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Does good governance promote tourism sector? A panel data coefficient analysis

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ABSTRACT

This study examines the impact of good governance on the tourism sector in the top 10 countries that attract the most tourists worldwide. Good governance encompasses the rule of law, government effectiveness, political stability, transparency, accountability, and corruption control. The study has transformed these elements into a comprehensive index called the Corporate Governance Index (CGI). Panel data methods are conducted, and the Beck and Katz and Driscoll and Kraay estimator techniques are employed in the analysis. According to the findings, a 1-unit increase in the CGI leads to a 17% increase in tourism expenditure and a 7% increase in the number of incoming tourists. These findings show that countries with strong and transparent institutions are more attractive to international tourists. A stable political environment, low corruption perception, and effective public services positively influence tourists' travel decisions. Additionally, good governance ensures economic stability and internal security, strengthens the country's global image, and yields positive results in the tourism sector. This study combines governance indicators, which were previously addressed separately in the literature, into a single composite index, namely CGI, and empirically reveals the impact of cross-country governance differences on tourism performance through a comparative analysis using panel data techniques. Furthermore, the estimation methods used in the analysis increase the reliability of the results. In conclusion, this study highlights the importance of good governance reforms for the sustainable growth of the tourism sector and provides policymakers with concrete recommendations for improving governance quality.

Contribution/Originality: This study contributes by combining six key governance indicators under the CGI; it concretely reveals the effects of governance differences at the country level on tourism performance. Additionally, it proposes a new methodological basis for examining the correlation between good governance and tourism, both theoretically and experimentally.

1. INTRODUCTION

Governance quality is directly related to society's trust in governments and institutions. Good governance improves the quality of life and is associated with sustainable success. As trust in institutions increases, the development of economic growth and sectors will be both rapid and effective.

Good governance involves having political, legal, and administrative institutions to implement society's policies on public goods. To achieve public policy objectives efficiently, fairly, and transparently, the state must have good governance. The study suggests that the development of the tourism sector is related to governance (Paavola, Gouldson, & Kluvánková-Oravská, 2009). Good governance in the tourism sector can be achieved by the government. However, for the development of tourism, cooperation should be established with tourism-related businesses and/or non-profit organizations (Bhuiyan, Zhang, Xuan, Rahman, & Khare, 2023).

Governments play a role in the development of the tourism sector, as in many sectors (Bramwell, 2011). Because governments use regulatory mechanisms to develop the tourism sector through fiscal and financial instruments.

The tourism sector depends on multiple authorities (ministries, organizations) and is a fragmented industry by nature. Tourism policies are related to the policies of other institutions. However, coordination between governments and the private sector is difficult to achieve. Governments must manage the challenges they face in coordinating with the tourism sector because these challenges emerge as policy complexity. This complexity requires a regular assessment of government and tourism industry factors in good governance arrangements (OECD, 2012).

At this point, trust in management is valid for the tourism sector, where local organizations provide services. In addition, although not specific to tourism, many state institutions plan tourism activities (Nunkoo, 2015). Destination management is characterized by governmental (official) institutions (Beritelli, Bieger, & Laesser, 2007). Good governance both enables cooperation between actors in the tourism sector and can be used as a tool to determine the common goals and interests of all stakeholders who benefit from tourism (Ağbay & Karakılçık, 2020).

On the other hand, high political risk indicates poor governance quality. This is harmful to the development of the tourism sector. Eilat and Einav (2004); Ghalia, Fidrmuc, Samargandi, and Sohag (2019) and Araña and León (2008) proved that tourists avoid areas of poor governance by preferring areas with better governance. In addition, there are studies (Hyndman, 2015; Saha & Yap, 2013) arguing that the political risks arising as a result of poor governance negatively affect the supply in the tourism sector.

The reasons we have mentioned are important to understand the correlation between good governance and tourism. We think that tourism will develop as the quality of governance increases. Governance quality positively affects the tourism sector. Since the tourism sector is regulated in countries with good governance, tourists receive higher-quality services. Tourists can claim their rights legally in case they face problems. Governments take the necessary policy decisions quickly and effectively for the development of tourism. Since there is political stability in developed countries, tourists feel safer. The low quality of governance adversely affects the tourism sector. Since the tourism sector is not regulated, tourists cannot receive quality services. Tourists cannot claim their rights legally in case they face problems.

