

Nexus Between Political Instability & International Tourism Demand

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Abstract

The tourism industry promotes a country's economic growth and creates a positive destination image. However, tourism demand is sensitive to many factors, especially the political stability of destination countries. The purpose of this study is to evaluate the impact of political instability on international tourism demand. To this end, this study implied two-dimensional analyses using the gravity model through pooled ordinary least square (POLS) estimator. We pay special attention to tourism demand distribution by employing a data set of 200 destination countries between 1995 and 2020. Our empirical results depict that political instability in destination countries finds a negative effect on international tourism demand. Moreover, a radical decline in GDP is observed in the sub-period of 2006–2020 due to the global financial crisis and its aftershocks, which badly affect tourists' attraction to destination countries. This study offers new insights for tourism policymakers and businesses.

Keywords: *Tourism Demand; Political instability; POLS Regression; Gravity model.*

Introduction

Travel and journey got existence when primitive people set out since the beginning of the period, people used to travel from one place to another place for searching and pursuing the food and essential items and other necessities for their survival and better dwellings. In the eyes of the past histories, people were likely to be traveled just for the sake of religious assurance, trade and business, cost-effective gain, economic expansion, migration, confrontation, hostility, and equivalently convincing satisfactions. But in today's era, people look like tourism a twenty-first-century phenomenon, it is common phenomena that increase in tourism demand was particularly observed after the industrial revolution in England where first time in history a cheaper transportation system was introduced for middle-class people, after the world war II, the commercial airline industry was introduced and rapid development was noticed in jet aircraft during 1950 in which international travel was encouraged, as a result, the international travel and tourism increased and opened the doors of employment opportunities and produced rapid growth in foreign exchange earnings. In today's technological and modern era, rapid growth in the tourism industry has got importance socially as well as economically points of view. According to the World Travel and Tourism Council (WTTC, 2003), tourism has been a massive growing industry of the globe obtaining economic gain of the country by increasing the gross output ratio, expansion in capital Investment, creating employment opportunities, by paying role in Tax contribution and or value-added services.

Tourism may be national or International, in this era tourism has got more attention towards the world's economy, and source of income for multiple countries having both insinuations upon the country's balance of payments. Apart from this, the tourism industry is considered to be one of the biggest poverty alleviation industry of the world, creating employment opportunities, open the doors of domestic as well as foreign investment, plays an important role to deduce the poverty line, generate revenues, and sources of financial assistance to needy. According to the World Travel and Tourism Council, not less than 9% of the Worlds GDP is contributed by the Tourism industry per Annum (WTTC, 2013). It signifies surpass the growth of tourism to GDP globally. Meanwhile, a 3 – 4 % growth in International tourism is observed In the UNWTO forecast – 2015 barometer. However, the tourism industry grows to be a strapping economic representative as well as an essential administer to the world's economic revitalization by generating revenue in billions of dollars and several opportunities. No doubt tourism has a positive impact on the growth and sustainability of the economies, not only this but on the other side, industries face enormous crises and threats which ultimately creates adverse effects on tourism demand; such as terrorism, political instability, corruption. The objective of this paper is to check the effect of political turmoil on international tourism demand like (Hall and O'Sullivan, 1996) argued that “it is a positive gesture on the graph of the tourist destination countries and safely arrival of the tourists, if the political conditions are stable and sustain good relations among the countries” (Darity, 2008, Neumayer, 2004). They defined political instability from different perspectives. It alters the administrative system of the state in the first instance, secondly, it causes the disruption and/or brutality throughout the country, in last creates problematic situations in policies and procedures of the state to ensure the repeated alteration in policy methods. Any of the nation's perceive political turmoil or terrorist activities that will cause adverse impacts on the tourism industry. Political instability is that in any economy where state deposed or direct by revolution or essential constraints and necessities would be turmoil and

interrupted (Das and Dirienzo, 2010). Pakistan, India, Somalia, South Africa, Burundi, and Haiti in the form of demographic, ethnicities, cultural and religious points of view; the collapse of Yugoslavia and subsequent war in Bosnia – Herzegovina; revolutions and coups by the Chinese and North Korean students; conflicts in between Arab – Israel countries. These conflicts experience political instability throughout the regions globally. The objective of this study is to evaluate and check the effect of international threats in terms of political instability on international tourism demand and also investigate the different circumstances in which tourist arrivals declining due to the factors like political turmoil and also determine the causal relationship of related independent variables with dependent variable.

