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THE ROLE OF GOVERNMENT IN THE COMPETITIVENESS OF TOURISM IN ALBANIA: AN ECONOMETRIC APPROACH

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Abstract

International tourism, accounting for 46% of total exports and 65% of services exports, played a crucial role, with 10.1 million tourists visiting in 2023 and spending $3.3 billion in 2022. The sector is evolving from exploratory to developing, with increasing elements of consolidation and structural transformation. The purpose of the study is, using statistical methods, to analyze the relationship that exists between dependent macroeconomic variables such as income from tourism export, and expenditure from tourism import, and independent variables: such as the

number of foreign tourists, the number of Albanian tourists that have gone out of the country, and indicators of good governance. For the analysis in the study, we took the data of the time series of Albania for the period 1995 to 2023, published in the statistics of the World Bank. To carry out the study, the methods of graphical presentation, descriptive statistics, and multiple regression are used. HAC OLS method was used to estimate the parameters of the regression equation. The study aims to answer the question of what stage of development is tourism in Albania, according to Butler's theoretical approach. How has governance improvement impacted tourism competitiveness, and how has government effectiveness influenced the value of imported and exported tourism? Policy Stability shows a small positive impact on tourism income, while improvements in Government Effectiveness relate to decreased imported tourism values, indicating that better governance may improve the trade balance and reduce outbound tourism. Continued improvements in infrastructure, services, and governance could further enhance the sector's competitiveness.

Keywords: competitiveness, tourism, development, well governance, regression, indicator

INTRODUCTION

A short description of tourist products offered by Albania

Tourism products in Albania can be divided into three main categories based on their contribution to tourism income. These categories constitute the main forms of tourism development and play an important role in the national economy. The main products are coastal tourism: Coastal and marine tourism. Coastal tourism is related to activities such as swimming and beaching, while marine tourism includes cruises and water sports. The beach, the sea, and the sun have been the main products, with a pronounced seasonal character. Infrastructure for yachts is lacking and sailing with large tourist ships is still in its infancy, but there is a great potential for development that is very important for the economy and elite tourism in Albania.

Natural tourism in Albania is appreciated for its beautiful nature and stunning landscapes. Natural and rural areas offer opportunities for rural tourism, mountain tourism, ecotourism, and activities such as rafting, parachuting, fishing, mountaineering, and hiking, attracting many foreign visitors. Mountain tourism has developed especially in the north and the Alps. Protected areas include 15 national parks and nature reserves, which are attracting more and more visitors. Albania's favorable position has helped to develop medical and health tourism, especially in areas with thermal waters and unique climatic conditions.

Albania has a great potential for natural, historical, and cultural heritage. It offers numerous natural attractions, from beaches to national parks and protected areas. Albania has

about 2000 cultural monuments, ranking second in the Mediterranean in terms of their density. Some historical centers are part of the world's cultural heritage.

The importance of tourism in the economy of Albania

In recent years, Albania, with a population of 2.8 million, has experienced a steady economic development. A key factor in this development is the tourism sector, which has contributed to economic growth. The Gross Domestic Product (GDP) has reached 23 billion dollars in 2023, compared to 12.3 billion dollars in 2012. International tourism has played an important role, represented by 46% of total exports and 65% of services exports. Although the COVID-19 pandemic brought a decline in the number of tourists in 2020, the sector recovered quickly, marking 10.1 million tourists in 2023. Visitor spending has shown continued growth, reaching $3.3 billion in 2022. During the same period, the number of visitors who visited museums and monuments increased significantly, indicating a high interest in the country's cultural heritage. Kosovo has been a very potential partner for tourism in Albania, contributing 45% of all international arrivals (INSTAT 2023). In 2022, throughout the territory of the country, 1,580 structures for accommodation have developed their activity, offering about 48,000 rooms and 109,000 beds. (INSTANT 2023). These data show the sustainability of the tourism sector in Albania and its potential to influence the economic growth of the country. The direct contribution of tourism to the Gross Domestic Product (GDP) has increased from 2% in 2014 to 3.2% in 2023. (World Bank). Albania is rated as an attractive destination by investors, constantly attracting foreign direct investment at levels above the average of the last ten years, reaching 1,372 million euros in 2022. (Bank of Albania Statistics). This fact shows the continued interest of investors in the Albanian market. An important role in this context has been played by the improvement of the legal and regulatory framework to stimulate and protect foreign investments in the country.

Government policies have aimed to increase the quality and quantity of tourist services, distribute the flow of visitors throughout the territory, and improve the infrastructure to reduce the effect of seasonality and spread the sustainability of tourists. Through the use of the natural and cultural potential of Albania, the government has been supporting private investment and international hospitality, aiming to create a sustainable and consolidated tourism sector. Stimulated fiscal policies, such as the use of reduced taxes for the sector, have made Albania an interesting center for investors looking for a place for profitable investments. The development of infrastructure in Albania makes it a profitable investment destination with a high economic growth potential. Compared to other Balkan countries, Albania has placed itself in a strategic and original position, investing heavily in tourism infrastructure and air connections,

and implementing successful marketing strategies. Despite the strong competition, Albania has managed to support its position in the Mediterranean market sustainably. According to WTTC estimates, the total contribution of tourism to the country's GDP was 26.2% in 2017 and 20.3% in 2019. The direct contribution is expected to be 9.3% of GDP in 2028, while the total contribution is expected to be 28.9% in the same period. In 2022, revenue from tourism and travel reached a level of $3.23 billion, compared to $2.05 billion in 2017.

Human resources for the tourism industry

During 2021, the tourism and travel sector directly created 43500 jobs. Through its indirect impact, this sector contributed to the creation of an additional 226,000 jobs. Despite its potential to create even more jobs in the future, a further focus on education and training of tourism sector personnel is needed to ensure a more professional service to visitors. Although progress has been made in this area, there is still a need for continuous improvement through structured training programs aimed at encouraging a quality workforce in the industry.

The challenges that the tourism sector is facing

Regarding human resources and the quality of services offered to tourists, some fundamental challenges require urgent solutions. A structured training program is necessary to increase the quality of services in the tourism sector. Based on a study conducted by the United Nations in 2022, 56% of participants in the sector have problems finding and keeping working staff during periods of intense tourist traffic, while 27% perceive unqualified staff as a problem. However, most do not see recruitment from other countries as a solution, showing reservations regarding their skills and integration into the Albanian market. One of the most important challenges is the increase in inflationary pressure on costs, which leads to an increase in costs for tourist services. Price differentiation, particularly in electricity is seen as a key challenge for the sector during peak traffic periods. Other problems are related to accommodation capacities and their quality. In the main tourist destinations, the lack of a sufficient number of beds and the low quality of accommodation affect the overall experience of visitors. In particular, accommodation facilities consist mainly of private houses and apartments, which often offer limited services and minimal conditions. In addition, although Albania has a favorable

Mediterranean climate, the tourist season is mainly limited to the summer months. Although the demand for tourist services extends to longer periods of the year, the supply is lacking, making tourism very expressed seasonally. Well-known brands of hotels and tour operators, which many foreign tourists see as a guarantee of the quality and reliability of the destination, are still in the initial stages of investment in Albania. Many of the accommodation

structures and services, such as restaurants and tourist guides, operate informally, creating an environment where services are often of poor quality. In a survey, 31% of participants perceive unfair competition as an obstacle, while 11% consider informality as a challenge. In the absence of detailed economic studies and analyses by the government to assess the effect of policies on the development of the tourism sector and to suggest improvements, as well as the lack of a stable system for the collection and analysis of statistical data for the sector, there is a level general dissatisfaction. According to the UN study 2022, although 49% of participants agree with fiscal policies and government support for the sector, 53% request more support for tourism promotion. Likewise, 43% of the participants expressed the need for reimbursement of expenses for electricity, and 32% requested interventions to reduce informality. Regarding the expenses of the locals for vacations, 60.5% of the respondents admit that they took vacations, with an average of 8 days, while 39.5% did not go on vacations at all, mainly for economic reasons. Regarding the expenses for vacations, the difference between those who travel within and outside the country shows a marked asymmetry, related to their income level. Ownership problems have significantly affected the development of tourism, causing conflicts and obstacles for local and foreign investors. This has caused many tourism projects to be blocked and the sector to remain unconsolidated. The use of information technology in tourism remains limited, creating additional difficulties in its development.

