



**REPUBLIC OF TURKEY  
İZMİR KATIP CELEBI UNIVERSITY  
GRADUATE SCHOOL OF SOCIAL SCIENCES  
DEPARTMENT OF TOURISM MANAGEMENT**

**THE IMPACTS OF GOVERNANCE ON  
TOURISM: A MACRO PERSPECTIVE**

**Master Thesis**

**YAĞMUR CAN**

**İZMİR-2022**

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**SUPERVISOR: PROF. DR. MEHMET EMRE GÜLER**

**İZMİR-2022**

## **DECLARATION**

I hereby declare that master's thesis / project titled as "The Impacts of Governance on Tourism: A Macro Perspective" has been written by myself in accordance with the academic rules and ethical conduct. I also declare that all materials benefited in this thesis consist of the mentioned resources in the reference list. I verify all these with my honour.

29.06.2022

Yağmur CAN

# **ABSTRACT**

**Master's Degree**

**The Impacts of Governance on Tourism: A Macro Perspective**

**Yağmur CAN**

**İzmir Katip Çelebi University**

**Graduate School of Social Sciences**

**Department of Tourism Management Program**

In this study, the effects of world governance indicators on tourism were empirically analysed, from the 2005 to 2018 period. A literature review for governance is included in the first part. The second part contains the definition of world governance indicators (WGI). In the last part, panel co-integration, and causality analysis have been carried out worldwide within 137 countries. As a result of the analysis, a long-run relationship was found only between the change in the number of tourists and the political stability - no violence index. Also, other world governance indexes voice and accountability, government effectiveness, regulatory quality, and control of corruption are granger-cause of percentage change in the number of arrival tourists in the short-run. Only the rule of law index is not related to tourism either in the long or short run in the 2005-2018 period.

**Keywords:** Governance on tourism, world governance indicators, panel co-integration and panel causality.

# ÖZET

**Yüksek Lisans Tezi**

## **YÖNETİŞİMİN TURİZM ÜZERİNDEKİ ETKİLERİ: MAKRO BİR PERSPEKTİF**

**Yağmur CAN**

**İzmir Katip Çelebi Üniversitesi**

**Sosyal Bilimler Enstitüsü**

**Turizm İşletmeciliği Anabilim Dalı**

Bu çalışmada, dünya yönetim göstergelerinin turizm üzerindeki etkileri 2005'ten 2018'e kadar ampirik olarak analiz edilmiştir. İlk bölümde yönetim için bir literatür taraması yer almaktadır. İkinci bölüm, dünya yönetim göstergelerinin (WGI) tanımını içermektedir. Son bölümde ise, dünya genelinde 137 ülkede panel eşbütünleşme ve nedensellik analizi yapılmıştır. Analiz sonucunda, sadece turist sayısındaki değişim ile siyasi istikrar-şiddette hayır endeksi arasında uzun dönemli ilişki bulunmuştur. Aynı zamanda, diğer dünya yönetim endeksleri, çok seslilik ve hesap verebilirlik, hükümet etkinliği, düzenlemelerin niteliği ve yolsuzluğun kontrolü, kısa dönemde gelen turist sayısındaki yüzde değişimin granger nedenidir. Sadece hukukun üstünlüğü endeksi 2005-2018 döneminde ne uzun ne kısa dönemde turizm ile ilişkili değildir.

**Anahtar Kelimeler:** Turizmde yönetim, dünya yönetim göstergeleri, panel eşbütünleşme ve panel nedensellik.

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## **PREFACE**

It was amazing to study on this work. I would like to thank to the people love me, loved by me, and always try to make my life easier. First for all the biggest love, thanks and gratefulness to my family always support me every step of my life; Güler CAN, Veysel CAN, Aynur CAN PASINLI, Alper PASINLI. The hero always support and combat for me and make my life much more colorful with his love Ümit GABERLI thank you very much for everything that it is not possible to count or explain one by one you had done for me. When I was trying to begin my academic studies from the beginning of the process until the end, the scientist especially my supervisor Prof. Mehmet Emre GÜLER, it was great honor work with you, Prof. Cengiz DEMİR, Prof. Türker SUSMUŞ and my dear colleague and lecturer Asst. Prof. Kadir Faik KÜÇÜKTÖPUZLU and Asst. Prof. Ümit GABERLI supported me, thank you very much; it was such a huge pleasure to work with you. This big additional thanks to Prof. Türker SUSMUŞ again whom is a witness to our beautiful moments. Finally, I would like to dedicate my thesis to my two rainbows of my life my grandmother the owner of my best and happiest memories of my childhood Ferzane MAKAL and my tiny honey ball Üzümler. Love you all, I am glad to have you...