There are few studies in the literature on the correlation between good governance and the tourism sector. At this stage, while examining the effect of good governance on the tourism sector, the indicators such as government influence, rule of law, and political stability were overlooked. Greater recognition of the impact of these indicators will help to better understand the implicit assumptions about the impact of the state, civil society, and legal actors in tourism policy and planning (Amore & Hall, 2016).

This study investigates the effect of good governance on the success and growth of the tourism sector in countries that are pioneers in the tourism industry. The hypothesis of the study is that good governance positively affects the tourism sector. The analyzed countries were selected regardless of their level of economic development and geographical location. The countries analyzed in the study are the 10 countries that attract the most tourists in the world.

After explaining the correlation between good governance and tourism in the study, the studies in the literature on the subject were reported. The effect of good governance on tourism was analyzed in the data and methodology section. The results of the analysis were interpreted in the findings section. And in the conclusion section, policy recommendations on the contribution of good governance to tourism were introduced.

This study makes three important contributions to examining the correlation between good governance and the tourism sector. First, while previous studies have primarily examined the components of good governance separately, this study combines six key governance indicators (rule of law, quality of regulatory, government effectiveness, political stability, voice and accountability, control of corruption) under the 'Corporate Governance Index (CGI).' The analysis is conducted within this structural framework. Second, a comparative panel data analysis focused on the top 10 countries visited by the highest number of tourists worldwide, thereby concretely revealing the effects of governance differences at the country level on tourism performance. Thirdly, the use of robust estimation methods such as Beck and Katz (1995) and Driscoll and Kraay (1998) in the study, the increased statistical reliability of the findings is emphasized. In this respect, the study proposes a new methodological basis for the correlation between good governance and tourism, which is both theoretical and experimental.

2. LITERATURE REVIEW

Some studies highlighting the quality of regulations and their findings are given below. Duran (2013) discusses the correlation between government tools and regulations and tourism. According to the study findings, governments can increase the flow of tourists by adapting their tourism strategies to marketing trends. Pulido-Fernandez and Pulido-Fernandez (2018) used quantitative analysis methods and multiple validation techniques to explain the relationships between indicators. The results of the study suggest an indicator system to measure governance in tourism destinations. In addition, it is claimed that strong governance models supported by transparency and legal frameworks are indispensable for sustainable tourism development. Azam, Alam, and Hafeez (2018) examined the effect of institutional quality on tourism and development with the panel data method. The study findings revealed that government effectiveness plays a critical role in the correlation between tourism and development. In addition, corruption control and government effectiveness positively affect tourist viscosity and tourism revenues, thus contributing to the development of tourism. The research conducted by Ghalia et al. (2019) addresses how institutional quality and political stability affect tourism flows. Factors affecting tourism flows were examined using panel data analysis and econometric models. The results of the study suggest that good governance and the rule of law create a more stable environment for tourism by reducing political risks. In their study, Hall and Page (2019) discussed the correlation between government activity and tourism within the framework of sustainability principles. According to the findings of the study, cooperation between public and private sector actors is necessary for tourism management to be effective. Inadequate government and private sector corporate governance structures can complicate the sustainable development of tourism. In order for tourism management processes to have positive effects on the local economy, an approach based on sustainability principles should be adopted in tourism planning. Kim and Lee (2022) used government effectiveness, political stability, corruption, institutional quality, and tourist flow as variables. The study findings highlight the positive effects of high institutional quality on tourism. In particular, factors such as government effectiveness, political stability, and corruption play a critical role in tourists' preferences for a destination. In addition, while corporate governance quality increases tourist flow and sustainable development, weak governance and political risks negatively affect tourism activities.

Some studies highlighting the Rule of Law and their findings are given below. Sharpley and Telfer (2002) study addresses the effects of tourism on development within a broad framework and emphasizes that the rule of law is a critical factor for the sustainable development of tourism. While tourism investments are more successful in countries that are secure and have fair justice systems, corruption and unlawfulness reduce the tourism potential. Prideaux (2005) examined the factors affecting tourism flow in his study. The results show that countries that offer rule of law and legal assurance attract more tourists. Tourists prefer destinations where they are safe and legally protected. Law, Leung, and Buhalis (2009) is an analysis of how the rule of law and regulations are applied in the tourism industry through information technologies. According to the findings of the analysis, destinations with a strong legal infrastructure, especially in terms of data protection and consumer rights, are more attractive for tourists. Croes,