Literature Review

Most of the studies in tourism economy have a significant role in the economic growth and development of the nation, extensive literature is published here that compact the contribution of tourism to countries GDP, the level at which GDP fluctuates, tourism as an industry, and its share to increase GDP and/or variation over time were under consideration (Shaikh., 2022). In past studies, many articles are written with different methodologies dealt with the impact of tourism on economic development. In (Sultan et al., 2003), checked the tourist's preferences versus effects on economic development, resulting in, countries having a competitive advantage over manufacturing-oriented countries, if they have proper allocation and configuration of labor resources with the countries natural resources. In a Concise way, if there are enormous opportunities for tourism to economic growth, there are serious barriers that have yet been founded which creates adverse effects on the tourism industry worldwide, so, study got much more attention to the literature of tourism in terms of the relationship among political instability, corruption and crime, and terror attacks to tourism demand. Whereas, these kinds of relationships have already focused on and specified with enough literature (Das & Dirienzo, 2010; Poprawe, 2015; Tosun & Timothy, 2001). From recent periods tourism industry experiencing demolished factors causing negative impacts throughout intrinsic as well as extrinsic surroundings by the destination countries, that creating severe losses to the tourism industry worldwide. Major issues faced by the destination countries are political turmoil term in of solvency issues, unstable demand and supply problems, a decline in foreign investment, community reflection, enmity, quality, and assurance, measuring protection and precautions (Shaiq et al., 2020; Hall, 1994; Seekings, 1993). The above factors are conjoined and create instability in the political conditions of the nation. Likewise (Clements and Georgiou, 1998) in their study, short-term liquidity was observed, hence it left serious implications on creditor's payments by resulting in wrinkle effect on tourism infrastructure and diminishing the standard and qualities. On the other hand, if any country experiencing law and order situations and military actions that damage the cultural heritages and attractive nesses negatively affected the destination countries for a longer period. Whenever any kind of state is being faced their political permissibility and completely fails to adopt jointly elucidation will face general hostility, so the situation will favor political instability (Neumayer, 2004). Further revolution and assassination left severe signs on tourism (Razzak et al, 2019). Correspondingly, (Neumayer, 2004) if the country involved general rebellion and violent activities, it declining approx 32% of tourist arrivals to the destination countries. It concluded that political instability in the country has direct impacts on the tourism industry. Similarly, terrorist attacks have a causal relationship with political instability in the region, so the terrorist attacks enhance political turmoil and instability in the country found an adverse impact on tourist arrivals for a longer period. Tourists try to make their journeys to secure destinations,

meanwhile, if they tend to countenance the risky environment for their journey which causes any kind of injury and or death or eventually attached the situations like chaotic and hectic, clearly they supposed to be avoided that destination places.

Moreover, step increase in hostility and antagonism constantly longer and longer in the origin country, the strong effect observed in destination countries, the state tries to restrict the tourists to travel to the destination countries, also tourist agencies terminate their planned tours causing debt imposition upon them due to the declining of tourist booking (Neumayer, 2014). Another major issue that destroys the managed economy as for as tourists industry concerns are day to day rising in terrorism (Llorca-Vi Vero, 2008). Similarly, Yap & Saha (2013) argued that national treasures have a big loss due to the enlargement of political turmoil and terror attacks. According to Neumayer (2004) found that political rioting is a very serious issue that creates a negative impact on tourism even if no single person of the region substantially injured or killed, not only this but conditionally, whenever political turmoil and riots probably controlled again, then no doubt that would have been a question mark in the eyes of the international media on the image of that country; due to the reason the tourism industry can have a backward response consistently. Likewise, Llorca-Vivero (2008), used the Gravity model to predict the cross-sectional country data on the impact of terrorism on tourism, he found that terrorism and terrorist attacks critically destroy the tourist industry by causing the least growth in the country's economy.