Statistical indicators, the collection and reporting, as well as their importance in the formulation of policies for the development and competitiveness of the tourism economy

Understanding the competitiveness of a country in the tourism sector is a very important factor for political leaders and a challenge for professionals in providing data. Over the years, several indicators have been developed by different organizations to assess and analyze different aspects of competitive innovation, but there is a lack of a general normative structure to use. There has been progress in addressing this gap and making a positive contribution to the practical evaluation of competitiveness to help in decision-making.

To make a broad and complete analysis of this sector, there is a wide range of indicators, but in this study, we will analyze a limited set of indicators that have full meaning and are useful for the government in assessing and measuring the competitiveness of tourism in the country to guide policies. These indicators see competitiveness in tourism as: "A country's ability to improve its attractiveness to residents and non-residents, to offer quality, innovative and attractive tourism services to consumers and to gain market share at home and abroad, ensuring that the resources available for tourism are used efficiently and sustainably" (Dupeyras, A. and N. MacCallum (2013). The indicators may be classified into these main

groups: Indicators that evaluate the performance and impact of tourism; Indicators that monitor the ability of a destination to offer quality and competitive tourism; and Indicators that monitor the attractiveness of a destination. (Eurostat. (2014).

Indicators describing policy responses and economic opportunities help to understand competition challenges and provide a basis for a more informed public debate, driving new policy issues from a competition perspective. The aim is to create for governments and policymakers a more complete picture of the performance of the tourism sector, enabling them to develop more effective policies and programs to play a leading role in the management of the tourism value chain and to support investment. Also, these indicators aim to monitor the progress of tourism over time and address long-term strategic objectives, identifying performances in the value chain, tourism GDP, and emergency risks for the tourism sector. Furthermore, they aim to provide evidence of the return on investment in tourism and the effectiveness of the policies and programs undertaken.

Basic indicators: Gross Domestic Product (GDP) Directly from Tourism. GDP is the trade value of all goods and services produced within a country in a given period. When tourism GDP growth is faster than that of its neighbors or competitors, it is considered a benchmark of success and a statistic that has a significant impact on international standing. However, this indicator does not fully reflect some aspects such as environmental impact, human well-being, and profitability of investment projects. The challenges to measuring the direct impacts of tourism are addressed by the Tourism Satellite Accounts, reported by the World Tourism Organization and the National Institute of Statistics, working to adapt a suitable regulatory framework to the National Tourism Administration.

Inbound tourism revenue per visitor by source market. Measuring the economic activity of visitors enables tourism analysis to be linked to economic analysis, making it possible to integrate tourism policy with macroeconomic policy. This is a more direct indicator of economic income. However, there is difficulty in trying to estimate total tourism revenue and identify the level of expenditure per visitor. Visitor spending in itself is not a measure of competitiveness compared with tourism revenues from other countries. Visitors from the same country of origin may have different spending patterns in different countries. These data can be collected through international visitor surveys as a source of tourism expenditure surveys and Tourism Satellite Account, National Institute of Statistics, Central Bank and National Tourism Administrations as well as international organizations including UNWTO, etc.

Sleeping in all forms of accommodation constitutes a direct and objective means of evaluating success in tourism. By measuring the number of visitors and overnight stays, the number of visitors who have stayed at the registered accommodation can be determined.

However, data on overnight stays are only obtained from selected types of registered accommodation, leaving out unregistered accommodation and private accommodation, which often play an important but under-estimated role. The informal accommodation sector is often underreported, although it has a major impact on tourism. This is calculated by national statistical institutes, national tourism administrations through accommodation surveys, and international organizations such as the World Tourism Organization, etc.

Exports of tourism services represent an important source of export income. Politicians must be informed about their performance compared to other export sectors. The positioning of tourism as a type of export and the ability to bring payments to the country can change quickly. This change has been accelerated by market globalization, increased competition, and advances in technology. Identifying and measuring export growth is a challenge, as many tourism services are interconnected with other sectors. Collecting detailed data is a costly and complex process to assess growth factors and performance relative to other export industries. For this purpose, balance of payments data can be used as a comparative tool to assess the performance of different export sectors, based on the Manual on International Trade in Services Statistics.

Labor productivity in tourism services is a key factor for tourism policies and the competitiveness of countries in this sector. A country needs to have a high level of GDP output per person employed, which indicates that each worker has contributed more to the creation of GDP compared to other countries. Improving productivity enables tourism businesses to compete more effectively with other businesses globally. Tourism productivity can be compared to national productivity to assess the sector's performance relative to other sectors and to see how it fares relative to the country's overall productivity. In the service sector, the definition of productivity should also include the quality of services. This indicator is published by the National Statistics Office in cooperation with international institutions.

Analyzing the costs of the tourism sector using Purchasing Power Parity (PPP) allows consistent comparisons between different countries. Changes in costs are key factors influencing the choice of a destination, where prices are the main element in tourism competition. These statistics are published by the National Statistics Office, the World Bank, Eurostat, and other important international institutions.

Visa requirements have a major impact on traveler mobility. Changes in visa policies can affect the competitiveness of tourist destinations. Facilitating travel can improve the competitiveness and ability of destinations to cope with the global tourism market. This indicator is provided by the Ministries of Foreign and Internal Affairs, as well as by the National Tourism Administrations.

Natural resources and biodiversity are essential to the tourism industry. Destinations that offer travelers such experiences, including natural resources and world heritage, have a competitive advantage. Policymakers must ensure that these assets provide competitive advantages to support sustainable tourism growth. The measurement of these resources is done through the identification of recognized natural heritage sites and protected areas. Countries with high biodiversity and rich natural resources can promote these attractions as part of their tourism strategy. These statistics are produced by Government Agencies and international organizations.

Cultural and creative resources are important elements of the tourism product and the main drivers of attractiveness for a destination. Destinations that can offer travelers access to experience through the local culture and the creative economy have a competitive advantage and a basis for attracting more interest, visitors, and spending. Culture and creativity in various forms can create important competitive advantages that support sustainable long-term tourism growth and other benefits in other policy areas. The measure is measured by the number of popular cultural and creative attractions in different forms. The listing can show the importance of cultural assets in promoting a country as part of a tourism competition strategy and can improve competition. This indicator is published by government agencies and organizations and international organizations.

Visitor satisfaction is an important quality indicator for tourism demand. Factors such as personal experience and recommendations of others influence customer preferences. Social media and review sources have a significant impact on traveler decision-making. Surveying visitors about their experience is critical to understanding their satisfaction and improving the tourism offer. This indicator has been published by the National Tourism Administration, through official surveys and institutions such as the European Commission of Tourism.

The National Action Plan for Tourism is a key tool for politicians to assess competitive potentials and effectively direct efforts to benefit from tourism economically and socially. The preparation of such a strategy is a critical stage in gaining knowledge and evidence to guide investments towards maximum benefits.