Ridderstaat, Bąk, and Zientara (2021) showed that the rule of law is a critical factor in the evaluation of tourism competitiveness. A strong legal framework and fair practices increase the confidence of tourists and positively affect tourism revenues. Cárdenas-García, Sánchez-Rivero, and Pulido-Fernández (2013) discussed the impact of institutional factors such as the rule of law and security on the growth of tourism. According to the findings of the study, tourism contributed more to economic development in countries with a high level of the rule of law. In addition, in countries where the rule of law is absent or weak, the development and sustainability of tourism are adversely affected. Amore and Hall (2016) examine stakeholder engagement and how legal frameworks can produce more effective results in tourism using qualitative research methods and conceptual analysis. The study findings highlight how transparent legal frameworks improve corporate cooperation and provide better tourism outcomes. The study conducted by Croes et al. (2021) examines the interaction between economic growth, tourism specialization, and governance structures through the example of Poland. It emphasizes how the quality of government management, especially the rule of law, increases sustainable tourism growth and economic benefits.

Some studies highlighting the absence of violence/terrorism or political stability and their findings are given below. Hall and Jenkins (1995) used tourism policy, public policies, and tourism development indicators as variables. In the study, where the data set includes government documents, policy analyses, and case studies, it is emphasized that public policies are decisive in the development of tourism. In addition, tourism policies are implemented more successfully in regions where political stability is achieved. Pizam and Mansfeld (1996) used violence and crime rate, number of tourists, and security perception as variables. Crime and security threats have a direct negative effect on tourism, according to the findings of the study, in which the data set consists of tourist surveys, crime statistics, and international security reports. Moreover, international tourists avoid areas that threaten security. In their study, Clements and Georgiou (1998) used the variables of political instability, number of tourists, and the country's economy. Political instability makes tourism a fragile sector. According to the study, the data set includes Caribbean countries and the indicators of political stability. In addition, this situation affects tourism more negatively, especially in developing countries. In their study, Sönmez and Graefe (1998) used the variables of terrorism risk and international tourists' travel decisions. According to the findings of the study using the historical data set on terrorist incidents, the risk of terrorism affects tourists' travel decisions. In addition, in countries threatened by security, the international tourist flow decreases. Goodrich (2002) used the variables of 9/11 attacks, travel security, and tourism demand. The 9/11 attacks had a significant shock effect on US travel and international tourism. According to the findings of the study, the data set included travel and tourism statistics in the United States. In addition, the attacks have permanently changed the perception of travel security.

In addition, Neumayer (2004) used the variables of political violence, tourism demand, and country GDP in his study. Political violence events cause a decrease in tourism demand, according to the study findings, the data set of which includes tourism and violence indicators obtained from more than 120 countries. In addition, dynamic models show that political stability will increase tourism demand, and this will increase the country's GDP in the long term. In their study, Altinay and Bowen (2006) used the variables of political stability, tourism development, and the number of tourists coming to the island. The multiplicity and complexity of political problems constitute an important obstacle to tourism development, according to the study, the data set of which includes tourism and political data reports collected from Northern and Southern Cyprus. Araña and León (2008) used the variables of terrorism, tourism demand, and the expenditures of tourists. According to the findings of the study using data on terrorism and tourism demand from Spain and Europe (panel data), the effect of terrorism on tourism demand is dynamic and long-term. Additionally, the tourism sector faces difficulty in recovering from a terrorist attack. Prayag (2009) used the variables of terrorism perception, tourist satisfaction, and tourism demand in his study. According to the results of the study, in which tourist surveys and reports on local terrorist incidents are used as data sets, terrorist threats in Southern Thailand increase the risk perceptions of international tourists and reduce the demand for this region. Seabra, Dolnicar, Abrantes, and Kastenholz (2013) used risk perception, security perception, and tourist preferences as

variables. According to the findings of the study using the survey data of tourists from Europe, the risk and security perceptions of tourists play a decisive role in tourist destination preferences. International tourists, in particular, take greater account of such risks. Kovačić and Šimunić (2020) used the variables of political stability, tourism development, and the number of tourists. According to the findings of the study, which uses tourism statistics and political indicators of Croatia and Slovenia as the data set, political stability is an important factor in the development of tourism. In addition, stable countries become preferred destinations for international tourists.