However, many researchers observed that, where there is a politically unstable situations arises, tourism neither properly planned nor controlled effectively (Hall, 1994; Richter and Waugh, 1986), whereas, at another side, some of the researchers in the tourism field found that, if prerequisite measurement likely to be taken than tourism can successfully be planned even in politically unstable countries (Clements and Georgiou, 1998; Mansfeld, 1999; Santana, 2001). According to the Country Risk (2004); EIU (2002), politically unstable regions have many issues during the planning phase which may disrupt cash outlays, global investment, non – stable demand, and supply, fundraising, the adverse image of the public, and so forth, these type aspects creates adverse consequences upon traits of tourism products in the region. Regardless of the above, Saha and Yap (2014) investigated the relationship between Terrorism and political turmoil checking the impact on tourism demand; it was found that terrorism against political turmoil has fewer effects on tourists. In general, much literature is concerned with the impact of political turmoil, terrorism, and corruption on tourism demand, but a mixed response is observed. So for our study, we applied pooled OLS regression model to check the impact on income level as well as on period and sub-period level to check the different responses of tourism demand from different angles.

Research Methodology

Sample

How much do political turmoil matters for the international tourism industry? To quantify the above, this paper examines the relationship between political instability and international tourism demand by using panel data set of 200 destination countries and regions from 1995 to 2020. Here study used paired data through panel data set of 200 destination countries by using secondary data analysis for the period of 26 years from 1995 to 2020. In this study, we excluded all those countries of the World from our analysis for which complete data was missing for the declared

period. So for the sampling purpose, we used 200 destination countries respectively. All sort of data and variables obtained from the source of World Development Indicators (WDI, 2017), World Bank group (2017), United Nations World Tourism Organization (UNWTO, 2017), National Consortium for the Study of Terrorism and Responses to Terrorism (2017), World Governance Indicators (2017). Our variable of interest is political instability and the dependent variable is tourist arrival (Tou) which the surrogate of tourism demand, In previous literature, tourism demand is repeatedly calculated in both ways, one is by Tourists Arrivals and secondly Tourists Expenditures (Ouerfelli,2008). Therefore, Gravity Model will be used to check the effect of political instability on international tourism demand so in this connection, we break down the countries into two parts, according to their sample break, (Countries attractive to tourists) and countries unattractive to tourists. Here tourism may be affected by multivariate variables, so, the study tries to adopt a multivariate method for diminution of omitted variable bias; not only this study also suggests control variables. This paper also estimates the fixed effect account through the conditional quantile regression model and panel, quantile Regression estimation techniques. The study tried to find out the importance of parameter heterogeneity using quantile regression approaches.

Model Specification

Table 1.
 Data Sources

Variable	Definition	Source
LnTou_{ijt}	Log of Tourist arrivals to destination country from the origin country	UNWTO (2017)
LnGDPpc_{jt}	Log of Real GDP per capita of the destination country	The World Bank Group (2017)
LnPop_{jt}	Log of the population of the destination country	
Rlaw_{jt}	Rule of Law of the destination country	The World Bank Group. (2017)
PolStab_{jt}	Political Stability at the destination country	World Governance Indicators (2017)
VoiceAccoun_{tjt}	Voice and Accountability at the destination country	Mitchell (2004)

Our variables of interest are political instability and the dependent variable is tourist arrivals (Tou). In previous pieces of literature, tourism demand is repeatedly calculated in both ways, one is by Tourists Arrivals and secondly Tourists Expenditures (Ouerfelli,2008). Therefore, Gravity Model will be used to check the effect of political instability on international tourism demand, so in this connection, we break down the countries into two

parts, according to their sample break, (Countries attractive to tourists) and (Countries unattractive to tourists). First, we have tried to analyze the arrivals of total tourists to a particular destination by “destination and year on income bases in Phase one” than “tourists arrivals from to destination and year on periods and sub-period in Phase two” Due to the distinct effects of developing and developed countries based on political turmoil, here study break down the countries pairs into two sets. The countries with higher HDI (Human Development Index) are included in developed countries, while those countries having lower HDI are included in developing countries. Here tourism may be affected by multivariate variables, so, the study tries to adopt a multivariate method for diminution of omitted variable bias; not only this study also suggests control variables. This paper also estimates the fixed effect account through conditional quantile regression model panel quantile Regression estimation techniques that have been employed. We shall also try to find out the importance of parameter heterogeneity using quantile regression approaches. The study will use Econometric Model, & findings will be estimated by pooled ordinary least-squares (OLS) and FE panel data regression model.

