

The Performance of the Tourism Sector Toward FDI Attraction Among Other Sectors of the Ghanaian Economy

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Doi:10.19044/esj.2018.v14n16p287 [URL:http://dx.doi.org/10.19044/esj.2018.v14n16p287](http://dx.doi.org/10.19044/esj.2018.v14n16p287)

Abstract

This paper provides a literature review on the impact of foreign direct investment on economic growth and development of the Ghanaian economy; by considering foreign direct investment contributions on employments creation and the allocation of registered projects to the various sectors based on the data collected from the Ghana Investment Promotion Centre, it was discovered that there was a decline in the number of projects registered by investors in 2015 and an increase in 2017. However, it was also revealed that the tourism sector performance toward the attraction of foreign direct investment and employment generating has been reducing indirectly between 2013 and 2017 of which the tourism sector did not create any employment in 2017. Conversely, there is much focus on manufacturing, service, building & construction and general trading sectors as majority of FDI inflows has been directed into these sectors. It is recommended that investors should enter the neglected sectors since there will be much benefit in these overlooked sectors, whereas the government of Ghana should provide incentives in these undermined sectors.

Keywords- FDI, Sectors, Employment, Registered-Projects

Introduction

The tourism sector in the Ghanaian economy has been contributing significantly to economic growth and development. Ghana has identified foreign direct investment as a key way to transform its economic growth (D.Tang, 2012). The gross contribution of foreign exchange to GDP generated

by tourism will rise from the 2010 level of 4.3 % in 2010 to 4.7% in 2013 and will continue the gradual rise as follows: 5% in 2017, 5.20% in 2022 and to finally reach 5.70% in the terminal year of the 2013-2027 Plan (Tourism, 2012). Tourism in Ghana has become a major socio-economic activity and one of the most important and fastest growing sectors of the Ghanaian economy (CWIG, 2004). Over the last decade the tourism sector performance toward the attraction of foreign direct investment has been comparatively lower than the other sectors. Ghana is well known in the field of tourism, but there has been a least amount of capital and projects are being assigned to it from the sectoral distribution between 1994 to 2013 (Evans, 2018). Tourism is a powerful vehicle for economic growth and job creation all over the world. The tourism sector is directly and indirectly responsible for 8.8 percent of the world's jobs (258 million); 9.1 percent of the world's GDP (US\$6 trillion); 5.8 percent of the world's exports (US\$1.1 trillion); and 4.5 percent of the world's investment (US\$652 billion) (WTTC, 2011). The World Travel & Tourism Council (WTTC) expects Ghana's tourism industry to expand by 5.6% in 2016 and maintain an annual growth rate of 5.1% per annum from 2017 through to 2027²⁰. The tourism sector creates and employs a valuable number of the domestic people. According to the Ghana Investment Promotion Centre Ghana's Tourism Sector is one of the fastest growing sectors in the country, in 2016, it was the fourth highest forex earner for Ghana, the sector employed about 125,000 people directly and a further 313,000 indirectly in 2016, and tourist arrivals continue to increase in Ghana, hitting 1.2 million in 2016, visits of friends and relatives (VFR) tops at 24.7% whilst business visits stand at 23%, 19% of all visitors to Ghana in 2016 came for holiday and On the tourism expenditure side, 29% of all expenditure by tourists go into accommodation whereas food and beverages take 14%²¹. The main purpose of this paper is to analyze the impact of foreign direct investment(FDI) flow on employment in the tourism sector in Ghana.

Literature Review

There have been many studies on foreign direct investment inflows and its impacts on the economy of Ghana using different approach and methods. However, there are a few studies that have concentrated on the performance of the tourism sector in the perspective of foreign direct investment inflow into the various sectors of the Ghanaian economy.