Some studies and their findings highlighting the government's effectiveness are given below. Gursoy, Chi, and Dyer (2009) used the variables of mass tourism, alternative tourism, the attitude of local people, and government policies. According to the results of the survey conducted in Australia, local people support alternative local tourism more than international tourism. Additionally, support for local tourism is associated with the effectiveness of government policies. Nunkoo and Ramkissoon (2012) used the variables of power, trust, social change, community support, and tourism. According to this study, institutional trust and good social change determine local people's support for tourism, and local people's support for tourism is associated with good public governance policies. Nunkoo and Smith (2013) used the variables of trust in government, political support, and governance quality. This study's findings suggest that trust in government actors is an important factor in local people's support for tourism. Additionally, good governance institutions and political support affect the development of tourism. Paraskevas, Altinay, McLean, and Cooper (2013) used crisis knowledge, governance, and tourism crisis management as variables. According to the findings of the study, in which interviews with managers in the tourism sector and literature reviews are used as data sets, crisis knowledge in the tourism sector increases the effectiveness of crisis management strategies. Governance plays a critical role in crisis management. Butler (2018) used tourism resistance, crisis management, and sustainable tourism as variables. According to the findings of the study, in which case studies and reports on post-crisis recovery processes were used as a data set, the resilience of the tourism sector is closely related to political stability and effective management. Sustainable tourism is more resistant to crises. In their study, Bichler and Lösch (2019) examined the correlation between government effectiveness, local and national coordination, and tourism. The findings of the study emphasize the necessity of sustainable management processes for the development of tourism. In addition, government effectiveness can be achieved through coordination between local and national governments. Ineffective government management can adversely affect sustainable tourism, leading to local and private interests becoming dominant.

Tang (2018) examined the impact of good governance on tourism demand using the dynamic panel GMM approach for the Malaysian economy. According to the results of the study, regulatory quality, government effectiveness, corruption, political stability, and rule of law are effective in the decisions of tourists. Detotto, Giannoni, and Goavec (2021) measured the effect of good governance on the tourism performance of countries with tourism expenditures per capita. The results showed that the government's ability to formulate and implement policies effectively had a significant and positive impact on tourism. Khan, Ahmad, and Haleem (2021) investigated in a panel of 65 developing economies about the impact of governance on tourism development. As a result of the study, it was understood that governance indicators positively affected international tourism expenditures.

Topcu, Denaux, and Crews (2023) investigated the same relationship on US tourism demand during the period 1999-2020. A dataset consisting of 13 different tourism sectors was used in the study. According to the experimental results, government effectiveness positively affects US tourism demand. In addition, the authors found that the ruling party has a significant impact on tourism demand. Swamy and Lagesh (2023) used the same indicators. He found a significant medium- and long-term correlation between indicators of good governance and international tourist arrivals. Meyer and Rheeders (2024) examined the correlation between two variables with the ARDL-ECM model. The findings proved that there is a long-term correlation between the variables.

Prominent studies in the literature emphasize that strong institutional structures, rule of law, government effectiveness, and political stability play a critical role in the development of sustainable tourism policies. In addition,

the government's corruption control, transparency, legal frameworks, and the absence of violence and terrorism directly affect the development of the tourism sector. Strong institutional structures, transparency, accountability, and coordination make the tourism sector more resilient to external risks at the local and national levels. All these factors are elements that increase the economic contributions of sustainable tourism. Unlike studies using one or several of the variables in the corporate governance index, this study includes all variables and also transforms them into one variable and analyzes them with the Corporate Governance Index (CGI). Therefore, the study differs from other studies in the literature.

3. DATA AND METHODOLOGY

In the study, the effect of good governance on tourism for the period 2004-2022 was analyzed in the 10 countries that attracted the most tourists in the world. Studying the countries that receive the most tourists as a sample reveals the impact of management quality on tourism more specifically (UN Tourism, 2025). The study is important because it includes the 2008 Mortgage Crisis, the 2009 European Debt Crisis, and the COVID-19 Pandemic Crisis that affected almost all countries in the world. The study was conducted in France, Spain, the United States, China, Italy, Turkey, Mexico, Thailand, Germany, and the United Kingdom.

The variables used in the study are given in Table 1.