Gravity Model

This is a widely spread model used in international trade that predicts bilateral trade flows based on economic and non - economic sizes with the remoteness in between two countries. Similarly (Anderson and Van Wincoop, 2003; McCallum, 1995; Rose, 2000), migration (Gil-Pareja, Llorca, & Martínez, 2006; Karemera, Oguledo, & Davis, 2000) and foreign direct investment (Eichengreen & Tong, 2007; Head & Ries, 2008) based on the basic gravity model by predicting economic and non - economic measurements on the flow of goods internationally.

They introduced the Gravity model by the following equation:

$$F_{IJ} = B \frac{(GDP_I)^\alpha (GDP_J)^\lambda}{(Dist_{IJ})^\xi} U_{IJ} \quad (1)$$

Where F_{IJ} denotes the international flow of goods between origin and destination countries, Gross domestic product is denoted by GDP, term Dist is used to estimate the distance between I and J countries; U_{IJ} is the log-normal stochastic disturbance error term and B, α, λ and ξ are parameters to be estimated. So the same was used in the transformational form as follows:

$$\ln F_{IJ} = \beta + \alpha \ln GDP_I + \lambda \ln GDP_J + \xi \ln Dist_{IJ} + \epsilon_{IJ} \quad (2)$$

Where ϵ_{IJ} is a normal error term with $E(\epsilon_{IJ}) = 0$ and $\beta = \ln(B)$

Since it is well-known fact that tourism is believed to be an unusual trade and the tourist's flow were analyzed through the gravity model (Durden & Silberman, 1975; Gordon, 1973; Kliman, 1981; Malamud, 1973; Pyers, 2006; Quandt & Baumol, 1969; Wilson, 2007). Despite using GDP, the number of practitioners used population to determine the economic masses of the country. The major problem faced by the researchers in the gravity model was the lack of theoretical background during the preliminary stages. But at this stage Deardorff, 1998, different scholars linked the gravity model with Heckscher – Ohlin models that support by enhancing returns and product differentiations in the dynamic and technological environment worldwide. The most attractive and most cited paper in this regard was proposed by Anderson and Van Wincoop (2003), where, well-structured gravity model used that provides multivariate and

bilateral trade confrontation with consistent and efficient estimates. In this study we used the gravity model to check the impact of political instability on international tourism demand by using the following equation:

$$\ln Tou_{ij} = \alpha + \beta_o \ln GDP_i + \beta_j \ln GDP_j + \beta_{ij} \ln Dist_{ij} + \epsilon_{ij} \quad (3)$$

Political Instability will be measured through OLS (Pooled regression model) Where $\ln Tou_{ij}$ is a log of tourist arrival between countries of “I” (origin Country) to “J” countries of destination, α , and β are the coefficients and ϵ_{ij} is an error term. As to analyze total tourists arrival to a destination country by using ith destination country and year of arrival, we use a panel data set of 198 destination countries from 1995 to 2017 by using straight forward linear regression technique to predict the demand for tourism.

$$\ln Tou_{it} = \alpha + \beta' cntr_{it} + \gamma' polstb_{it} + \delta_t + \epsilon_{it} \quad (4)$$