Yağmur CAN

İzmir-2022

## **INTRODUCTION**

The subject of tourism is human, and the main reason and aim of the industry are to ensure the necessities of the people. Therefore, tourism is a multidirectional sector that can affect other industries. The concept of tourism is a multidisciplinary area because it is affected by lots of different variables and also on the other side it can affect the other industries directly or indirectly. The most important difference between the tourism industry and other sectors is its complexity. The tourism sector has a complex and multidirectional structure. The tourism sector is labour-intensive it is not possible to stock, store, and move. It must be consumed at the same time, place, or location where it is produced. For the service of tourism, it is hard to control the service because it is heterogeneous because it is not possible to standardize it. The preference of consumers changes continuously. Therefore, the supply of tourism cannot be increased in the short term (Karakoç, 2020: 35-36).

The main raw material of the tourism sector is the resources of the country, natural beauty, cultural features, and traditional specialties of the location. Tourism is not a sector that ensures vital goods or services. Therefore, becoming a part of the tourism demand people need to have enough income level and leisure time. And to accept the condition as a tourism demand, firstly the vital necessity and the obligations of the people must be fulfilled then the tourism demand can be satisfied. The demand for tourism is very sensible and affected by lots of factors. The factors can be classified as economic, psychological, social, and others. (Aydın et al., 2015: 155).

There are a lot of factors that affect the demand for tourism such as income level, price level, and distance in the subtitle of economic variables and also there are psychological factors that affect the demand for tourism like fashion, habits, pleasure, and cultural distance and under one of the other subtitles as social; education level, family structure, welfare level, and job. Other factors and variables are advertisements, promotion, and tourism awareness. Because the demand for tourism is very sensitive and fragile, all these factors can affect the demand.

Table 1: The Factors that Affect the Demand for Tourism

<b>Economic</b>	<b>Psychological</b>	<b>Social</b>	<b>Others</b>
Income	Fashion	Education Level	Advertisement
Price Level	Habits	Family Structure	Promotion
Distance	Pleasure	Welfare Level	Tourism awareness
	Cultural Distance	Job	

**Source:** Kozak et al. 2021: 92-108.

Therefore, there is a very strong and robust relationship between the tourism demand and the situation of the country. The violence, terrorism, or any other activities and actions in the country affect the decision-making process of tourists (Aydın et al., 2015: 155). More clearly, it is related to the form of government in a country. On the other hand, tourism is an industry that has a huge effect on the balance of payment except for any other positive impacts on the sociological and economic results on the structure of the country. Countries get foreign exchange from tourism. This situation makes tourism beneficial.

This study consists of three parts. In the first part, governance is clarified. There are also some other subtitles that is explained like governance in the private sector, governance in tourism, and macro governance. In the second part, world governance indicators are explained. This part consists of six subtitles as; accountability, political stability, and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption. In the last part, the effects of governance indicators on tourism are examined empirically with a panel co-integration approach.

## **PART ONE**

### **GOVERNANCE**

In this part, governance is explained in detail. The concept has been discussed in terms of the private sector, tourism sector, and macro perspective.

#### **1.1. THE CONCEPT OF GOVERNANCE**

The economic, social, political, and technological developments that took place throughout the world have affected the field of management as well as every field. This change has led to the emergence of new concepts, understandings, and institutions in the field of management. The existing understanding, concepts, and institutions have begun to change rapidly and have undergone a transformation. This transformation has affected many areas from companies to public administration (Sobacı, 2007: 219).

There has been a multidimensional transformation in the world and it is still happening to continue today. The first of these turning points in the transition process from an industrial society to an information society. The second is the transition from Fordist production to flexible production, the third is the transition from the nation-state understanding to the global world, and the fourth is the scenario of the transition from modernist thought to postmodernist thought (Hoştut, 2015: 56). This miscellaneous change is not only a process that emerges on the basis of production but also a transformation whose effect is seen in economic, sociological, and political fields (Küçükkalay, 1997: 52; Sadioğlu and Altay, 2020: 328; Çukurçayır, 2002: 206). These processes, which follow and complement each other in a chronological sense, have revealed many new concepts, not only in the field of science and technology but also in political and sociological. While some conceptual terms have remained obsolete, they have been replaced by more modern and comprehensive definitions. It is accepted that they have effects that define, change and develop society, politics, economy, and everything related to human beings. Therefore, although concepts such

as capitalism, liberalism, globalization, governance, modernism, and postmodernism are different from each other in terms of content and scope, and have overlapping aspects, they are some of the concepts that define and transform the political, social, and economic field (Çukurçayır, 2002: 206; Kaya and Aydemir, 2011: 15; Aydemir and Kaya, 2007: 261; Özgür and Özel, 2008: 5).