Table 1. Variables used in the study.

Abbreviation	Variables		References
Regul	Quality of regulatory	CGI (Corporate governance index)	World Bank
Law	Rule of law		
Politic	Political stability and absence of violence/Terrorism		
Govern	Government effectiveness		
Control	Control of corruption		
Voice	Voice and accountability		
logex	Logarithmic form of tourism expenditures		
logarr	Logarithmic form of the number of tourists		

Many studies on corporate governance quality are conducted on both a firm and a country basis. Variables related to the management structure of companies are used in studies conducted on a firm basis (Farooq, Khan, Kainat, & Mumtaz, 2025; Teixeira & Carvalho, 2024). In the studies conducted for the quality of corporate governance of countries, 6 data points announced by the World Bank, as shown in Table 1, are used (Al-Faryan, 2024; Hambali & Adhariani, 2024).

CGI is created based on six variables representing the corporate governance of countries, utilizing Principal Components Analysis (PCA). PCA enables the transformation of multiple variables into a single composite variable.

Robust estimator methods can be used to prevent spurious relationships that may arise in cases of problems such as cross-sectional dependence and autocorrelation between variables (Özdemir, 2019). Since there was a cross-sectional dependence problem between the variables in the study, second-generation panel data analysis techniques were used. Estimators, which are resistant to problems such as cross-sectional dependence and autocorrelation, were used to investigate the direction and existence of the correlation between variables.

The model for resistant estimator methods is as follows:

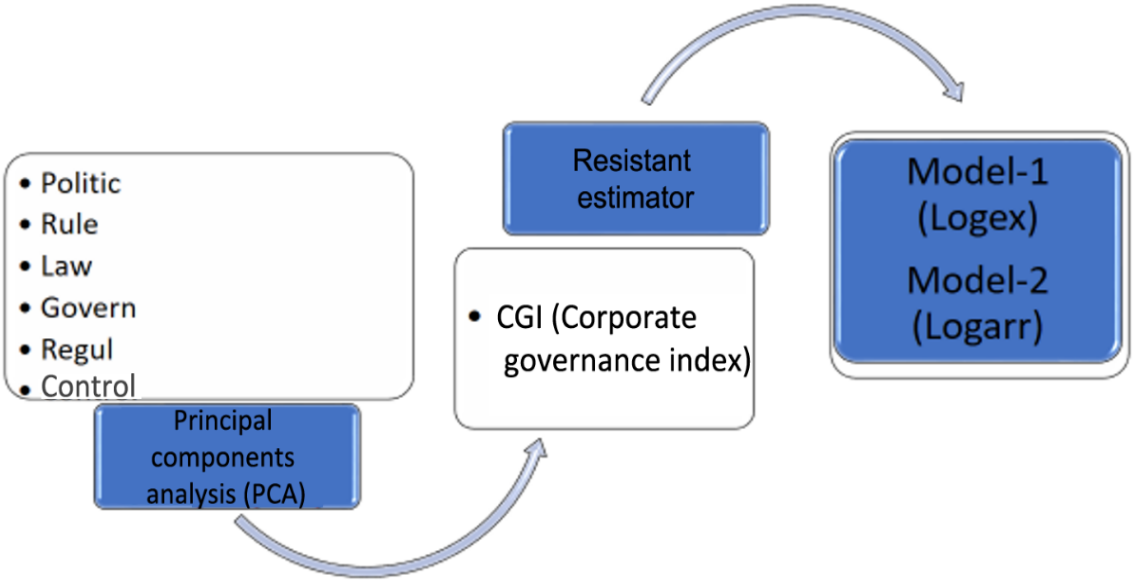

Figure 1. Models.

In Figure 1, an index is created via PCA from four different corporate governance variables of the countries and is transformed into a single variable called the CGI. Since there were two different dependent variables in the study, 1. The effect of CGI on Logex in the model, 2. The effect of CGI on Logarr in the model was investigated. The model that includes the simple regression relationship between variables expresses the basis of the analysis.

Model 1

$$Logex_{i,t} = \beta_{0\,i,t} + \beta_1\, CGI_{i,t} + \varepsilon_{i,t} \quad (1)$$

Model 2

$$Logarr_{i,t} = \beta_{0\,i,t} + \beta_1\, CGI_{i,t} + \varepsilon_{i,t} \quad (2)$$

In the models created, i refers to cross-sectional units, t refers to the time dimension, β_0 refers to the constant variable, β_n refers to the slope coefficient of the th variable, CGI refers to the corporate governance index, Logex refers to tourism expenditures, Logarr refers to the number of tourists, and ε refers to the error term.