Here the dependant variable is $\ln Tou$ for tourism demand that tends to measure the log of tourists arrivals in the destination country with designated year. Panel fixed effect and year fixed effect are the part of this model to confine the yearly fixed effect (δ_t) common for all countries. Variables in the above equation are used into two categories for this model, at first category all control variables are used with the name ($cntr_{it}$), whereas, $\ln GDPpc_{it}$ employed as a surrogate of income for the logarithm of real GDP per capita income, whereas, GDP is measured by taking entire economic activities within a boundary of the country. According to Lim (2006) and Yap & Saha (2013), they employed logarithm of the population by controlling the size of the state or country, so in this connection, we have used $\ln Pop_{it}$ as a controlling variable for the size of the country. Here study split the countries into two groups according to the higher or lower Human Development Index (HDI). Whereas most studies used HDI values ranging between 0 to 1. The countries having HDI near to 0 are considered as lower Human development countries, while the countries with HDI near to 1 are treated in the High Human Development group and others which are within the approximation of 0.5 and 0.8 are treated as medium Human development countries. The above two variables are acquired from the World Bank by the source of World development Indicators (WDI, 2017). Another control variable is employed for this study is “voice and accountability” which assures the standard and worthiness of the organizations pertains to the destination countries. The voice and accountability are employed in this model as $VoiceAccount_{it}$ and it covers that how the people of the state are likely to contribute and decide with their abilities to select the government, using their freedom of expression or freedom of association and freedom for media as well. The Voice and accountability variable is obtained from the World Bank through World Governance Indicators (2017). In our study, we employed this variable for the reason to check the effect of the sovereignty of the citizens and their rights and obligations. This variable is also used by Kaufman et al. (2007) and bring out in World Governance Indicators (WGI) by the World Bank. Through the WGI, this variable has covered a range between -2.5 to 2.5, whereas -2.5 indicates the rank of the country in weak association and 2.5 indicates the strong association in the country by their ranking.

The fourth control variable used in this study is Rule of law with the name of $Rlaw_{jt}$, it is also a world governance indicator used by the World Bank Group, it controls the degree to which citizens are legally bound to obey the rules of the state and likelihood of misdeed brutality. The empowerment and control of law in society, Rule of Law especially employed all the persons are

subject to the law Moreover, the measurement scales of this WGI indicator ranging in between – 2.5 to 2.5 according to the World Bank group. Where - 2.5 means, there is weak control upon the rules and regulations whereas 2.5 indicates strong control upon rules and laws by measuring the quality of the governance in the designated state. This study using rule of law as a control variable by indicating the countries with the perception of the extent to which people abide to follow the rules of law tightly or loosely.

Here study further elaborated with the second category variables, in the second category all interest or study variables implied as political Instability Whereas Political instability is used as ($PolStab_{jt}$).

According to Hall (1994); Seekings, (1993); Soemodinoto et al, (2001); Timothy (2001) that, countries' political conditions play a very vital role in affecting the tourism demand. Unbalancing in tourism demand arises due to the actions and decisions taken by the political personals and Government (Seekings, 1993). as per Hall and O'Sullivan (1996, p 106), political stability is defined as an uneasiness that arises in the political or governmental system, abnormal actions observed in the governmental system. Whereas, as per (Darity, 2008), political instability arises due to the change in existing government, increase in violence in society as well as a change in the social order of people, and dramatic change in the policies of the government. political instability can be boosted up when the people denied the freedom of their expressions in the society where they live, as a result, political strains can be increased. Here study used political instability as an interesting variable and it is designated by ($PolStab_{jt}$), so we have tried to capture the upheaval in the political system, political risk, internal conflicts, government stabilities, external conflicts, civil war and civil disorder, military actions, and coup and assassinations, territorial disputes. Foreign pressures. It is appropriate to mention that, the main interest variable is obtained from the World Governance Index (WGI), so it is the index of WGI and can be interpreted in percent form. So the following equation is used for estimating the impact of political instability on international tourism demand through pooled ordinary least square estimator (POLS) with a fixed-effect model to check the flow of people in destination countries.

$$\ln Tou_{jt} = \alpha + \beta_1 polstb_{it} + \beta_2 \ln Va_{jt} + \beta_3 \ln RLaw_{jt} + \beta_4 \ln GDPpc_{jt} + \beta_5 \ln Pop_{jt} + \delta_t + \epsilon_{it} \quad (7)$$

This model is used to investigate an appropriate association between DVs and IVs along with controls. This model is estimated by a pooled fixed effect technique and fixed effects (δ_t) are also included to capture the period effects common to all countries.