The emergence of the concept of governance dates back to the 16<sup>th</sup> century and the basis of this concept is based on the French word "governance". The concept of governance was first used in a report published by the World Bank for Africa in 1989. According to this report, governance is "the use of political power in the management of country affairs". OECD, on the other hand, defines the concept of governance as "the use of power and authority in the management of a country's economic and social resources". According to World Bank experts Kaufmann, Kraay, and Zoido-Labaton, governance is defined as "the traditions and institutional mechanisms that determine the exercise of power and authority in a country". In the report presented by the Australian International Development Agency to the parliament and titled "Better Aid for a Better Future", governance is defined as 'the effective management of the country's economic and social resources in an open, transparent, accountable, and fair manner. In this context, necessary criteria for better governance are: improving economic and financial management, making public administration more effective, establishing the rule of law, and ensuring or increasing the participation of the public in decision-making processes. According to the United Nations Development Programme; Governance is the exercise of political, economic, and administrative authority in the management of the country. The United Nations declared that governance requires complex mechanisms, processes, relationships, and institutions. These institutions and processes play a role in protecting the legal rights of citizens and social groups. In addition, these institutions reduce the problems that may arise from the distinctions and differences between citizens and social groups (Çukurçayır, 2003: 270; Aktan, 2003: 176). In essence, the concept of governance is a concept that requires thinking about the relationship and boundaries between the ruler and the ruled. At this point, the biggest difference and innovation brought by the governance is that it allows the managed mass to play a more and more active role.

The concept of governance, which has left its mark in the 21st century, is a modern response to new searches, as well as a concept that has been consciously put into practice and emerged to meet the demands of the age. With the advancement of technology and the spread of the phenomenon of globalization, the concept of "governance" has become a concept and practice used in every field, from private companies and organizations, which are the micro application area that emerges in all areas of daily life, to the management of nations and the determination of international relations policies in the macro area (Bakkalbaşı, 2017: 431-35; Fidan, 2011: 6; Kayıkçı, 2014: 105; Sobacı, 2007: 222).

## **1.2. GOVERNANCE IN PRIVATE SECTOR**

In the early 2000s, there was large-scale corporate corruption, especially in countries that were not democratic or could not establish democracy on legitimate foundations and the necessary institutionalization could not be established. The Cadbury Report was published in 1992 and the Sarbanes-Oxley Act published in 2000 was published in order to eliminate the negativities experienced, create a safer, more transparent, accountable, and auditable investment environment, and protect the interests of the relevant parties (Berksoy and Yıldırım, 2017: 2-3). According to the Sarbanes Oxley act law, the quality of accounting services, financial reports, and independent auditors in publicly traded companies should be increased and transparency should be ensured. This report and the law are examples of early efforts to highlight the importance of governance in terms of its content and aims. In this framework, multi-stakeholder relations have begun to replace relations traditionally reduced to customers and shareholders and focused on profit maximization; with the concept of governance, transparency, responsibility, accountability, and equality elements have gained importance in companies (Cengiz, 2013: 407).

Public relations are also important for the information, communication, or other tools needed in the processes related to transparency, accountability, fairness, and responsibility, which express the content of the governance phenomenon that emerged with the spread of globalization. Because the basic principles, standards, criteria, and dimensions of corporate governance, which are used to express a new method in which all company stakeholders are managed and created under the leadership of the World

Bank and OECD, are also similar to the basic principles of public relations. Public relations collects information about its environment, meets all kinds of information needs of stakeholders, determines strategic publics, manages issues, and advises decision-makers. Therefore, there is a need for the public relations department to access the necessary information about the auditing of a company or organization by stakeholders, shareholders, customers, or employees. Because this unit contributes to the transparency of the company or organization as a result of the articles it compiles, analyses, or publishes. The auditing of the company is vital for the applicability of the governance concept. The information provided by public relations is also important for the healthy auditing of this process. The principles of transparency, accountability, fairness, and responsibility in public relations, appear as an important factor in maintaining good and safe relations with the company's shareholders, other stakeholders, customers, employees, and other actors; it shares with other actors, and informs them and carries out studies to gain their trust (Rhodes, 1996: 652-67). Governance refers to the creation of a transparent, accountable, responsible, and fair environment with all stakeholders in the management of companies and the execution of activities. The purpose of this system is to protect stakeholder rights, meet their demands and expectations, and ensure sustainability.

Corporate-level governance includes the processes by which a company's objectives are determined and followed in the context of the social, regulatory, and market environment. Corporate governance in its most basic form is about the issues that a private company or organization is directed to, the rules it complies with, and the areas in which it is audited, and this is how this whole process works. At the same time, responsibilities, behaviours, rules to be followed, and policies applied for a corporate structure are all expressed with corporate governance. It is important for corporate governance, to understand investors, shareholders, and customers; and also it is business direction and integrity. Therefore, corporate governance directly affects the external image of the company and the investor, customer or shareholder makes the decision about the company according to this image (Ali, 2015: 73; Dixit, 2009). A good understanding of corporate governance builds bridges built on trust between customers, investors, shareholders or society, and the company. Corporate governance is a structure that includes the rules, policies, and practices that are necessary and



correct for a company or a private institution. It also increases accountability in the organization. Because in this system, every actor in the company, from company employees to the board of directors, from senior managers to shareholders, is responsible to the others. At the same time, they all interact with each other. Governance includes the principles of transparency, accountability, and security to all stakeholders for which a company is responsible.