Beck and Katz (1995) and Driscoll and Kraay (1998) used Estimator tests to determine the direction and coefficient of the correlation between the series. In panel data analysis standard error approaches are the statistical methods used to address and solve the problems of heteroskedasticity, cross-sectional dependence, and autocorrelation (Rogoz, Sart, Bayar, Danilina, & Gavriletea, 2025; Sultana & Rahman, 2024).

AMG and CCE coefficient estimators were used to determine the direction and coefficient of the correlation between the series. The AMG estimator is one of the most used coefficient estimators in the literature and is a method that takes into account cross-sectional dependence and heterogeneity. It provides results at both the panel and country/company levels. It allows for reliable results by weighting and estimating the arithmetic mean of cointegration coefficients (Eberhardt, 2012; Songur, 2017). The CCE estimator was developed by Pesaran (2006). It is a method that is used without noticing the time, firm/country cross-section, which gives asymptotic normal distribution results and allows the calculation of values separately for each horizontal cross-section in the long term (Pesaran, 2006). The model for panel regression that considers variables in terms of both the time dimension and the country dimension is as follows:

$$yit = \alpha i'dt + \beta i'xit + eit \qquad i = 1,2,\dots.,N\ t = 1,2,\dots T \quad (3)$$

The Model-3 is valid for both models, where d_t represents the common effects that can be observed in an nx1 dimension, and $x_{i,t}$ represents the individual-specific regression vector that can be observed in a kx1 dimension.

4. FINDINGS

This part of the study includes the analysis results of the data. Table 2 presents the statistical values of the variables.

Table 2. Statistical values of variables.

Variables	Observation	Mean	Std. Deviation	Minimum	Maximum
Ex	190	51823.160	46478.480	5134	241984
Arr	190	43583.750	21201.780	511	93169
logex	190	4.595	0.313	3.710	5.383
logarr	190	4.574	0.272	2.708	4.969
Regul	190	0.797	0.683	-0.418	1.868
Law	190	0.645	0.865	-0.869	1.874
Politic	190	-0.086	0.673	-2.007	1.025
Govern	190	0.809	0.641	-0.343	1.868
Control	190	0.582	0.916	-1.020	1.910
Voice	190	0.454	0.998	-1.748	1.597
CGI	190	-1.950	1.000	-1.797	1.650

Regul, Law, Politic, Govern, Control, and Voice variables, which are the independent variables of the study, were converted into a single variable using PCA, and a CGI index was created. The index value, distributed between -2.56 and +2.56, indicates that it does not have extreme values. Additionally, taking Ex and Arr variables as nominal values would cause a large difference between the minimum and maximum values, resulting in a high standard deviation. Therefore, the logarithmic values of Ex and Arr variables were used in the analysis.

Table 3. Preliminary diagnosis tests of variables.

Models	Cross-section dependency		Autocorrelation test	
	Pesaran Test	Probability	Wooldridge test	Probability
Model-I (logex)	19.324	0.000	55.311	0.000
Model-II (logarr)	20.343	0.000	3.869	0.080

As seen in Table 3, there are both cross-sectional dependence and autocorrelation problems in the series in both models. Therefore, resilient estimator methods were used to address these issues.

Table 4. CADF Unit root test results.

Variables	t-bar	cv1	cv5	cv10	P-value
Logex	-1.338	-2.600	-2.340	-2.210	0.886
Logarr	-1.848	-2.600	-2.340	-2.210	0.359
CGI	-2.328	-2.600	-2.340	-2.210	0.033

Table 4 presents the results of the CADF Unit Root test. According to the results, since the cv10, cv5, and cv1 values of the Z (t-bar) are small in absolute units, it is observed that all variables contain unit roots. In other words, Logex is not stationary at the 1% significance level, and Logarr is not stationary at the 5% significance level, where CGI is also not stationary at the 5% significance level; thus, there is a unit root.