The use of the statistical descriptive method which supports the analysis of the influence of foreign direct investment inflow in quantitative way using China's foreign direct investment impacts on employment and the

²⁰ <https://www.myjoyonline.com/business/2017/September-10th/Ghana-tourism-industry-to-maintain-annual-growth-rate-of-51-in-2017.php>

²¹ www.gipcghana.com/invest-in-ghana/sectors/tourism/investing-in-this-sector.html

distribution among the various sectors of which the results indicated that, about 80 percent or more of investments from China has been mostly concentrated in the manufacturing, building & construction and general trading sectors between 2006-2010, which proved an insignificant performance from the tourism sectors (D.Tang, 2012).

Travel and tourism economic impact in Ghana which captured the importance of travel and tourism on economic activities by considering the contribution to the Gross Domestic Product, employment, export and investment of which the outcome reveals that, the total contribution of Travel & Tourism to GDP was GHC11,542.0mn (USD2,967.1mn), 7.1% of GDP in 2016, and is forecast to rise by 5.2% in 2017, and to rise by 4.8% pa to GHC19,329.9mn (USD4,969.1mn), 6.6% of GDP in 2027, visitor exports generated GHC3,752.4mn (USD964.6mn), 5.9% of the total exports in 2016, this is forecast to grow by 5.3% in 2017, and grow by 4.1% pa, from 2017-2027, to GHC5,927.3mn (USD1,523.7mn) in 2027, 5.0% of total and Travel & Tourism investment in 2016 was GHC974.5mn, 2.7% of total investment (USD250.5mn). It should fall by 0.3% in 2017, and rise by 0.0% pa over the next ten years to GHC974.8mn (USD250.6mn) in 2027, 1.7% of total (R.Turner, 2017).

Foreign direct investment in Ghana; the distribution among the sectors and regions, which focused on the distribution and allocation of foreign direct investment inflows among the various sector and regions in Ghana of which the results indicated that, the rate at which investment was allocated to service sector has changed and much attention being focused on the manufacturing sector with less allocation of foreign direct investment projects and values into tourism and agriculture sectors, the tourism sector absorbed the third least amount of money been allocated to the various sectors between 1994-2013 (Evans, 2018).

The re-emerging acceptance of tourism as a pathway to development has culminated in widespread adoption of the trade by many poor countries, the substantial amounts invested in tourism by the government make it imperative to continually evaluate tourism performance and outcomes as a tool for socio-economic development which assesses the country's interventions in the tourist trade over the years and it examines the performance of the tourist trade, first as an economic activity and second within its expected role as an agent for overall human development (K.Boakye, 2013).

Data and Research Methodology

This paper makes use of the statistical approach which assists the analysis of the impact of foreign direct investment inflows in a quantitative manner. Data has been obtained through secondary sources for writing this paper. Majority of the information has been collected from the Ghana

Investment Promotion Centre (GIPC). The Ghana Investment Promotion Centre is an organization established by the government of Ghana with the aim of controlling and fostering investment activities in the country's economy. However, the data used in analyzing the number of registered projects allocated to each sector were collected from 1994 to 2017 and the data used for the impact of foreign direct investment on jobs creation were generated from the period of (2014-2017), Conversely, the data obtained for the year 2016, was the first quarter report while data for 2017 was collected from the first to third quarter investment reports.

Impact of FDI flow to the Ghanaian economy

Between 1994 and 2013, there was a total number of 4,714 registered projects from the sources of investing countries, 22.14% of these were absorbed by the manufacturing sector, 29.29% in the service sector, 16.35% in the general trading, 8.67% in building and construction, **8.54% to the tourism sector**, 5.17% in liaison, 5.13% and 4.66% in the agriculture and export trade respectively (Kusi, 2013).

Table 1: Sectoral Distribution of Registered Projects by GIPC from Sept 1994-June 2013

Sector	Number of Projects	Total estimated value(\$M)
Agriculture	243	1,323.79
Building & construction	409	11,593.44
Export Trade	220	94.27
General Trading	771	1,493.52
Liaison	244	219.19
Manufacturing	1044	10,286.33
Service	1382	3,774.04
Tourism	403	282.46
Total	4714	29,067.07

Source: Ghana Investment Promotion Centre (2013)

From the table 1 above clearly shows that, in terms of number of projects allocated to the various sectors, the service sector obtained the highest number of projects followed by the manufacturing sector. However, building and construction, accumulated 39.88% of the total value of the number of registered projects between 1994 and 2013 whereas 35.38% in the manufacturing sector. On the other hand, the tourism sector value of registered projects accounted for 0.97% reflecting an insignificant value obtained from the total estimated value of projects.