Empirical Findings

This section study analyzes the empirical results of the international threat like political instability on international tourism demand. So the first part of the analysis focuses on the relationship between Political turmoil and international tourism demand. The second part analyzes the effects after controlling several economic factors and with and without heritage variables by utilizing panel fixed effects.

Table 2.
 Descriptive Analysis

Variable	Obs	Mean	Std. Dev.	Min	Max
Tou_{ijt}	211,073	74372.76	860131	0	7.90E+07
PolStab_{jt}	789,970	0.078822	0.941217	-3.1808	1.7601
VoiceAccount_{jt}	803,760	0.097398	0.967273	-2.25916	1.80099
Rlaw_{jt}	808,882	0.09037	0.971597	-2.17849	2.10027
LnGDPpc_{jt}	804,351	8.614261	1.531559	5.139216	12.17039
LnPop_{jt}	824,051	15.16585	2.415432	8.384119	21.05974

Table 3.

Pooled OLS (Income Level)

Development Level	All Countries	Developing Countries	Developed Countries
Variables			
PolStab _{jt}	0.0188 (0.0209)	0.1169*** (0.0159)	0.0286** (0.0126)
VoiceAccount _{jt}	-0.1279*** (0.0339)	-0.0957*** (0.0143)	-0.0493*** (0.0157)
Rlaw _{jt}	0.0929** (0.0407)	1.0051*** (0.0263)	0.2083*** (0.028)
LnGDPpc _{jt}	0.8068*** (0.045)	0.5693*** (0.0106)	0.5498*** (0.0137)
LnPop _{jt}	0.2948*** (0.0872)	0.6254*** (0.0052)	0.5713*** (0.0032)
Observations	203,079	87,412	115,667
R-Square	0.3922	0.412	0.604

Note: TA, tourist arrival numbers. ln denotes natural logarithm. The numbers in parentheses are standard errors. *** denotes significance at the 1% critical level.

Table 4.
 Pooled OLS (Sub-Period)

Sample	1995-2020	1995-2006	2007-2020
Variables			
<i>PolStab_{jt}</i>	0.0188	0.1895***	0.242***
	0.0209	0.0345	0.038
<i>VoiceAccount_{jt}</i>	-0.1279***	0.413***	-0.1534**
	0.0339	0.0557	0.0687
<i>Rlaw_{jt}</i>	0.0929**	-0.1853**	-0.0762
	0.0407	0.0754	0.028
<i>LnGDPpc_{jt}</i>	0.8068***	1.056***	0.2338*
	0.045	0.9922	0.1199
<i>LnPop_{jt}</i>	0.2948***	-0.496**	-0.0078
	0.0872	0.2237	0.2212
Observations	203,079	90,565	112,514
R-Square	0.3922	0.3971	0.411

Discussion

The above table.2 shows the description of the variables used through the regression model along with the definition and source by which data is obtained, furthermore, detail of the above variables are also defined in the Methodology section. In General, for all coefficients, here coefficient *LnGDPpc_{jt}* is significantly positive which indicates that richer countries receive more tourists. Also, the coefficient *LnPop_{jt}* is significantly positive, which is the log of the population shows a percent increase in the population of the destination country will raise more tourists in the country. Whereas, coefficient *VoiceAccount_{jt}* appeared with a negative sign, implying statistically negative which shows less control on the quality of the institutions; can be interpreted that, any country that does not respect human rights and freedom will attract fewer tourists. The coefficient *Rlaw_{jt}* with a positive sign shows that, if rules and laws are properly followed by the people of destination country attract more tourists. As for estimating the effect of political instability, terrorism, and corruption on tourism demand, the slope coefficient of *PolStab_{jt}* shows the values of 0.0188 for all countries and their probability value is larger than 0.10. Hence, in this, since we cannot reject the impact of political instability by implying that, increase in the political instability will have adverse consequences on tourist arrivals, but at the other hand, the coefficient value 0.1169 at 10%, 5%, and 1% for developing countries and 0.0286 at 10% and 5% for developed countries have statistically significant and positive relations to tourism demand. Hence, it shows that to some extent for developing countries political instability can have an impact upon tourist arrivals but there is less impact of political instability on tourist arrivals in developed countries. Hence table 4 is estimated, based on the sub-period