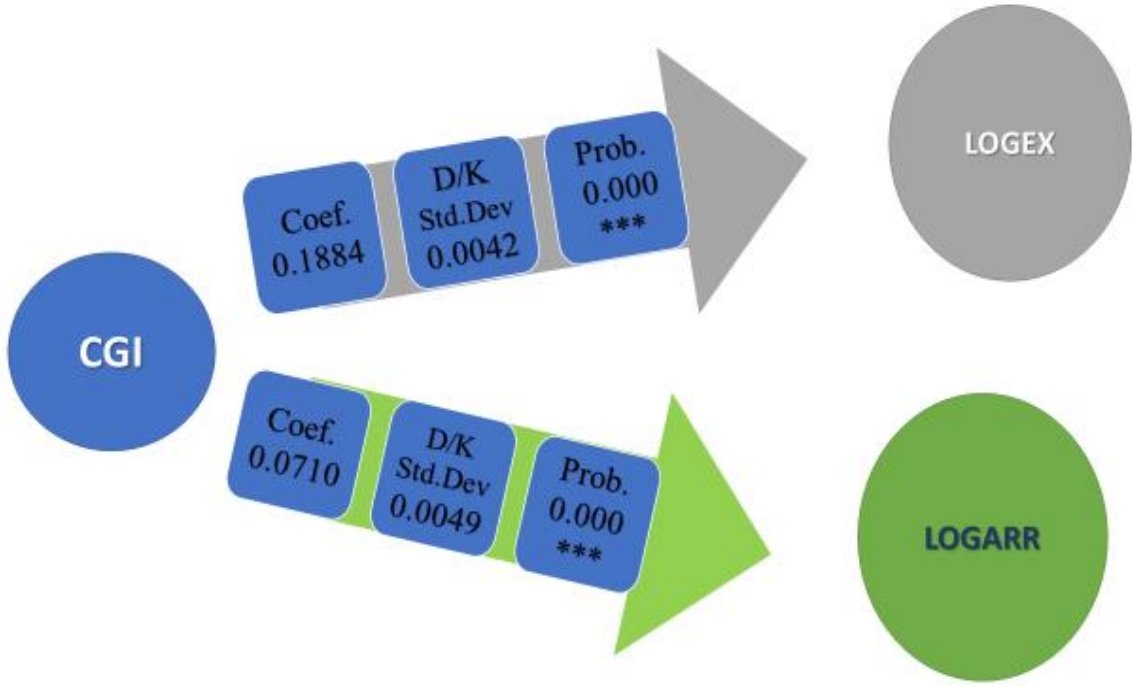

Figure 2. Schematic of the Driscoll-Kraay robust estimator test results.

Note: *** represents 1% significance level.

Table 5. Driscoll-Kraay robust estimator test results.

Test indicators	Model-1 (Logex)	Model-2 (Logarr)
F(1,18)	1986.19	209.57
Prob > F	0.000 ***	0.000 ***
R-squared	0.362	0.067
Root MSE	0.250	0.264
cons	4.595 (0.000)	4.574 (0.000)

Note: *** represents 1% significance level.

Figure 2 illustrates the Driscoll-Kraay robust estimator test results schematically. Also, numeric results can be seen in the Table 5. Both in Model I, where the logarithmic value of tourism expenditures is the dependent variable, and in Model II, where the logarithmic value of the number of tourists is the dependent variable, the Corporate Governance Index has a strong effect on the dependent variables at a 1% significance level.

A 1-unit increase in the corporate governance index of countries increases the tourism expenditures of countries by 18%. A 1-unit increase in the corporate governance index of the countries will cause a 7% increase in the number of tourists in the countries.

In order to reinforce the results obtained, robust estimator method, which is one of the methods used in cases where the time section (t) is greater than the country section (n), will be implemented. This method is based on the Prais-Winsten regression model, which should be used in cases where there is an autocorrelation problem (Yerdelen Tatoğlu, 2022). The results are as follows.