Additionally, in 2014, a total number of 183 registered projects were recorded by the Ghana Investment Promotion Centre, of which 31.14% in the manufacturing sector, 20.76% in service, 15.84% in general trading, 15.30% in liaison sector, 6.55% in export trade, 4.37% in building and construction, 3.82% and 2.18% in the agriculture and tourism sectors respectively. The table

2 below shows the distribution of registered projects among the various sectors in 2014.

Table 2: Sectoral Distribution of Registered Projects in 2014

Sector	Number of Projects	Total estimated value(\$M)
Agriculture	7	22.95
Building &Construction	8	21.90
Export Trade	12	14.47
General Trading	29	101.35
Liaison	28	257.86
Manufacturing	57	1391.35
Service	38	1281.59
Tourism	4	29.98
Total	183	3,121.45

Source: Author's calculations base on the GIPC 2014 quarterly reports

From the table 2 above indicates, that the total value of the number of registered projects in the tourism sector accounted for 0.96% of the estimated total value of the registered projects in 2014.

Furthermore, there was a declined in the foreign direct investment inflow in terms of the number of projects and the aggregate value in 2015 as the Ghana Investment Promotion Centre recorded 170 of which 32.35% were in the service sector, 24.11% in the manufacturing sector, 12.94% in liaison, 12.35 in general trading, 11.17% in building and construction, 3.52% in export trade and 1.76% and 1.76% for agriculture and tourism sectors respectively. Table 3 beneath depicts the distributed numbers of projects and values to the respective sectors of the Ghanaian economy.

Table 3: Sectoral Distribution of Registered Projects in 2015

Sector	Number of Projects	Total estimated value(\$M)
Agriculture	3	16.48
Building &Construction	19	589.63
Export Trade	6	28.39
General Trading	21	131.50
Liaison	22	9.34
Manufacturing	41	169.62
Service	55	1,134.55
Tourism	3	601.09
Total	170	2680.60

Source: Source: Author's calculations base on the GIPC 2015 quarterly reports

From the table 3 above shows, that there were a decreased in the number of projects registered in the tourism sector in 2015 compared to the aggregate of projects in 2014. On the other hand, the value of the number of projects registered in the 2015 in the tourism sector accounted for 22.42% of

the total estimated value of number projects from the source foreign direct investment recorded by the Ghana Investment Promotion Centre, reflecting an increase in value compared to the value in 2014.

However, in the first quarter of 2016, there were 39 newly registered projects which were distributed among the various sectors within Ghana's economy, of which the service sector received the highest number of projects, followed by manufacturing and building and construction sectors. The table 4 below shows the sectoral distribution of registered projects.

Table 4: Sectoral Distribution of Registered Projects in 2016 1st quarter

Sector	Number of Projects	Total estimated value(\$M)
Agriculture	1	1.00
Building & Construction	7	64.47
Export Trade	-	-
General Trading	6	11.56
Liaison	5	6.35
Manufacturing	7	14.93
Service	12	150.59
Tourism	1	0.60
Total	39	248.89

Source: Ghana Investment Promotion Centre 1st quarter report (2016)

From the table 4 shows that the percentage share accumulated by the tourism sector of the total estimated value for all the registered number of projects in the first quarter of 2016 was 0.24% representing an insignificant portion of the total cost.

Conversely, there were 53 newly registered projects in the 4th quarter of 2017. 53 (27.6%) out of the 192 projects recorded in 2017 pertain to the services sector. The manufacturing sector followed closely with 52 (27.06%) of the projects. Whilst 35 (18.23%) of the total number registered as liaison offices, 32 (16.67%) registered to undertake general trade. 14 (7.29%) of the projects are in the building & construction sector (BKPM, 2017). However, the table 5 below shows the sectorial distribution of projects and their estimated values among the various sectors and it captured 1st to 3rd quarter of 2017.