In addition to the indicators mentioned above, some additional indicators provide a broader picture of the tourism sector: Analysis of trends and developments in international markets can help to understand the suitability of destinations in the global context. Employment in the tourism sector by age, education level, and type of contract can serve as an indicator for the growth and development of the sector. Providing courses and training for tourism workers can help improve the skills and competitiveness of the sector. The consumer price index for tourism can help in determining the economic suitability of a destination. Air connectivity and the

interconnection of transport modes have a great impact on the competitiveness of tourism and the number of visitors. Government budget allocations for tourism serve as an indicator of the government's commitment to the growth and development of the sector. The structure of tourism supply chains is important for understanding market dynamics and a country's level of competition. Fast and reliable digital connectivity is critical for tourism promotion, investment, and influencing traveler decision-making.

The Well Governance Indicators (WGI)

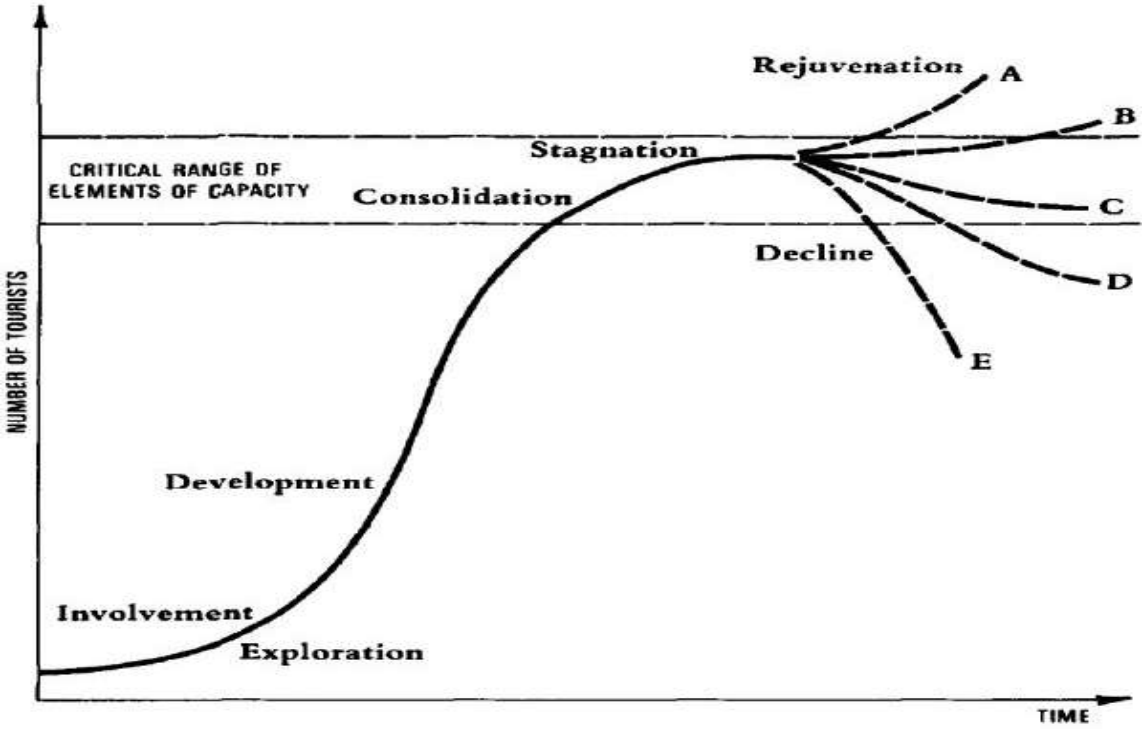
The Well Governance Indicators (WGI) include a set of indicators structured around six main dimensions of governance: Voice and Accountability (VA): Which measures the degree of citizen participation in choosing their government, freedom of expression, organization, and free media. Political stability and absence of violence (SP): Includes data on political instability, politically motivated violence, and terrorism. Governance effectiveness (GE): Reflects the quality of public services, the independence of the civil service, and the effectiveness of policy formulation and implementation. Regulatory Quality (RQ): Assesses the government's ability to provide well-researched policies and rules that encourage private sector development. Rule of Law (RL): Measures the degree of trust in society's adherence to rules, the effectiveness of the police, and the independence of the judicial system. Corruption Control (CC): Measures the degree of use of public power for private gain and capture of the state by private interests. WGI indicators are a standard tool for policymakers to make informed decisions and plan government activity. WGI data are valuable for empirical studies and time-dynamic analysis. Although useful, criticisms have raised questions about the reliability and validity of the data. It is important to use it in conjunction with other data and knowledge to fully understand governance issues. In general, the evaluation of quantitative indicators of governance opens a wide perspective for the study of the connections and interaction of governance with economic and social variables (Kaufmann, Kraay, & Mastruzzi, 2010).

A BRIEF LITERATURE REVIEW ON THE STAGES OF TOURISM DEVELOPMENT IN A COUNTRY AND THE ROLE OF THE GOVERNMENT IN TOURISM COMPETITIVENESS

Referred to Butler, R. (Ed.). (2006), tourism is not a static process, but a dynamic process that goes through several stages of development. He identifies these stages as exploration, incorporation, development, consolidation, and stagnation. In the exploration phase, tourism enters early, with few visitors and mainly attracted by natural and cultural attractions. The local population is little affected by the presence of visitors and the economic benefits are limited. In the inclusion phase, the local population is involved in businesses and investors see

their projects as profitable in the future. The government is under pressure to develop infrastructure, especially tourism. In this phase, promotions increase, and tourism appears with a pronounced seasonal character. In the development phase, the flow of visitors increases, and the infrastructure is further developed. The standard of living for the local population begins to improve, increasing steadily. The consolidation phase is characterized by continued growth but at a slower pace. Challenges include maintaining visitor numbers, mitigating seasonality, and managing foreign companies in the sector. In the stagnation phase, the demand for tourism begins to decrease and economic, social, natural, and cultural problems begin to appear. At this stage, the challenge is to work on attracting new visitors and developing innovative ideas, communication, and digital marketing to meet these challenges.

Figure 1. Tourism area cycle of evaluation by Butler's theory



Source:https://www.researchgate.net/figure/Richard-Butlers-Tourism-Area-Life-Cycle

Competitiveness, sustainable development, and governance

Effective governance is a very important element in facilitating sustainable tourism practices, including strategic planning, resource management, and community engagement. Only governments can create an environment that is favorable for the tourism industry to compete (Kubickova, M. (2016)). Their policies often address a variety of objectives, such as economic, environmental, social, and educational, which can strengthen the country's

attractiveness as a destination In their study (Tang & Jang, 2009) argue that only governments have the necessary legitimate power to provide security, political stability, legislation, and financial framework to increase tourism development. In their study (Devin & Devin (2011) assert that if tourism planning and management is left entirely to the private sector, this may result in unbalanced infrastructure and market development, risk of increased congestion, and increased pressure on environmental resources. Although government intervention remains open in the literature (Datta-Chaudhuri, 1990), however, it is widely accepted that if markets fail for various reasons, governments, together with the private sectors, will try to find an optimal cooperation of regulated activities to fix the failure. If the government fails (unable to fix such a failure), it can adversely affect the entire economy, competition, and freedom provided. Economists agree that economic freedom is one of the main pillars of a country's institutional structure and plays a crucial role in increasing the well-being of an individual within a society (Stroup, 2007). Individual freedom can be defined as "the opportunity that individuals enjoy to use economic resources for consumption, production or exchange" (Sen, 1999, p. 39).