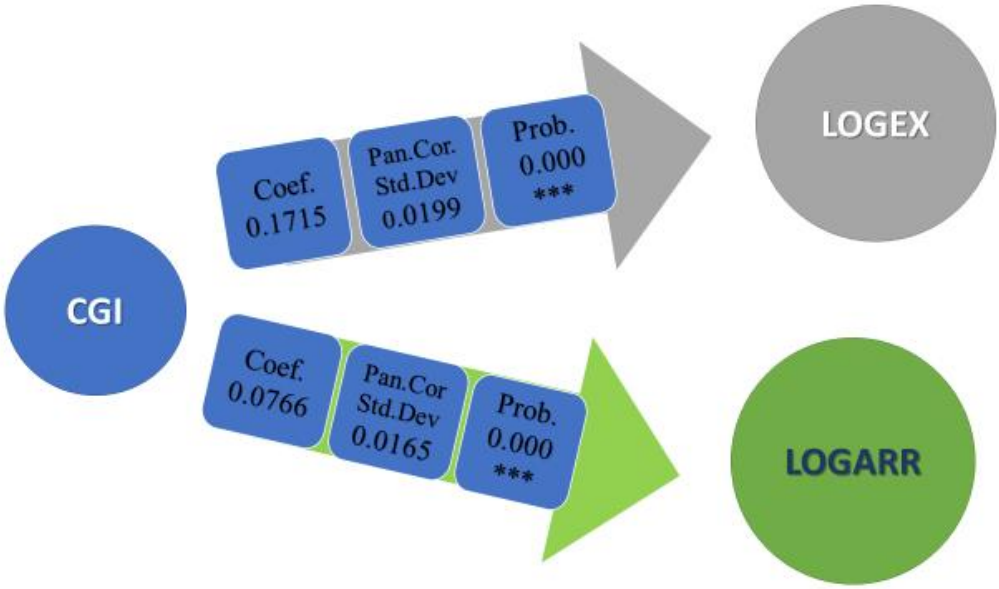

Figure 3. Schematic of the Beck-Katz robust estimator test results.

Note: *** represents 1% significance level.

Table 6. Beck-Katz robust estimator test results.

Test indicators	Model-1 (Logex)	Model-2 (Logarr)
R-squared	0.892	0.796
Wald chi2(1)	73.66	21.40
Prob > F	0.000 ***	0.000 ***
rho	0.719	0.665
cons	4.584 (0.000)	4.573 (0.000)

Note: *** represents 1% significance level.

Figure 3 illustrates the estimator test results schematically. Also, robust estimator results of both models are provided in Table 6. The Beck-Katz Robust Estimator results are similar to the Driscoll-Kraay Robust Estimator results and thus reinforce the Driscoll-Kraay Estimator results. According to these results, it is observed that the CGI has a significant effect on both dependent variables at the 1% significance level. Specifically, a 1-unit increase in the CGI of countries is associated with a 17% increase in tourism expenditures. Additionally, a 1-unit increase in the CGI of countries results in a 7% increase in the number of tourists visiting those countries.

5. CONCLUSION

According to estimator results, a 1-unit increase in the corporate governance index of countries increases tourism expenditures by 17%. A 1-unit increase in the corporate governance index of countries increases the number of tourists by 7%. The quality of governance positively affects the tourism sector. As the quality of governance increases, tourism develops, and this indicates the importance of good governance. Primarily, the stabilization of the political and economic environment as a result of effective government policies makes that country attractive in terms of tourism. According to the findings, policymakers can attract more tourists by improving their country's image with good governance decisions.

Again, the emergence of better quality public goods and services as a result of good governance is an attraction factor for tourists. The cooperation of institutions with regional or local actors is an example of good governance. In this way, it can be easier to produce the services needed in the tourism sector. Increasing the capacity of a country to produce tourist services will have a positive effect on incoming tourists. In addition, good governance will increase the effectiveness of institutions. In particular, effective institutions will both encourage and supervise private tourism activities in the sector. On-site inspections will increase the efficiency of all tourism actors producing public or private

touristic services. The effectiveness of many separate sector representatives in the tourism sector makes it difficult to implement a holistic policy. Because the lack of coordination between both government ministries and the private sector is an obstacle to an effective tourism policy. Thanks to good governance, central governments can overcome these obstacles.

Within the scope of good governance, the cooperation of the central government with local stakeholders will ensure the development of regional governance. In this context, local tourism brands can be developed by creating brand awareness through local actors such as the tourist guides association and regional tourism representatives. As a result, all these policies mentioned within the scope of good governance are recommended for government officials and destination managers.

The study includes only political variables. The limitation of the study is that socio-cultural dynamics were not included in the analysis. In future studies, actors such as local governments, the private sector, and non-governmental organizations can be included in the governance system. Data on the distribution of authority collected in the government among the new actors can be used.

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