The concept of Good Governance is a management approach based on the philosophy of co-management, planning, and public-private partnership, which includes multi-actor and interactive connections, rather than the relations determined unilaterally by the classical management structures (Hoştut, 2015: 56-58; Kayıkçı, 2014: 106; Walters, 2004; Simonis, 2004). The corporate governance approach ensures that the company or organization survives in the long run, attracts institutional investors, and keeps its operational performance at the highest level. Corporate governance interacts with shareholders, interest groups, the government, and the board of directors. However, in the background, it interacts with culture, values, society, the sector in which the enterprise is located, and the economic system. For this reason, in the corporate governance approach, the disruptions primarily affect the shareholders, employees, customers of the enterprises, and the existing sector and society from a wider perspective. This process is a situation that has an increasing effect as time progresses. Internal audit, transparency, and accountability in the company or organization where corporate governance is applied occur. In governance, all actors are responsible for each other and interact with each other. The purpose of governance is to ensure that all actors participate in the decision-making mechanism, efficiency and high efficiency in implementation, and all actors are responsible to each other. The concept of governance is a modern idiom, it means much more than the classical management concept. Rather than a rigid hierarchy, it is a system that organizes and manages cross and multi-directional relations and includes principles that mutually feed mechanisms. It requires fairness, transparency, and versatility. There can be no transparency if the information is withheld from the customer. Transparency also cannot be real without governance. The concept of governance cannot be fully applied if it is not accountable. The concept of responsibility is also related to governance.

Conversely, poor corporate governance can, at best, lead to the failure of a company to achieve its stated objectives, and at worst, to the collapse of the company and significant financial losses for shareholders. This financial loss is not only monetary but also tarnished the image of the company for the shareholders or stakeholders represented in the company and the organization. It will also cause the trust of the employees or actors taking active duty to be shaken. In other words, bad corporate governance will cause not only material but also moral losses for a company. The company that suffers financial loss will also draw a profile against investors, customers, shareholders, and its own employees. Therefore, corporate governance is both a micro-level company and a private institution. It is very important in terms of the applicability of the constitutional monarchy and democracy in both countries and at the macro level. At this point, the importance of the difference between the classical management approach and corporate governance for a company emerges. Management expresses a hierarchy from top to bottom and the movement is unidirectional, so there is no interaction or stakeholder. And the actors below the pyramid do not have the right to make decisions or participate in management. It encourages cooperation in the process. Corporate governance is a system in which everyone in the company is responsible for each other, the decisions taken will be fulfilled in the most correct and beneficial way for everyone, and everyone's winning is the basic logic. While decisions are made by the people and a small group is involved, in governance, decisions are made in a system where all actors are involved and the main goal is not to victimize anyone or to minimize harm.

Finally, *“Governance is organizational activities carried out by people empowered for the perfect realization of organizational goals, acting by putting their common interests before their personal interests, adopting communication and effective information sharing, mutual trust and transparency, making joint decisions, having high emotional intelligence, empathic, proactive and synergistic”* can be defined as (Fidan, 2011: 6-7). When the concept of governance is considered in the context of public administration, it explains the state-citizen relations whose quality has changed. Today, the classical management approach is insufficient to explain the relations between political power and citizens. The concept of governance was developed to eliminate the shallowness resulting from this inadequacy and limitation.

In this way, a new concept has emerged that takes into account the national actors and international organizations related to the state and its administration (Çukurçayır, 2003: 260; Özer, 2006: 60).

### 1.3. GOVERNANCE IN TOURISM

Governance is an effective management approach not only on the basis of business but also in determining inter-sectoral policies. Some industries, on the other hand, have the characteristics that both good and service production and the supply chain are very wide. One of them is tourism. Tourism has very different characteristics because it is an industry that is both an intangible service to be sold, an industry that cannot be stored, stored and kept, and contains too many sub-components (Yıldız, 2011: 54-55; Yılmaz et al., 2015: 56-57). Tourism is a multi-actor and interactive sector. At the same time, tourism has features that make it different from other industries; unlike other sectors, this industry is an industry where a service that cannot be stored, stocked, or kept on hold is offered and first sold and then the service is produced, or sometimes sales and service take place at the same time. Tourism offers input too many different sectors and also receives input from so many sectors (Yorgun, 2013: 55). Policies and plans to be determined for a sector in which actors and components play a role and which have different characteristics from other industries will also be difficult. Because tourism is a flexible sector with multifaceted components, quickly affected by political, sociological, economic, diplomatic, and security problems (Yorgun, 2013: 59). The existence of intermediary institutions such as travel agencies and tour operators, the presence of those who produce tourism products, employees, and guides on the one hand, and those who invest in tourism areas such as hotels or tourism enterprises, on the other hand, affect the tourism industry. Causes it to function as a complex structure. Therefore, the expectations of all these actors in politics and administration may also differ.