Economic freedom centers on the concept of freedom to choose and provide resources, encourages competition, and ensures property rights, leading to economic growth and welfare in society (Tang & Jang, 2009). Institutions that provide very high economic freedom and sustainability can influence the economy to function well and grow by influencing private initiatives and individual well-being (Berggren, 2003), Studies have shown that economic freedom is a positive macroeconomic indicator of economic growth (Aixalá & Fabro, 2009). On the other hand, high economic growth enables the government to collect additional taxes, investing in the education and health system, ensuring a better quality of life, thus increasing the competitive level of that destination. According to the study (Stroup, 2007), those countries that achieved a higher level of economic freedom achieved a higher level of growth and a higher level of competitiveness.

In his study (Hall (2013) stated that the basic principles of good governance are critical in the development of tourism policies. Governance is a process by which an organization makes and implements decisions. Regarding tourism, good governance is required for effective policy formulation and implementation, coordination of initiatives, and ensuring sustainable practices. Effective governance is essential in facilitating sustainable tourism practices, including strategic planning, resource management, community engagement, and quality infrastructure, including roads, seaports, airports, public transport, clean water, and energy. Infrastructure provision is an important component of government service delivery and better governance leads to proper development and maintenance of infrastructure. This

makes the attractions more attractive to tourists who expect better services. Tourism often depends on the natural environment and cultural heritage of a destination. Poor governance can lead to environmental degradation and destruction of cultural heritage sites, which can reduce the attractiveness of a destination for tourists According to (Hall (20213), the relationship between tourism development and governance is complex and multifaceted. Babadi (2018) in his study claims that the improvement of the tourism sector, to social and cultural progress, leads to an increase in the economic development of a region.

Aleksandrovna (2022) argues that tourism should not be considered important only for its contribution to employment opportunities but for interconnection for various other sectors it provides benefits for these sectors. As such, the development of the tourism sector contributes positively to the development of the socio-economic environment of the country. In their study (Baig & Zehra, 2020) concluded that good governance produces results that meet the needs of society by maximizing the use of available resources. Detotto et al. (2021) in their study state that good governance produces benefits through the following: (a) the first benefit is the reduction of transaction costs, enabling markets to be more efficient, (b) markets can overcome distributional inefficiencies of the benefit of increased productivity, resources, technologies and lasting political stability in the circumstances of rapid social transition. According to Nurman, Zainal, and Rajasa (2021), good governance enables regions to develop and implement strategies for creating new markets, ensuring price stability and efficient distribution of products. Referred to Shamai and Yousofi Babadi (2018), who analyzed the role of good governance in sustainable income in the tourism sector, the two most important factors that emerged from this study were the provision of infrastructure and facilities for attracting private investment. In their study, Baig and Zehra (2020) used an econometric model in several areas in Pakistan to study the impact of good governance on tourism development between 2007 and 2017. They found a positive relationship between good governance and the tourism sector. The study revealed that political stability significantly affects the development of tourism. A 1% increase in political stability in a region can increase tourist arrivals by 0.50%. Furthermore, a 1% increase in crime reduces tourism visits by 0.53%. The results show that if the Rule of Law improves by 1%, tourism income improves by 0.05% and tourism arrivals by 0.081%. The findings are consistent with the studies of (Maniatis, 2016). Likewise, corruption control has a positive effect on tourist arrivals, with a coefficient of 0.052%. In the 2016 study by Steyn and Jansen van Vuuren, analyzing 158 countries, they found that only four of the principles of good governance have a relationship with tourist arrivals: political stability, government effectiveness, corruption control, and rule of law.

METHODOLOGY

The study

For the analysis in the study, we took the data of the time series specified in Table Nr. 1 for the period 1995 to 2023, published in the statistics of the World Bank. To carry out the study, the methods of analysis and synthesis, induction, and deduction were mainly used. The desk and literature review of data, graphical presentation, descriptive statistics, and multiple regression are used also. HAC OLS was used to estimate the parameters of the regression equation. HAC estimation is designed to correct for the bias in the OLS standard error calculation. An advantage of HAC estimators is that they do not require detailed knowledge of the nature of the heteroscedasticity or autocorrelation to compute consistent estimates of the standard errors. To achieve the objectives of the study, the statistical series were diagnosed with several tests of stationarity, multicollinearity, and autocorrelation. Likewise, in each model, the statistical distribution of the residuals of the model is tested. The removal from the model for statistically insignificant variables was done after the corresponding test regarding the effects in the model.

The indicators of good governance (WGI) were selected using the PCA principal component analysis method, and only 2 indicators: VA, and PS, together represent about 90% of the variation of all indicators of good governance used. Likewise, GE was used for testing one of the research hypotheses, other indicators of good governance have turned out to be statistically insignificant. This action is conditioned by the small number of time series terms to save the degrees of freedom.

Variables, description, symbols, and data source

Table 1. Variables included in the study.

The name of the variable	The abbreviated form is used as a symbol for the variable	Description of the variable	Source of data
International expenses (revenue from tourism export (Million USD)	TOUEXP (LTOUEXP) (d_LTOUEXP)	Total expenditure of international visitors in the country, including payments to all tourism service providers and foreign carriers for international transport.	World Bank
Expenditures that Albanian residents spend on vacations outside the Albanian country (Expenses of import tourism) (Million USD)	TOUIMP (LTOUIMP) (d_LTOUIMP)	Total expenditure of domestic visitors to other countries, including payments to all tourism service providers and foreign carriers for international transport to destination countries.	World Bank

Arrivals of international tourists, (arrivals) (000)	TOUARRIV (LTOUARRIV) (d_LTOUARRIV)	The number of tourists (overnight visitors) traveling to a country other than that in which they have their usual residence.	World Bank
Departures of Albanian vacationers abroad. (000)	OUTDEPART (LOUTDEPART) (d_ LOUTDEPART)	The number of tourists from Albania who travel to a country other than the one in which they have their usual residence.	World Bank
Voice and Accountability	VA	This indicator measures the extent to which a country's citizens can participate in the election of their government, as well as freedom of expression, freedom of association, and free media.	World Bank
Rule of law (index between +2.5 and -2.5)	RL	Perceptions of the extent to which the public trusts the government to enforce the rules, about property rights, the police, and the courts, in preventing crime and violence.	World Bank
Political stability (index between +2.5 and -2.5)	PS	It measures perceptions of the possibility of political instability and politically motivated violence.	World Bank
Government effectiveness (index between +2.5 and -2.5)	GE	Perceptions of the quality of public services, the degree of its independence from political pressures, the quality of policy formulation and implementation, as well as the credibility of the government.	World Bank
Regulatory quality (index between +2.5 and -2.5)	RQ	This indicator assesses the government's ability to provide well-researched policies and regulations that enable and foster private sector development.	World Bank
Corruption control (index between +2.5 and -2.5)	CC	This indicator measures the extent to which public power is exercised for private gain, including all forms and levels of corruption, as well as state capture by private interests.	World Bank
The number of employees in the tourism sector	TOUEMP	The number of employees in the tourism sector	World Bank