Table 5: Sectoral Distribution of Registered Projects in 2017

Sectoral Composition of New Projects	Newly Registered Projects	Estimated Value of Projects (US\$M)	% of Estimated Value
Agriculture	1	6.91	0.3
Building& construction	10	31.94	0.9
Export Trade	3	4.55	0.1
General Trading	26	44.67	1.3
Liaison	28	412.72	12.3
Manufacturing	37	2,648.75	78.7
Service	34	217.13	6.4
Tourism	0	0	0
Total	139	3,366.68	100

Source: Ghana Investment Promotion Centre first-third quarter reports (2017)
 From the table 5 indicates that there were no newly registered projects in the tourism sector in 2017 fiscal year of investment.

Impact of FDI Flows to Ghana on Jobs Creation

This section of the paper will focus on the expected number of jobs to be generated from the registered projects, which comprises of the statistics of Ghanaians and non-Ghanaians to benefit and the sectorial distribution of these employments created.

Table 6: Total Expected Number of Employment by FDI from 2014-2015

Year	Ghanaians	Non-Ghanaians	Total
2014	11,670	1,452	13,122
2015	13,534	1,414	14,948
Total	25,204	2,866	28,070

Source; Ghana Investment Promotion Centre Annual Report 2014-2015

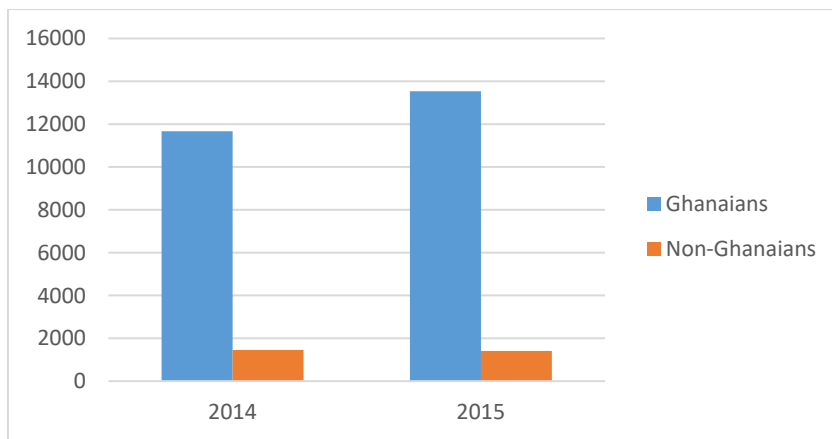


Figure 1 Total Employment created by FDI 2014-2015

Source: Ghana Investment Promotion Centre 2014- 2015 Annual reports

From the table 6 and figure 1 clearly shows that, employment generation increased in 2015 for Ghanaians and a declined in employment creation for Non-Ghanaians.

Table 7: Total Sectorial breakdown of Number of Employment Generated by FDI 2014-2015

Sector	Ghanaians	Non-Ghanaians	Total
Agriculture	567	86	653
Building/Const	2,625	176	2,801
Export Trade	231	48	279
General Trading	3,278	319	3,597
Liaison	414	150	564
Manufacturing	10,960	1,232	12,192
Service	5,246	783	6,029
Tourism	1,877	72	1,949
Total	25,198	2,866	28,064