Table 2: Backward and Forward Linkages of the Tourism Sector

<b>I</b>	<b>Sectors in Which Tourism Provides Input</b>	<b>II</b>	<b>Sectors That Provide Input to Tourism</b>
1	Land and Pipeline Transport	A	Subsidiary and Supporting Transport Operations

2	Subsidiary and Supporting Transport Operations	B	Manufacture of Food and Beverages
3	Financial Intermediary Activities Excluding Insurance Pension Funds	C	Land and Pipeline Transport
4	Entertainment, Leisure, Culture, and Sports-Related Activities	D	Agriculture, Hunting, and Related Service Activities
5	Airline Transport	E	Other Business Activities
6	Wholesale Trade and Brokerage, Excluding Motor Vehicles and Motorcycles	F	Financial Intermediary Activities Excluding Insurance Pension Funds
7	Water Transportation	G	Entertainment, Leisure, Culture, and Sports-Related Activities
8	Posts and Telecommunications	H	Real Estate Activities
9	Real Estate Activities	I	Hotels and Restaurants
10	Public Administration and Defence, Compulsory Social Security	J	Production and Distribution of Electricity, Gas, Steam, and Hot Water
11	Health and Services	K	Retail Trade, Repair of Personal Belonging and Household Goods, Excluding Motor Vehicles and Motorcycles
12	Retail Trade, Repair of Personal Belonging and Household Goods, Excluding Motor Vehicles and Motorcycles	L	Wholesale Trade and Brokerage, Excluding Motor Vehicles and Motorcycles
13	Hotels and Restaurants	M	Manufacture of Chemicals and Products
14	Sales, Maintenance, and Repair Of Motor Vehicles and Motorcycles Retail Sale Of Motor Vehicle Fuel	N	Manufacture of Coking Coal, Refined Petroleum Products, and Nuclear Fuel
15	Manufacture of Textile	O	Posts and Telecommunications
16	Other Business Activities	P	Sales, Maintenance, and Repair Of Motor Vehicles and Motorcycles Retail Sale Of Motor Vehicle Fuel
17	Other Sectors	R	Other Sectors

**Source:** Sarıışık, 2011: 213.

At this point, in today's management approach, governance practices are discussed in order to manage and solve the problems of the tourism industry, where the number of stakeholders is high, to increase efficiency, and to determine a policy understanding that is suitable for all actors, and governments share their power with informal actors in order to manage complex problems in industrial modern societies. Stakeholders need to be supported in order to sustain, work and develop tourism in the

long term. However, it should be said that not all stakeholders benefit from tourism to the same degree, and some of them are more important in policymaking and results (Andriotis et al., 2018: 9). For example, workers or tourism personnel working in the service sector and residents of a particular region have little or no contribution to policy-making, or only their opinions are sought, which is a rare occurrence (Joppe, 2018: 203). In this case, the actors that exist in the sector and are in a quantitatively superior position are included in the decision-making mechanisms according to their power or capital potential in the industry, not their majority. While it can accommodate discussions of what is happening, governance covers them broadly and covers all activities, ensuring that all actors are actively involved in decision-making (Özer, 2006: 62). Governance can be used here as a tool to determine the common goals and interests of all stakeholders benefiting from tourism, on the one hand, while enabling cooperation between actors in tourism. In a multi-layered and multi-actor industry such as tourism, ensuring that all these different and interacting actors act around a common policy and in parallel is only possible with the participation of all these actors in the decision-making mechanism (Frahm and Martin, 2009: 411). Governance in tourism is therefore very important. Classical, outdated, or management approaches in which the actors are not actively authorized and there is a top-down decision mechanism will be dysfunctional for a multi-layered sector such as tourism, which should bring all these actors together around the same subject and make a common and correct decision. In the tourism sector, just like in private institutions and organizations, it is insufficient and ineffective, it does not cover all the actors in its field of activity and therefore remains inadequate. Corporate governance is a modern, effective and applicable management approach that will include all stakeholders, from capital owners in the industry to product suppliers, from personnel working in the service sector to intermediaries such as tour operators and travel agencies. “Public policy is “everything that governments choose to do or not do” (Dye, 2013: 3); this may be for a small unit of society or for any group; are decisions and activities that share material and moral values. In a broader sense, public policy is the political decisions regarding the programs that are planned and implemented to achieve social goals and to solve the general problems that have relapsed into society (Cochran and Malone, 2010: 3-7). It is also an example of public policy. Any kind of direct or indirect intervention of