basis. Data is segregated in three decades. In the first decade data for 198 destination countries are regressed for the entire period of 1995 to 2020 to check the entire impact on the tourism sector. Here the coefficient $LnGDPpc_j$ showing statistically significant for all countries from 1995 to 2020, implying that, tourism gradually increasing in richer countries; as wealthier nations attract more tourists, people with a higher level of income were more likely to travel. Hence the dependent variable is uttered as the logarithm of total tourist arrivals, so the slope coefficient for all countries for the entire period is grasped as a 1% increase in real GDP per capita tends to increase tourist arrivals at destination country by 0.8068% increasing the ratio of tourists in the destination country. But according to the sub-periods in columns 2 and 3 for $LnGDPpc_j$, the coefficient value 1.056 and 0.2338 is estimated for the sub-periods 1995 – 2006 and 2007 – 2020 respectively. There is a bigger difference in real GDP per capita for both sub-periods. But we look to pass histories in the year 1995 there was a wave of financial crisis observed after the Mexican financial crisis when Mexico's peso devalued in December 1994, so this financial crisis captured the global economy. And second-time financial crisis was observed in 2007 and 2008, which was a global financial crisis known as the worst financial crisis which embarked in 2007 with a crisis in the subprime mortgage market in the USA. Hence the crisis was followed by the global economic downturn, observed a great recession. So in our study, the coefficient for $LnGDPpc_j$ shows 0.2338 comparatively low GDP per capita is recorded in sub-period 2007 to 2020 rest of the other two columns. So in this connection during 2007 and 2008 of the global financial crisis, the GDP was strongly affected throughout the globe, so the same effect was also seen in the estimated value of the coefficient. This coefficient of 0.2338 is seemed significant at 10% but not at 5% and 1% is only for the global financial crisis which captured the overall economy of the world and the overall GDP of the globe was dramatically declined to result from the tourism industry in the entire global economy is suffered during the crisis period. This is the main reason the coefficient $LnGDPpc_{jt}$ value is shown a downturn comparatively all others in the decade 2007 and 2008. in the same way, the coefficient $LnPop_{jt}$ is the logarithm of the population appeared significantly positive at 10%, 5%, and 1% respectively for all countries for the entire period from 1995 to 2020, tends to rise in population of the destination country by 1% is associated to increase in tourists arrival by 0.2948%, but differently for two sub- decades, where, coefficient value -0.496 for sub-period 1995 to 2006 and coefficient value -0.0078 for sub-period 2007 to 2017 is shown in table 4. Hence, $LnPop_{jt}$ coefficient value -0.496 appeared negatively for sub-period 1995 – 2006, in which the population of tourists in destination countries reduced and less attraction of tourists observed; so, the reason may be the financial crisis and its shocks in 1995 and afterward, resulting in population parameter declined in destination countries. Similarly, in the sub-period 2007 – 2017, the population parameter is badly affected by pertaining the value of coefficient -0.0078, the main reason may the financial crisis again got birth in 2007 and 2008 and hit the entire economy of the world, their aftershocks were also seen in 2009 and 2010. Where overall economies of the globe were in the worst condition and real GDP per capita was also badly affected. According to the economists, the 2007 and 2008 financial crises were observed as the worst financial crisis of the decades. As resulting, DGP was declined and people attraction towards tourist countries was also affected in the crisis period.

Table 4. Illustrate the Pooled OLS regression based on the sub - Period, which reveals the results of estimating equation (7), in which $layou_t$ is used as a logarithm of total tourist arrivals at the destination country, in this model data is divided according to the sub-periods starting from 1995 to 2020. Here model estimating the data for all