Source: Ghana Investment Promotion Centre Annual Report 2014-2015

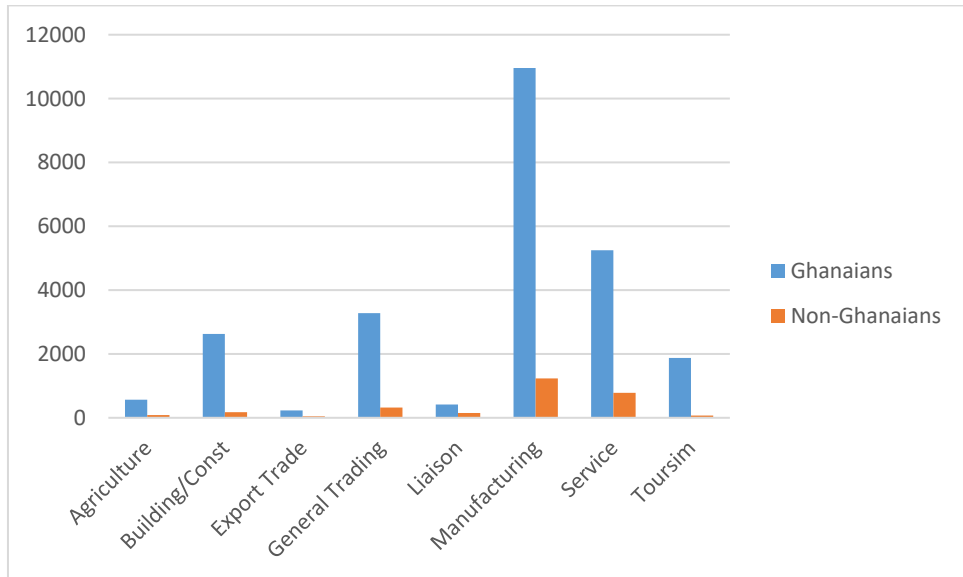


Figure 2: Total Sectorial breakdown of Number of Employment Generated by FDI 2014-2015

Source: Ghana Investment Promotion Centre Annual Report 2014-2015

From the table 7 and figure 2 indicates that, the manufacturing sector recorded the highest number of jobs created with 43.44%. There was an increase in the total employment creation in 2015.

In the first quarter of 2016, 2,487 employments were created for this quarter, of which 2,062 were allocated to Ghanaians and 425 for non-

Ghanaians. The table 8 below indicates the expected number of employments to be created in the sectors.

Table 8: Total Sectorial breakdown of Number of Employment Generated in 2016 1st quarter

Sector	Ghanaians	Non-Ghanaians	Total
Agriculture	16	5	21
Building/Const	613	50	663
Export Trade	0	0	0
General Trading	134	18	152
Liaison	24	28	52
Manufacturing	672	219	891
Service	572	101	673
Tourism	31	4	35
Total	2,062	425	2,487

Source: Ghana Investment Promotion Centre 1st quarter report (2016)

From the table 8 above, the manufacturing sector again created the highest number of employments, followed by the service sector. The tourism sector attained 0.78% of the total number of jobs generated in this quarter.

Table 9: Total Expected Number of Employment by FDI in 2017 1st -3rd quarter

Quarter	Ghanaians	Non-Ghanaians	Total
1 st	2,208	343	2,551
2 nd	3,018	401	3,419
3 rd	2,047	227	2,274
Total	7,273	971	8,244

Source: Ghana Investment Promotion Centre first-third quarter reports (2017)

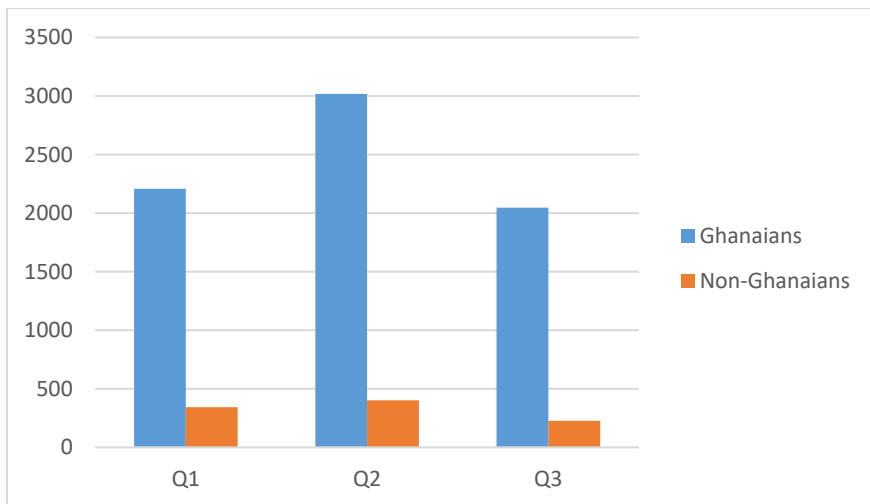


Figure 3: Total Employment created by FDI from first-third Quarter, 2017
Source: Ghana Investment Promotion Centre first-third quarter reports (2017)

From the table 9 and figure 3 show there had been an increased in the total number of employment created in the second quarter and a decreased in the third quarter.