the public in the field of tourism, tourism policy in terms of places where tourism activities are carried out can be defined as a specific country, region, or environment. It is a policy that covers the principle, action, guide, directives, instructions, practices, or procedures that are planned to be applied for the direction of action when developing the tourism of an area or a separate destination or for the growth and development of tourism in a region, area or destination. Considering the complex structure of tourism with multiple actors, which directly and indirectly affect and interact with many different sectors, the tourism policy; should be a policy aimed at providing the highest level of benefit for the groups that benefit from tourism, both state and private enterprises as well as tourists and groups that host and generate income from tourism. All programs, plans, and activities for the development of tourism are included in this policy. The adopted tourism policy should be of a nature to cover all actors in the sector. A classical and ordinary management approach will not be sufficient for a sector that includes and includes so many actors (Özer, 2006, 63; Sobaci, 2007: 1; Özdemir, 2009: 283). In multi-actor sectors, in order to meet the demand of the industry, other industries with which it interacts must also operate effectively. Tourism includes intermediary elements such as tour operators and agencies, operational units such as accommodation and transportation businesses, investors, and capital owners, within the framework of the supply of goods and services. It is a multi-layered sector with personnel and other supplier employees. Therefore, the policy and management style that is planned, envisaged, or implemented must be comprehensive and deep. Otherwise, this policy will exclude a group of actors that will not be effective and efficient for all units in the sector. Policymaking is a process in which it is decided which of the problems on the agenda will be selected, the priority of these problems, the definition of these problems, the cause of the problems and what the consequences may be, the priorities, goals, and solutions to the problems, and what the solution options are. It is expected to cover all actors in the sector (Ağbay and Karakılçık, 2020: 250).

Tourism policy is also created by taking into account the economic, social, or cultural purposes and characteristics of a destination, such as the needs, climate, geography, market, workforce, facility opportunities, transportation, and internal and external constraints such as local people. As an official actor, the state can carry out

tourism policy and coordination, legislation, regulation, entrepreneurship, promotion, and planning activities. It can regulate the economic environment, provide the necessary infrastructure and education for tourism, increase public interest, create regulatory programs for the private sector, and take an active role in the promotion and marketing of destinations, products, and services. Private sector actors, on the one hand, produce tourism products and services, and on the one hand, contribute to the promotion of the country, region, or destination, while at the same time defending their interests in the tourism sector. An industry in which both public and private enterprises are involved and so many actors interact can be programmed with a corporate governance approach. A tourism policy in which all actors are involved in the decision-making process and aim to evaluate and develop the tourism potential of a region or area is only possible with a corporate governance approach (Ağbay and Karakılçık, 2020: 250-51).

#### **1.4. MACRO GOVERNANCE**

Governance is not one-sided, but a concept that includes multi-actor and interactive relations. At the same time, it is a form of management based on co-management, regulation, and public-private sector cooperation. It expresses a modern and contemporary management approach in which there is more than one decision-making mechanism in both private enterprises and the tourism industry. Governance has also made many issues the subject of discussion, from the ruler-administered interaction, whose quality has changed in the modern world, to the rule of law, the search for democratization, to the ability of states to offer sufficient service (Sobacı, 2007: 1). Governance does not have a single definition because governance is not limited to a single area; it is related to many fields such as law, politics, international relations, and public administration and can be applied on local, national, or international platforms (Palabıyık, 2003: 227).

Governance is the product of a new and more up-to-date management approach with multiple actors, based on public and private partnerships with multiple actors. This new and current management approach can be a local, national or international application area. This current understanding of management is based on co-regulation, co-management, and joint action. Therefore, governance is a multi-actor

understanding by its nature and these actors interact and act together. The implementation of governance on a local or national basis, in its simplest and basic form, is the ability of people in a region or region to intervene in matters that concern them, to participate in the decision-making process, and to provide this opportunity. Governance is a management model in which the single-subjective management approach evolves into a multi-actor system, the management powers are shared with the managed group, the resources are shared, and the society acts together and plays an active role in all these processes (Fidan, 2011: 222).

