables of interest are integrated into order one I(1). The Bounds test, on the other hand, is more robust in testing for cointegration among I(0) or I(1) variables. The null hypothesis of no cointegration between the dependent variable and the predicting variables is accepted if the value of the F-statistics is below the lower critical Bound. In contrast, the null is rejected if the F-statistics is above the upper critical Bound. The estimated Bound cointegration test results are reported in Table 4. The null hypothesis of no cointegration among the series was rejected at all the reported significance levels.

The F-statistic was 3.48 with an upper bound value of 5.0% significance at 3.36. Based on the above-listed estimation results, it could be concluded and confirmed that long-run relationships do exist between the variables selected in the model. Equation (2) present the long-run relationships:

Equation2: LTOUREXP=+0.9813*LTOURARR+0.1324*LROL+0.9651*LPOLSTAB+0.3181*LGOVEFF-0.4825*LRER……(2)

From equation (2), the long-run regression, all of the coefficients are positive except for LRER, which has a coefficient of -0.48. Of all the independent predicting variables, tourism expenditure (LTOUREXP) as the dependent variable is affected at the highest level by the number of international tourist arrivals with a coefficient of 0.98. The prediction, estimated in the model, is that a 1% increase in LTOURARR could lead to an increase of 0.98% in tourism expenditure. It is, therefore, critical to facilitate an increase in international tourist arrivals. Political stability has a similar positive impact on tourism expenditure with a coefficient of 0.97.

For this reason, domestic political stability is important for attracting international tourists. The exchange rate has a negative relationship with tourism expenditure and tourist arrivals. The real effective exchange rate index is higher when the South African Rand appreciates compared to international currencies, while the index lowers when the Rand depreciates. The coefficient is 0.48, meaning if the exchange rate weakens by 0.48, tourism expenditure increases by 1%. The literature shows that tourists from higher-income countries are less affected by

the exchange rate (Salleh, Othman & Ramachandran, 2007).

Table 4. ARDL Bound test

F-statistics	3.4823	
K	5	
Critical Bound Values		
Level of significance	**Lower Bound (1(0))**	**Upper Bound (1(1))**
10%	2.08	3.10
5%	2.25	3.36
1%	3.06	4.15

Source: Authors' estimation

4.3 ECM and short-run results

Table 5 lists the error correction model (ECM) and short-run results. The ECM indicates and confirms the long-run relationship between the variables included in the model. The ECM test result has a negative coefficient and significant P-value of 0.001, which indicates a rejection of the null hypothesis at a 1% significance level, as indicated in Table 5 in the last row with the heading CointEq (-1)*. The ECM test, which measures the relative speed of adjustment towards equilibrium, has indicated a negative sign and is statistically significant. This implies that the system can revert to long-run equilibrium in the event of a short-run disequilibrium. The ECM coefficient thus indicates that in the event of disequilibrium, the model will adjust to long-run equilibrium with a speed of adjustment of 58% (with a coefficient of -0.58). Regarding the short-run results, all independent variables have a positive short-run relationship with the dependent variable, except for LRER, which has a negative relationship, as was estimated in the long run. However, it is essential to note that not all variables have a significant short-run impact. The variable having the highest impact on the dependent variable is LRER, with a coefficient of -1.007, meaning even in the short run, a depreciating exchange rate positively impacts tourism development. A weaker local exchange rate attracts more tourist expenditure in the short and long run. This result could affect monetary policy principles in the host country. Both international tourist arrivals and effective governance have positive and significant impacts on tourism expenditure with high coefficients of 0.85 and 0.51, respectively. This means that a marketing strategy should focus on attracting more visitors, and all efforts should be made to improve governance especially related to effective governance and Political stability within a stable and safe environment where the Rule of Law is maintained.

Table 5. Short-run relationships and error-correction results

Variable (D(LRRI is the dependent variable)	**Coefficient**	**Std. Error**	**P-value**
D(LTOURARR)	0.851	0.188	**0.001***
D(LROL)	0.054	0.083	0.529
D(LPOLSTAB)	0.259	0.161	0.083**
D(LGOVEFF)	0.513	0.252	**0.069****
D(LRER)	-1.007	0.252	0.003*
CointEq(-1)*	-0.578	0.118	**0.001***

Note: *rejection of null hypothesis at 5% level of significance; **rejection of null hypothesis at 10% level of significance.
Source: Authors' compilation

4.4. Granger causality

Table 6 summarises the Granger causality test results. This type of analysis uses dependent or independent variables, although this study focuses on tourism expenditure as the dependent variable. The results indicate that tourist arrivals do result in changes to expenditure as expected. Regarding the three governance indicators, the rule of law does cause changes in tourism expenditure. Also, political stability causes changes in expenditure, and government effectiveness does not have a direct impact in the short run. Interestingly, shocks in the exchange rate could relate to changes in tourism expenditure (Salleh, Othman & Ramachandran, 2007). If a local currency appreciates, the costs for foreign travellers to visit the country increases and vice versa. This could result in fewer travellers or tourists spending less when visiting.