Figure 2. Graphic representation of all variables

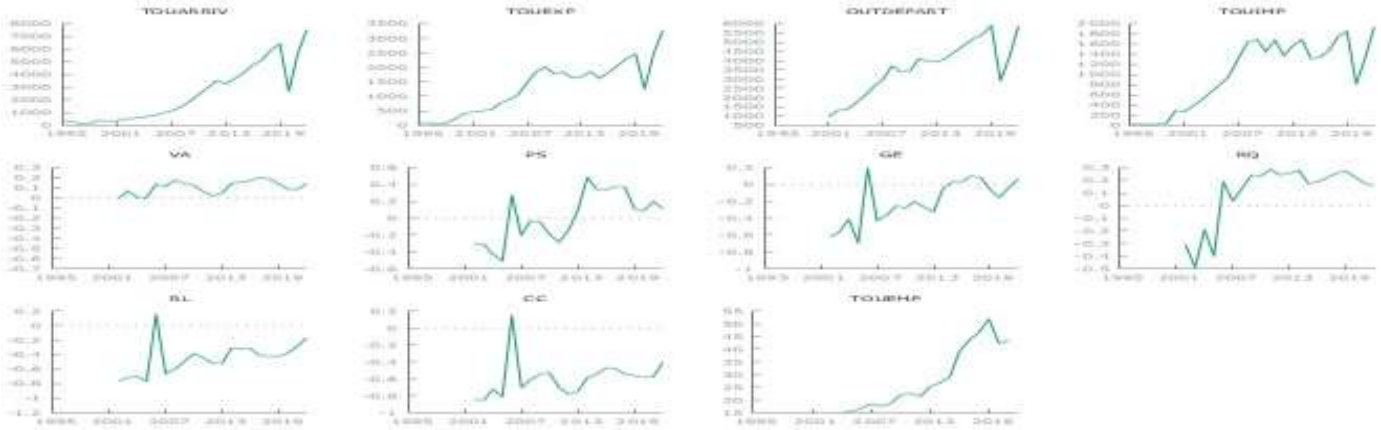


Table 2. Main Descriptive statistics for all the variables

Variables	Mean	Median	S.D.	Min	Max
TOUARRIV	2418	1638	2237	119.0	7544
TOUEXP	1299	1546	881.5	34.00	3255
OUTDEPART	3571	3822	1465	955.0	5922
TOUIMP	1009	1318	664.6	13.00	1937
VA	0.03717	0.09971	0.2015	-0.6483	0.2038PS
PS	-0.04485	-0.03782	0.3198	-0.5440	0.4860
GE	-0.2733	-0.2624	0.3086	-0.9178	0.1958
RQ	0.03493	0.1812	0.2878	-0.4902	0.2840
RL	-0.5028	-0.4686	0.2554	-1.021	0.1599
CC	-0.6331	-0.5957	0.2276	-0.9920	0.1526
TOUEMP	28.69	24.00	12.35	15.00	2.00

Principal component analysis (PCA) was used to reduce the number of dimensions in large datasets to principal components that retain most of the information. It was done by transforming correlated variables of WGI into a smaller set of variables of WGI, called principal components, VA and PS. set of uncorrelated variables known as principal components. The principal components are linear mixtures of the original variables that exhibit the highest variance relative to other linear mixtures.

Table 3. Eigenanalysis of the Correlation Matrix
Principal Components Analysis, n = 24 (dropped 3 incomplete observations)

Component	Eigenvalue	Proportion	Cumulative
1	4.7675	0.7946	0.7946
2	0.5561	0.0927	0.8873
3	0.3480	0.0580	0.9453
4	0.2125	0.0354	0.9807
5	0.0780	0.0130	0.9937
6	0.0379	0.0063	1.0000

Eigenvectors (component loadings)						
	PC1	PC2	PC3	PC4	PC5	PC6
VA	0.361	-0.674	0.560	0.270	-0.108	0.131
PS	0.412	-0.008	-0.549	0.598	0.347	0.226
GE	0.446	0.053	-0.178	0.080	-0.467	-0.736
RQ	0.403	-0.363	-0.297	-0.732	0.283	0.031
RL	0.427	0.403	0.049	-0.163	-0.525	0.592
CC	0.396	0.498	0.512	-0.036	0.541	-0.196

Transformed variables used in regression models:

$$\Delta LTOUEXP = LTOUEXP_t - LTOUEXP_{t-1}$$
$$\Delta LTOUARRIV = LTOUARRIV_t - LTOUARRIV_{t-1}$$
$$\Delta LTOUIMP = LTOUIMP_t - LTOUIMP_{t-1}$$
$$\Delta LOUTDEPART = LOUTDEPART_t - LOUTDEPART_{t-1}$$

Research issues and hypotheses

At what stage of development is tourism in Albania, according to Butler's theoretical approach? Is the structure of tourists changing in favor of elite tourism from the point of view of the amount of expenses they carry out by analyzing the revenue from tourism export indicator? How and how much has the improvement of governance affected the competitiveness of tourism? How has the structure of Albanian tourists abroad changed in favor of elite tourism and how has the effectiveness of the government affected the value of imported tourism, analyzing the increase in the number of Albanian visitors to other countries has been accompanied by a proportional decrease in the expenditures they make abroad?

Hypothesis 1

H_0: For every average increase in the number of arrived tourists in a year by 1%, the average increase in tourism export income has been less than 1%

H_1: For each average increase in the number of arrived tourists in a year by 1%, the average increase in income from tourism exports has been greater than or equal to 1%.

Hypothesis 2

H_0: The improvement of the governance indicator Voice of Accountability (VA) by one standard deviation has negatively affected the indicator of average annual income from tourism exports.

H_1: The improvement of the governance indicator Voice of Accountability (VA) by one standard deviation has positively affected the indicator of average annual income from tourism exports.

Hypothesis 3

H_0: The improvement of the governance indicator Political Stability (PS) by one standard deviation has negatively affected the indicator of average annual income from tourism exports.

H_1: The improvement of the governance indicator Political Stability (PS) by one standard deviation has positively affected the indicator of average annual income from tourism exports.

Hypothesis 4

H_0: For each average increase in the number of tourist departures of Albanian vacationers abroad in a year by 1%, the average increase in expenses of import tourism was greater than or equal to 1%.

H_1: For every average increase in the number of tourists in a year by 1%, the average increase in expenses of import tourism was less than 1%

Hypothesis 5

H_0: The improvement of the governance indicator Government Effectiveness (GE) by one standard deviation has positively affected the indicator of average expenses of import tourism.

H_1: The improvement of the governance indicator Government Effectiveness (GE) by one standard deviation has negatively affected the indicator of average expenses of import tourism.

RESULTS

$$\Delta LTOUEXP = \alpha_0 + \alpha_1 \Delta LTOUARRIV + \alpha_2 time + \alpha_3 VA + \alpha_4 PS \quad \text{(Equation 1)}$$

Model 1: Heteroskedasticity-corrected, using observations 1995-2022 (T = 24)

Missing or incomplete observations dropped: 4

Dependent variable: d_l_TOUEXP

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	0.0786584	0.132287	0.5946	0.5591	
d_l_TOUARRIV	0.659038	0.155003	4.252	0.0004	***
VA	−0.757655	0.333933	−2.269	0.0351	**
PS	0.00194502	0.154763	0.01257	0.9901	
time	0.00214102	0.00792973	0.2700	0.7901	

Statistics based on the weighted data:

Sum squared resid	65.84137	S.E. of regression	1.861541
R-squared	0.592287	Adjusted R-squared	0.506452
F(4, 19)	6.900343	P-value(F)	0.001317
Log-likelihood	−46.16486	Akaike criterion	102.3297
Schwarz criterion	108.2200	Hannan-Quinn	103.8924

Statistics based on the original data:

Mean dependent var	0.143385	S.D. dependent var	0.276703
Sum squared resid	0.702892	S.E. of regression	0.192339