According to Stoker (1998), the suggestions of governance are:

- ✓ Governance accepts the existence of a number of institutions and organizations that care about the understanding of government, but beyond that.
- ✓ In the understanding of governance, the borders between parties and actors in the solution of economic and social problems are not clearly separated and the borders are unclear.
- ✓ Governance refers to the power relationship between actors and institutions participating in collective activities.
- ✓ Governance relates to autonomous or self-governing actors.
- ✓ Governance does not leave the decision-making mechanism to the administration alone and assumes that other actors have sufficient capacity to solve the problems (Stoker, 1998: 17)

Governance consists of three dimensions: systematic, political, and administrative. Governance in a systematic dimension; envisages a much broader structure than the power or government formed, or elected after legal and official processes. In other words, not only the government but also other actors such as non-governmental organizations, associations, foundations, and private companies participate in the decision-making process in the systematic dimension of governance. This eliminates the dependency on a single actor in the decision-making mechanism and distributes the authority to multiple and interacting actors (Tekeli, 1999: 248). Governance, in the political sense; envisages the participation of citizens at every stage of administrative and political decision-making mechanisms within possible limits. The citizen, who has a share in administrative and political decisions and the right to



choose, will increase the legitimacy and democracy of the government and the state (Parlak et al., 2008: 25-26). The managerial dimension of governance; indicates a transparent, accountable, and resource-efficient public institution. Allowing all actors in the society to have a say in the political and administrative dimensions and interacting with each other, ensures that these groups have an active voice in the administration as required by democracy and legitimacy. Therefore, the inclusion of individuals in the decision-making mechanisms both strengthens the democratic existence of the state and makes it more controllable and up-to-date, and creates an innovative management approach (Yıldırım, 2018: 278-80). In addition to the systemic, political, and managerial dimensions of governance, there is also a management dimension. This refers to corporate governance. In other words, it is related to the management mechanism of private companies, associations, foundations, or organizations. In this sense, it can be said that the governance has changed the sociological structure from the most local unit to the widest area and brought a new management approach. Governance can be used in the local administration of a city as well as in-country administration or in international relations (Demirel, 2010: 66-67).

Governance is a style of understanding that has multiple dimensions and requires an interdisciplinary perspective. Governance is an understanding that is structured vertically from top to bottom and that decisions are not made by a certain group, but where everyone possible is a participant and actor. This modern understanding is far beyond the classical understanding of management and is also in relation to disciplines such as sociology, political science, international relations, public administration, and economics. If evaluated with a deeper perspective; concept, business governance, money markets governance, business governance, economic governance, local governance, ecological governance, managerial governance, global governance, European regions governance, urban governance, democratic governance, military governance, social media governance, advanced governance corporate governance, information technologies can be used in different units and areas such as governance (Kaufmann et al., 2010: 3). Governance in general; is used to express a new process in management, the change of valid rules, a new method that can keep up with a world that is globalizing and where technological developments accelerate and is open to

constant updating and in which stakeholders are managed with their own existence and decisions. In short, governance refers to a change in management. This new system represents a new understanding that can adapt to the requirements of the changing and developing world and in which all actors have a say. Governance is a management process in which more than one governing actor takes part (Dixit, 2009).

There are some wicked problems that can exist in the governance or the strategy of the government. These problems can exist because of the wrong strategy of government or structure of government. Whichever the reason for the wicked problem wrong strategy of government or structure of government the according to Roberts the solution can be found in three ways: authoritative, (2) competitive, and (3) collaborative (Roberts, 2000). The strategies of authority limit the capacity for problem solving and performance. So in the process of solving problems, it is very important to determine the type of approach to solve the problems to maximize the limit and the performance of governance. In the situation of the county or the structure, it can be defined the type which will be used for the problems of governance. According to Roberts (2000) the first type of solving problem is the authoritative approach. For this type of solving problem, there is a group of people who hold the authority and power. Even though it is much easier to solve the problem in this way it's difficult to be accepted in democratic countries because of holding the power to just a group of people in the country. In the authoritative approach, it is easier to solve the problem and reach the result. Because the power and authority are the held in a small group of people so because of consisting just a little group of people it shows a review of a smaller group. But even if it takes less time when this way is used it is much more difficult to apply in democratic countries or societies to accept this way (Ysa et al., 2014: 10). The other way according to Roberts (2000) wicked problems can also be solved by competitive strategies. That means that one competitor has the power to define the problem and to present the solution. The underlying idea is to keep the power circulating among the competitors and to prevent an institutionalization of power. However the danger of creating a deadlock is enormous: Having the power to block a solution but not enough power to enforce one's own solution creates a situation of standstill where no real problem solving is possible (Ysa, 2014: 10).