Table 6. Granger Causality Test results

Null hypothesis	**F-stat**	**p-value**
TOURARR does not granger cause TOUREXP	1.9801	0.0717**
TOUREXP does not granger cause TOURARR	1.0216	0.3227
ROL does not granger cause TOUREXP	2.2180	0.0996**
TOUREXP does not granger cause ROL	0.2074	0.6531
POLSTAB does not granger cause TOUREXP	1.7510	0.0919**
TOUREXP does not granger cause POLSTAB	0.4409	0.5133
GOVEFF does not granger cause TOUREXP	0.5544	0.4640
TOUREXP does not granger cause GOVEFF	0.3829	0.5421
RER does not granger cause TOUREXP	2.3812	0.0489*
TOUREXP does not granger cause RER	1.5281	0.3412
ROL does not granger cause TOURARR	4.6171	0.0424*
TOURARR does not granger cause ROL	2.0716	0.1635
ROL does not granger cause POLSTAB	5.3726	0.0297*
POLSTAB does not granger cause ROL	0.2459	0.6246

Note: *rejection of null hypothesis at 5% significance level and ** rejection at 10% level.
Source: Authors' compilation

4.5. Diagnostics

Post-estimation tests are implemented to confirm the consistency and efficiency of the estimated results. The results of the post-estimation tests are presented in Table 6. Various diagnostic and stability tests, as indicated in Table 6, were performed to determine the appropriateness and stability of the models and methods used in the study. All tests reject the null hypothesis, and results are therefore accepted with a P-Value of significance above the 5%

threshold. The results indicated that the residuals were not auto-correlated using the Breusch-Godfrey LM Test. At the same time, the series was tested via the Jarque-Bera Test and found to be normally distributed. The Breusch-Pagan-Godfrey test was used for heteroscedasticity, and the series was homoscedastic. Also, the model was tested for stability using the CUSUM test. The results confirmed a stable model, confirming that results, as estimated, are trustworthy.

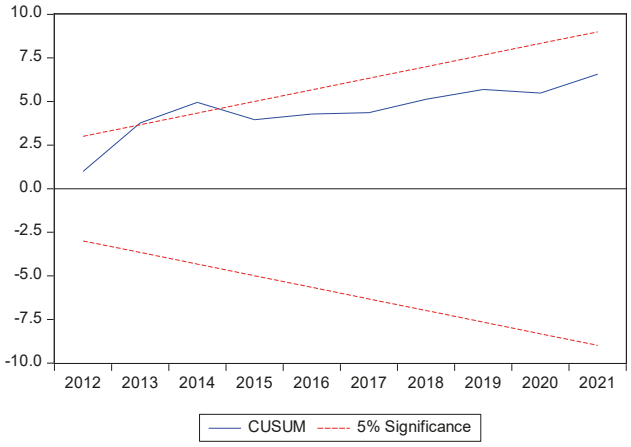
Table 6. Post-estimation diagnostic tests

Test Type	P-value	Results notes
Auto-correlation (Breusch-Godfrey LM test)	0.4811	No serial correlation
Heteroskedasticity (Arch test)	0.2227	No heteroscedasticity
Goodness of fit	0.9671	
Normality Test (Jarque-Bera test)	0.2972	Normal distribution

Source: Authors' compilation

In addition, the stability of the regression model was tested using the CUSUM test in Figure 4. The test graphs suggested that the parameters of the estimated equation are stable as the CUSUM line reminded within the 5% critical lines for the model.

Figure 4. Cumulative sum and cumulative sum of squares test



Source: Authors' compilation

5. CONCLUSION AND RECOMMENDATION/ IMPLICATIONS

In a developing economy such as South Africa, the importance of diversification of the economy across all economic sectors are vital (Rodrik, 2008). The tourism sector presents an opportunity for economic growth and development. However, the importance of good governance in the tourism sector, such as in many sectors, needs to be addressed by policymakers and governing bodies. This study investigated the relationship between good governance and the tourism sector in the South African context. In order to do this, a literature review presented the components and the workings of this relationship.

The empirical study utilised an ARDL analysis method to provide insights into the relationship between the related variables. The Bound test for cointegration indicated that the null hypothesis of no cointegration among the series was rejected at all the reported significance levels. In the long run, the following variables indicated a positive relationship between tourism expenditure and the dependent variables: tourism arrivals, political stability, efficient governance and the rule of law, except for real effective exchange. In the short run, surprisingly, tourist arrivals do not result in expenditure changes as expected. Regarding the governance indicators, the rule of law and political stability cause changes in tourism expenditure, whereas government effectiveness does not directly impact in the short run.

Limitations of the study include that possible important variables could have been excluded from the analysis, and only one developing country was analysed. Future research could include comparative studies and the inclusion of additional variables. A survey could also be developed as part of a qualitative study for tourism destinations to establish their needs in terms of good governance before strategies are formulated and implemented. The challenge of government effectiveness in the growth of the tourism sector is determining an adequate level of effectiveness to successfully oversee both company and individual activities (Akram et al., 2021). Baig and Zehra (2020) postulate that along with effective government, the necessity of tourist infrastructure and quality road infrastructure ensures a steady flow of tourists.

Given the importance and significant contribution of the tourism sector to the global economy, it is necessary to consider both excellent governance and infrastructure for developing tourist destinations, as both are critical components in the classical demand function of tourism. The tourism sector contributes significantly to the South African economy, and the government should note the importance of good governance, as indicated through this study, in the success and development of the sector. Given tourism's potential to achieve some of the Sustainable Development Goals and positively influence economic growth and development, policymakers, researchers, tourism practitioners, and destination managers are urged to pursue and promote good governance in the sector.

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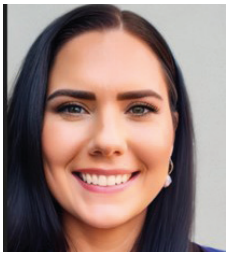

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