Test for the omission of variables Null hypothesis: parameters are zero for the variables PS
Test statistic: F(1, 19) = 0.000157948 with p-value = P(F(1, 19) > 0.000157948) = 0.990104
Test for normality of residual - Null hypothesis: error is normally distributed Test statistic: Chi-square (2) = 1.53749 with p-value = 0.463594.Variance Inflation Factors. Minimum possible value = 1.0Values > 10.0 may indicate a collinearity problem:
d_l_TOUARRIV 1.048 VA 2.211 PS 2.562 time 3.196
VIF (j) = 1/(1 - R(j)^2), where R(j) is the multiple correlation coefficient between variable j and the other independent variables
Belsley-Kuh-Welsch collinearity diagnostics:

Variance proportions

Lambda	cond	const	d_l_TOUA	VA	PS	time
3.218	1.000	0.004	0.024	0.019	0.016	0.004
1.028	1.769	0.007	0.227	0.040	0.120	0.000
0.515	2.499	0.025	0.695	0.015	0.046	0.011
0.214	3.875	0.003	0.013	0.786	0.585	0.001
0.024	11.576	0.961	0.041	0.139	0.233	0.983

Lambda = eigenvalues of the inverse covariance matrix (smallest is 0.0240171) Cond = condition index. Note: variance proportions columns sum to 1.0. According to BKW, cond >= 30 indicates "strong" near linear dependence, and cond between 10 and 30 s is "moderately strong". Parameter estimates whose Variance is mostly associated with problematic cond values that may themselves be considered problematic.Count of condition indices >= 30: 0Count of condition indices >= 10: 1 Variance proportions >= 0.5 associated with cond >= 10: const time 0.961 0.983

$$\Delta LTOUIMP = \alpha_0 + \alpha_1 \Delta LOUTDEPART + \alpha_2 time + \alpha_3 VA + \alpha_4 PS \quad \text{(Equation 2)}$$

Model 2: Heteroskedasticity-corrected, using observations 2002-2022 (T = 21)
Dependent variable: d_l_TOUIMP

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	0.0482803	0.0596475	0.8094	0.4301	
VA	−0.202837	0.420081	−0.4829	0.6357	
PS	0.127635	0.0832672	1.533	0.1449	
time	−0.00164849	0.00391840	−0.4207	0.6796	
d_l_OUTDEPART	1.16984	0.0463728	25.23	<0.0001	***

Statistics based on the weighted data:

Sum squared resid	55.80122	S.E. of regression	1.867505
R-squared	0.996928	Adjusted R-squared	0.996161
F(4, 16)	1298.286	P-value(F)	7.11e-20
Log-likelihood	−40.05908	Akaike criterion	90.11816
Schwarz criterion	95.34077	Hannan-Quinn	91.25160
rho	−0.014793	Durbin-Watson	2.029498

Statistics based on the original data:

Mean dependent var	0.094009	S.D. dependent var	0.283408
Sum squared resid	0.346664	S.E. of regression	0.147195

Model 2.1: Heteroskedasticity-corrected, using observations 2002-2022 (T = 21)

Dependent variable: d_l_TOUIMP

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
d_l_OUTDEPART	1.20956	0.0397961	30.39	<0.0001	***

Statistics based on the weighted data:

Sum squared resid	70.93071	S.E. of regression	1.883225
Uncentered R-squared	0.969433	Centered R-squared	0.976941
F(1, 20)	634.2959	P-value(F)	1.27e-16
Log-likelihood	−42.57811	Akaike criterion	87.15622
Schwarz criterion	88.20074	Hannan-Quinn	87.38291
rho	−0.084712	Durbin-Watson	2.165533

Statistics based on the original data:

Mean dependent var	0.094009	S.D. dependent var	0.283408
Sum squared resid	0.330871	S.E. of regression	0.128622

$$\Delta LTOUIMP = \alpha_0 + \alpha_1 \Delta LOUTDEPART + \alpha_2 time + \alpha_3 GE \quad \text{(Equation 3)}$$

Model 3: Heteroskedasticity-corrected, using observations 2002-2022 (T = 21)

Dependent variable: d_l_TOUIMP

	Coefficient	*Std. Error*	*t-ratio*	*p-value*	
const	−0.0836796	0.0485200	−1.725	0.1027	
d_l_OUTDEPART	1.20009	0.0435542	27.55	<0.0001	***
time	0.00328725	0.00227563	1.445	0.1668	
GE	−0.126597	0.0619565	−2.043	0.0568	*

Statistics based on the weighted data:

Sum squared resid	48.53025	S.E. of regression	1.689592
R-squared	0.981661	Adjusted R-squared	0.978425
F(3, 17)	303.3260	P-value(F)	5.90e-15
Log-likelihood	−38.59319	Akaike criterion	85.18638
Schwarz criterion	89.36447	Hannan-Quinn	86.09313
rho	−0.114397	Durbin-Watson	2.222326

Statistics based on the original data:

Mean dependent var	0.094009	S.D. dependent var	0.283408
Sum squared resid	0.312959	S.E. of regression	0.135681

Test for normality of residual Null hypothesis: error is normally distributed Test statistic: Chi-square (2) = 3.08865 With p-value = 0.213455 Test for ARCH of order 1 Null hypothesis: no ARCH effect is present Test statistic: LM = 1.14901 with p-value = P(Chi-square(1) > 1.14901) = 0.283757.

Figure 3. Presentation of regression model values, actual values versus time, Model 1.

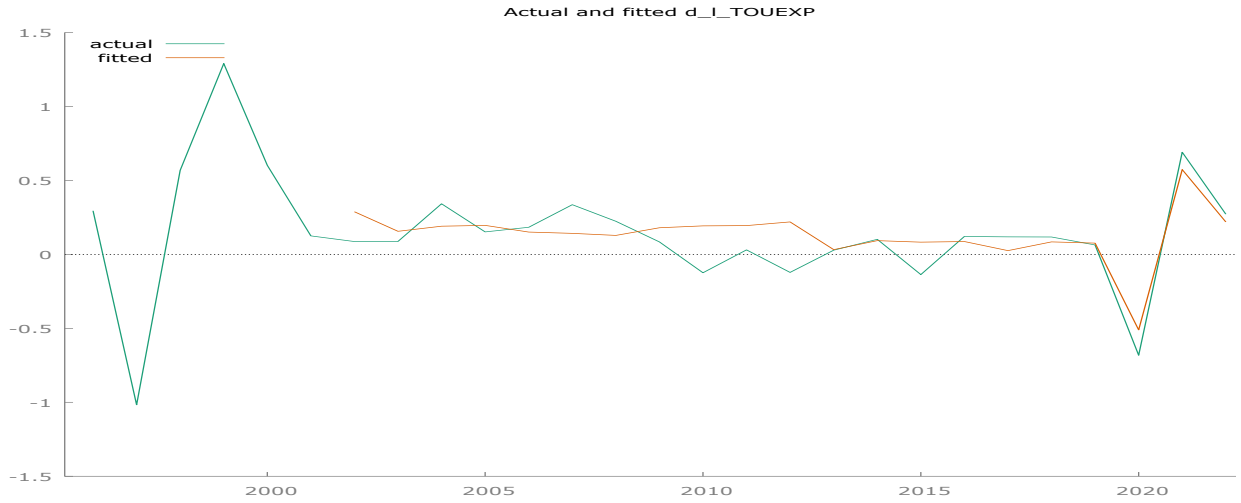


Figure 4. Presentation of regression model values, actual values, and fitted versus time Model 2