countries is isolated by their periods, three-column analyses are used by the model. In the first column model estimating the data for all countries from 1995 to 2017, the second column estimating the data from 1995 to 2006, and the third column regress the data for the period of 2007 to 2020. Here study broken down the periods into sub-periods to check the period-wise effect of political instability, corruption terrorism on international tourism demand. The first column estimates the entire period data from 1995 to 2020 to check the effect on internal tourism demand, while two columns are broken down into sub-periods due to the purpose of the financial crisis that got existence in 1995 and the second time in 2007 and 2008 respectively. This is maybe the main reason for the coefficient $VoiceAccount_{jt}$ appeared with a negative sign. This is the case where the country having less control over enterprises and loose governance hurting international tourism demand. The same is for the coefficient $Rlaw_{jt}$, in table 4. The estimated values of the coefficient ranges among variables are 0.0929, -0.1853, and -0.0762 for the entire period from 1995 – 2017, sub-period 1995 to 2006, and sub-period 2007 to 2020. For the entire period, the coefficient value is statistically, significantly positive at only 10% and 5%, implying that rules of law significantly positive relations towards tourism, and countries having sound rules of laws that promote tourism by attracting the tourists to destination countries. But at another hand, the coefficient values for both sub-periods are observed dissimilar from the entire period. As for POLS model estimation concerns, the model has estimated the overall impact of political instability on international tourism demand. Here table 4 predicts the values of three main study variables according to the entire period and sub-periods. Hence the value of coefficient $PolStab_{jt}$ is 0.0188 for entire periods from 1995 to 2020, 0.1895 for sub-period 1995 to 2020, and 0.242 for sub-period 2007 to 2020, Which means, 1% increase in the political stability raise the tourism demand by 0.0188, 0.1895, and 0.242 for entire periods, sub-period 1995 – 2006 and sub-period 2007 to 2017 respectively. Hence, the value of coefficients for $PolStab_{jt}$ for destination countries is comparatively low, which means political instability cannot be avoided during entire decades with the evidence by both periods during the financial crisis, the political instability enormously observed and reported. And obviously, political instability in destination countries would have adverse consequences on tourism demand, but developed countries are less affected and attracted more tourists.

Conclusion and Policy Implications

This study aims to investigate the performance of the international tourism industry in terms of tourist arrivals in the association between political instability for 200 destination countries throughout 1995 – 2020 with a fixed effect technique to manage the unobservable country effects which are constant over time. Hence, the multivariate method is also used to reduce an omitted variable bias to check the impact of political instability, corruption, and terrorism on international tourism demand; by paying unusual consideration to the demand distribution, the panel quantile estimation techniques have also been employed. Our study explored the effect of political instability on tourism according to the attractiveness and unattractiveness of a country towards tourists and its level of development, so, the analysis suggested that tourism demand adversely affected due to political instability but less impact was observed for developed countries and more tourists attracted to developed countries. Results suggest that attractiveness to tourists moderate the effect on instability, tourists are more

attracted to countries where a large number of world heritage sites. Moreover, our study focused upon income – demand nexus. This study also found that the dramatic decline in GDP in sub-period 2006 – 2020, the reason was the global financial crisis in 2007 – 08 and its aftershocks, at the result tourism demand was drastically suffered across the globe in the subsequent period. Similarly, the coefficients log of population, rule of law, voice, and accountability are also found statistically insignificant for the sub-period 2006 – 2020, which is evidence of financial crisis and their adverse impact on tourism demand. Our findings may assist policy implications, the results recommend that policies for tourism are not equally likely throughout different demand levels across the countries; likewise, income has positive but differential impacts; hence, policymakers should perceive that tourist attraction can be increased as to raise in people's income that must be focused upon less attracted tourism demand countries. This study is based on two-dimensional analyses (destination and year), where the data is considered only for total tourist arrivals at the destination country, and year moreover, the study based upon three – dimensional analysis (origin, destination, and year) the subject of interest to be left for future study.

Author Contributions

Ahsan ul Haque Shaikh: The main idea of research paper is contributed by first author and he has written the introduction.

Ali Raza: The second author of research paper has analyzed the data by using SPSS, and has also contributed in interpreting of results.

Abdul Rehman Abbasi; : The third author of paper has collected data, prepared data set.

Hina Shaikh : The fourth author of paper contributed in writing the conclusion, discussion section of research paper.

Data Availability Statement

Yes, Collected data is available in the shape of data set.

Conflict of Interest:

There is no any conflict of interest

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