Table 10: Total Sectorial breakdown of Number of Employment Generated 2017 1st -3rd quarter

Sector	Ghanaians	Non-Ghanaians	Total
Agriculture	-	-	-
Building/Const	937	92	1,065
Export Trade	432	24	456
General Trading	807	104	911
Liaison	594	184	778
Manufacturing	2,561	406	2,967
Service	1,942	161	2,103
Tourism	-	-	-
Total	7,273	971	8,244

Source: Ghana Investment Promotion Centre first-third quarter reports (2017)

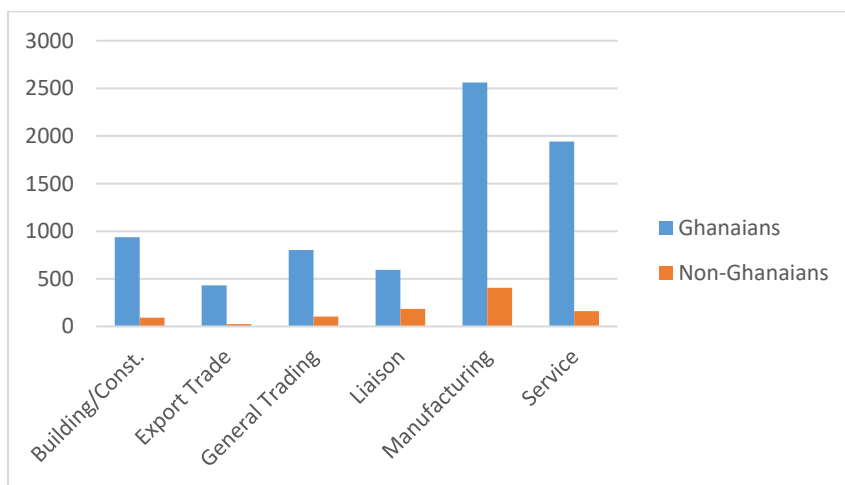


Figure 4: Total Sectorial breakdown of Employment Generated by FDI from 1st -3rd Quarter, 2017

Source: Ghana Investment Promotion Centre first-third quarter reports (2017)

From the table 10 and figure 4 indicate, there was no employment created in the agriculture and tourism sectors. On the other hand, the manufacturing sector recorded the highest number of jobs created between first and third quarters.

Summary of findings and conclusion

The purpose of this research is to be of importance to the government of Ghana, policy-makers and investors. From the result of this study, about 60% of the total employment created between 2014 and 2017 were being allocated to the manufacturing sector from the sources of foreign direct

investment with Ghanaians benefiting a major share of it against the Non-Ghanaians. However, between 2013 and 2017, approximately 75% or more of the investments have been mostly focused in the manufacturing, service, building and construction, general trading sectors of the Ghanaian economy. FDI inflows into the tourism sector have been reduced indirectly from 2013 to 2017. The tourism sector performed badly as there was no employment created throughout the 2017 fiscal year of employment. Foreign investors should draw attention to the other sectors which have been seen as less attractive to investors as there will be much benefit and profits in these neglected sectors. The government of Ghana should give incentives to investors investing in the undermined sectors in order to improve their performance towards FDI attraction. This study will not be suitable in other nations since the main focus of this analysis was circumscribed to Ghana.

Acknowledgements

We thank Yu Jing, an Associate Professor in the school Economics and Management at Nanjing University of Science and Technology, our families, International Education College of Nanjing University of Science and Technology and the Ghana Investment Promotion Centre(GIPC) for making this research paper a successful one.

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