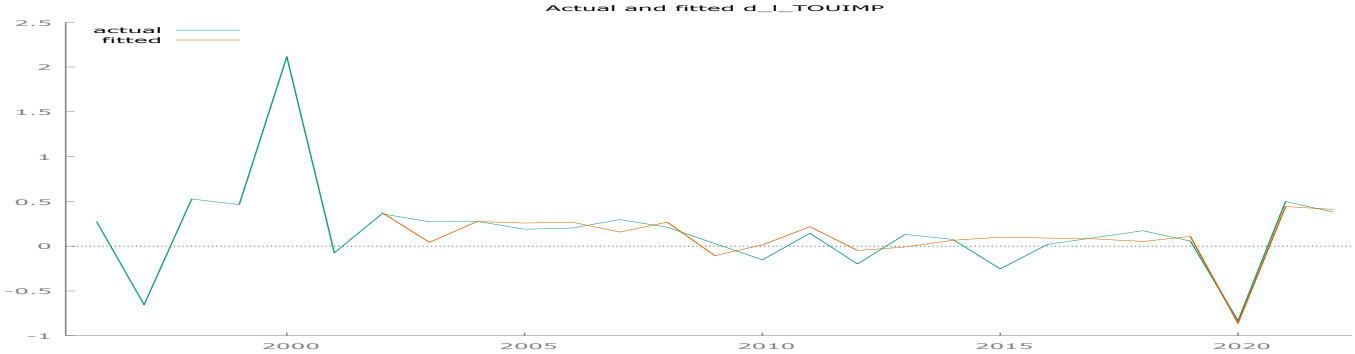


Figure 5. Presentation of actual d_l_TOUIMP versus d_l_OUTDEPART along the time by Model 2

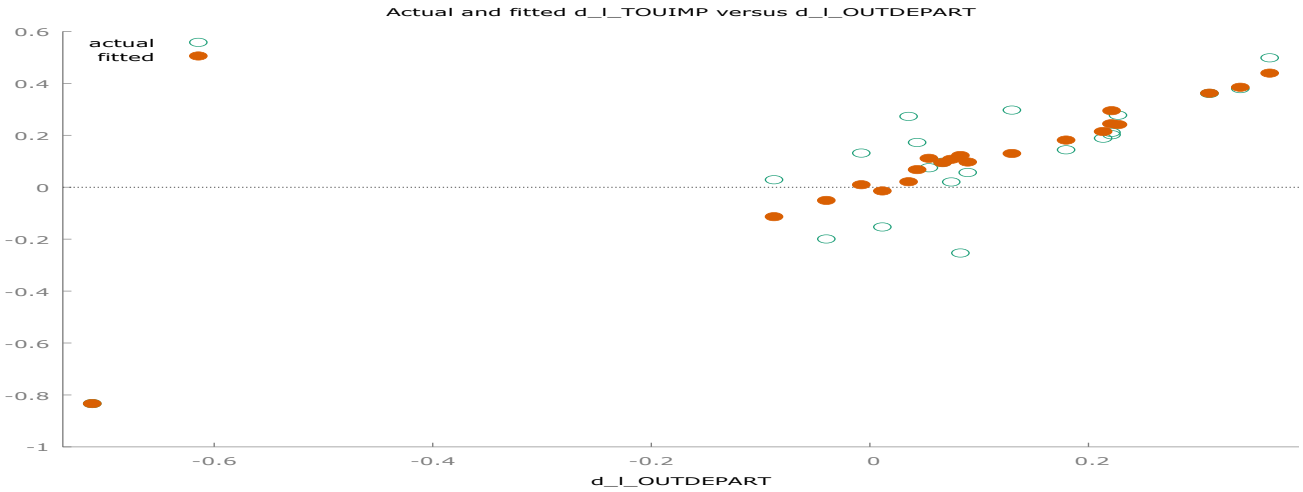


FIgure 6. Graphical presentation of actual TOUEXP along the time

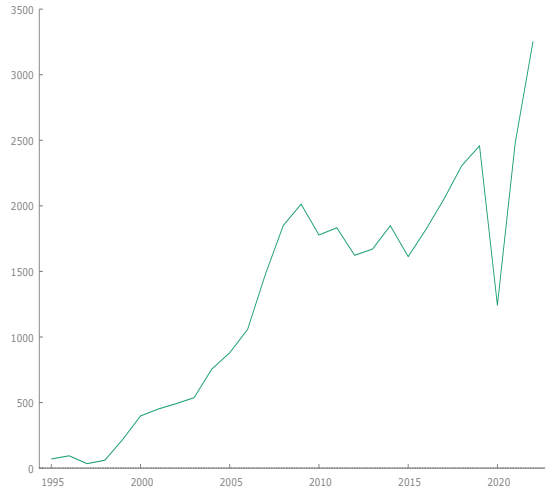


Figure 7. Graphical presentation of actual TOUARRIV along the time

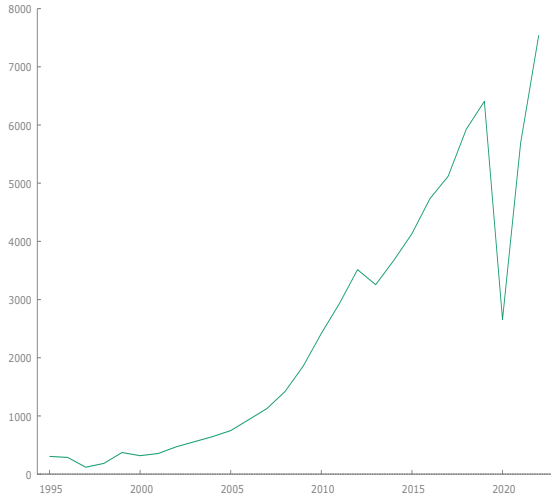


Figure 8. Graphical presentation of actual d_l_TOUEXP versus d-l-TOURARRIV

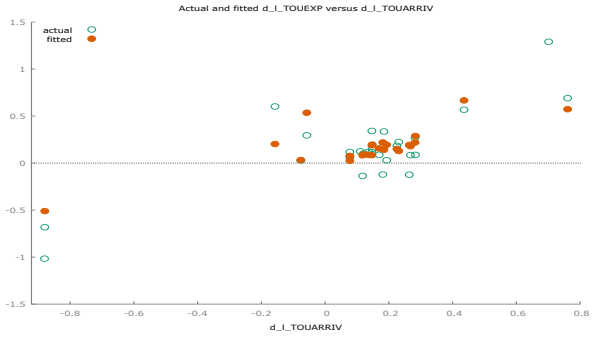


Figure 9. Graphical presentation of d_l_TOUEXP versus VA

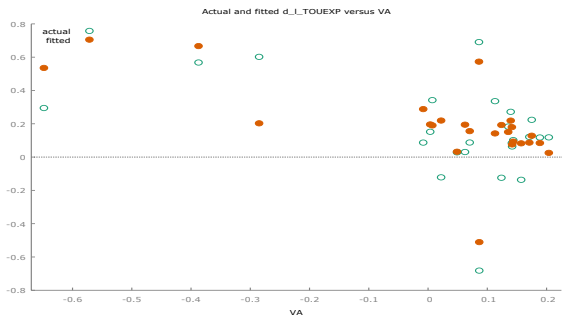


Figure 10. Graphical presentation of regression model values, actual values, and fitted versus time Model 3

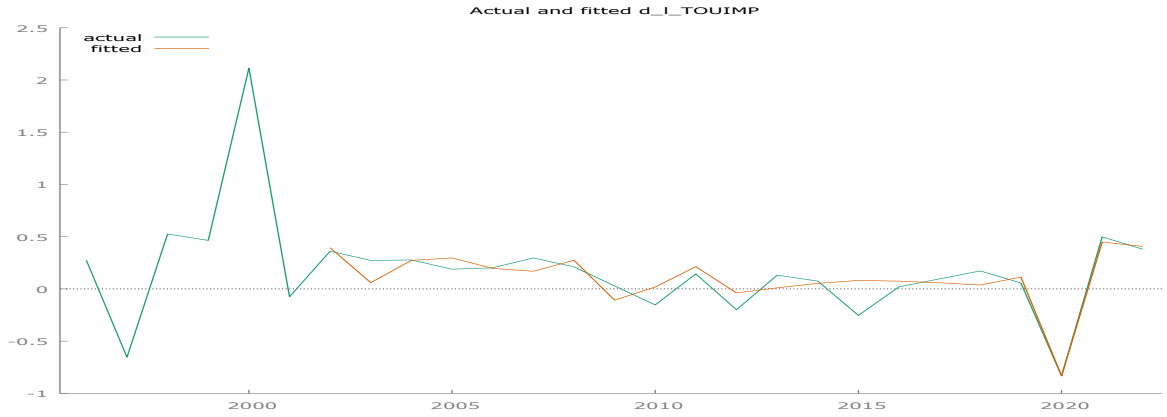
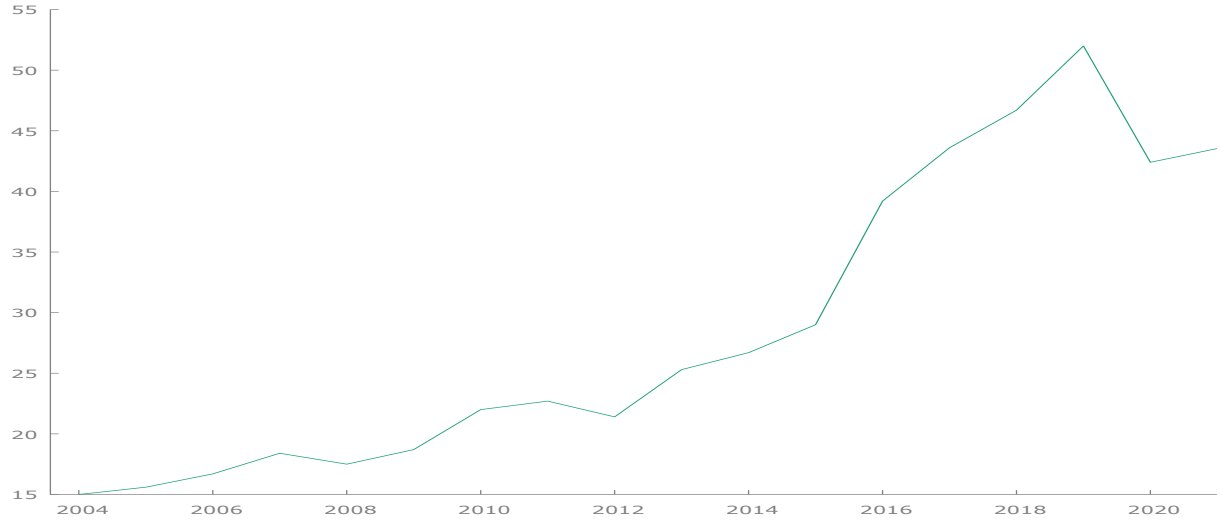


Figure 11. Graphical presentation of actual values of TOUEMP versus time



SUMMARY AND CONCLUSION

Albania has great potential in the development of tourism. This is also shown by the processed data for the indicators analyzed in the study. Referring to the descriptive statistics table nr. 2 for the analyzed period every year on average 2418000 tourists have arrived. The average annual revenue from the export of tourism results in 1299 million USD, while the average value from the import of tourism results in 1009 million USD per year. The average number of Departures of Albanian tourists abroad for one year was 3,571,000. The average annual of employees directly in the tourism sector was 28,690 employees. Regarding the indicators of good governance, more progress was made in this period in the Voice of Accountability (VA) indicator average of 0.037, Regulatory Quality (RQ) average of 0.034, Policy

Stability (PS) average of -0.044, Government Effectiveness average of -0.273 while the indicators Rule of Law (RL) with an annual average of -0.5 and Corruption Control (CC) with an average of -0.633 are improved at a slower rate. Incomes from tourism exports have increased by an average of 14.3% every year. For every 1% average annual increase in the number of tourists, there has been a 0.66% average annual increase in income from exported tourism, (P=0.0004), Model 1.

So, in the first Hypothesis, H_1 is rejected and H_0 is proved. Referring to these indicators, tourism in Albania is passing from the exploratory to the developing stage showing elements of consolidation. The presence in Albania of large and internationally known companies in the field of tourism and hospitality shows that tourism in Albania is at the beginning of a structural transformations. Referring to Model 1, the Voice of Accountability indicator had a negative relationship with the income from exported tourism, for every 1% improvement in the VA governance indicator, and other factors remaining unchanged, there was a decrease in the annual average income from exported tourism -1.9% (P=0.035). For Hypothesis 2, H_1 is rejected and H_0 is accepted. This result makes us think that in the phases of exploration and development, the natural beauty and attractions dominate over the effect of other factors. More detailed studies, perhaps accompanied by other indicators, are needed in the future to measure and explain the mechanism of how the Voice of Accountability has influenced the income from tourism exports. Referring to Model 1, the Policy Stability (PS) governance indicator has had a positive but very small relationship with the income from exported tourism, for every 1 standard deviation of improvement of the PS governance indicator, and other factors remaining unchanged, there was an increase in annual average income from exported tourism of 0.7%, Hypothesis 3 H_0 is rejected, H_1 is accepted, but the result is statistically insignificant. (P=0.99). Referring to Model 2.1, the average annual value of imported tourism has increased by +9.4%. When the number of Albanian tourists vacationing abroad has increased on average by 1% and other factors remain unchanged, the average value of imported tourism has increased by 1.17%. (P=0.0001). This shows that imported Albanian tourism is experiencing structural changes toward tourists who are ready to pay more, which also shows the beginnings of social polarization. Hypothesis 4: H_1 is rejected, and H_0 is accepted. Referring to Model 3, When the governance effectiveness indicator (GE) increases by one standard deviation, and other factors remain unchanged, the average annual value of imported tourism decreases by -12%, or when the effectiveness indicator of government (GE) increases by 1%, and other factors remain unchanged, the average annual value of imported tourism decreases by -0.35%. (P=0.05). Hypothesis 5: H_1 is accepted, H_0 is rejected. This shows that the increase in the effectiveness of governance can affect the improvement of the trade balance. Likewise, the increase in the

tourist offer in terms of elite tourism can affect in the future the decrease in the value of imported tourism. More studies are needed in the future regarding this matter. The orientation of public investments toward priority areas for the development of tourism and tourist destinations, the development of education and professional qualifications in tourism, standardization and certification of accommodation facilities, and improving the infrastructure of the destination could be development priorities in the future.

LIMITATIONS OF THE STUDY

In this study, the analysis is based on the macroeconomic data of tourism and good governance published by the World Bank. In the collection and reporting of tourism statistics, fundamental methodological and practical changes and improvements are needed in Albania in cooperation and international institutions. The future improvement of the methodologies for the collection, analysis, and publication of tourism statistics, and correction of statistics for the informal economy of tourism will enable more complete analyses. The harmonization of basic indicators with complementary data from the tourism sector and good governance would enable more in-depth studies.

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