The last concept for solving governance or structure problems is the collaborative approach. According to this type of way all the stakeholders have a chance to vote to choose the best, most effective, and most efficient option that will make lucrative for all the stakeholders. The main idea or logic of this approach is to redound all the stakeholders. The aim is to engage all stakeholders in order to find the best and most efficient possible solution for everybody in society. It is assumed that an actor can accomplish much more by joining forces than independently. “At the core of the collaboration is a ‘win-win’ view of problem-solving”. This approach involves meetings, alliances, partnerships, joint ventures, and all variations of collaborative work. The main principle and aim are to discuss possible solutions in order to find and agree on a common approach (Roberts, 2000: 9). According to collaborative governance, there are three clusters to group the components for the partnership to solve the complex or wicked government or governance problems. In the first cluster, there is a title: state includes national government, parliament, national and international public agencies, and regional and local governments. The national government is responsible for the authorized, executive authority, the council of ministers, which ensures that the state fulfils its duties in a country, and governing bodies of a country (Ysa et al., 2014: 10; Korkmaz, 2016: 44). The parliament is the assembly or assemblies with legislative power and authority, whose primary task is to oversee the executive or the assembly (or assemblies) formed by deputies elected by the votes of the citizens for certain periods and for a certain period of time, making the laws of the country, issuing the state budget, supervising the government, and having other duties and powers according to the constitution (Özgişi, 2011: 292).

### **International Context**

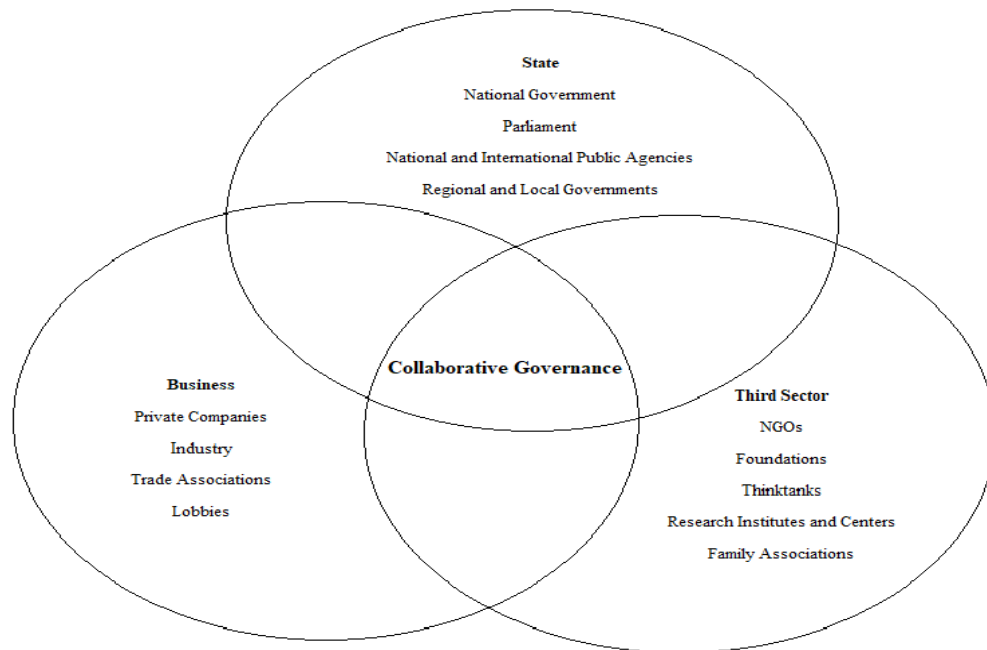


Figure 1: Collaborative Governance

**Source:** Ysa et al., 2014: 11.

In the first subgroup of the components of the governance, there are national and international agencies are in the group establishment aim to maximize the contribution of education, youth, and sports projects carried out in international cooperation to the development of the country's human capital in terms of quantity and quality efficiently and effectively and moreover to ensure that the developing the personal, social and professional skills of the citizens of the country and the capacities of our institutions and organizations reach the target groups and new mass in terms of needs, efficiency and impact. To help and ensure the country represent the country in the best way in international activities and areas to be carried out at home and abroad, and to take measures for the participants to correctly recognize and promote their own culture and values (Turkish National Agency, 2022). Local governments, settlements such as villages, towns, and cities of different sizes, are located within the borders of the country. The common and local needs of all living things, especially human beings, living in. They are constitutional institutions established within a certain legal order (Varcan, 2013: 2). In the second circle, there is another title business; that covers the subtitles like private companies, industry, trade associations, and lobbies. The private companies industry is a sector that includes the production of goods and also services. A trade association is an organization established and funded by businesses operating

in a particular industry. A trade association joins in public relations activities such as advertising, education, publishing, lobbying, and political organizations, but its focus is on cooperation between companies and firms. Associations may request other services for example conferences, organizing networking or charity events and organizations, or offering classes or educational materials and activities. Many associations are usually non-profit organizations governed by charter and managed by civil officers and workers who are also members of the association (Ysa et al., 2014: 11; Roberts, 2000: 1-19). The last circle that exists in the Collaborative Governance is the third sector includes NGOs, foundations, think tanks, research institutes, centres, and family associations. With the partnership of all these establishments and concepts the wicked problems can be solved and called (Ysa et al., 2014: 11; Roberts, 2000: 1-19). Also, in the chart below there are the results of the good governance from a macro perspective.

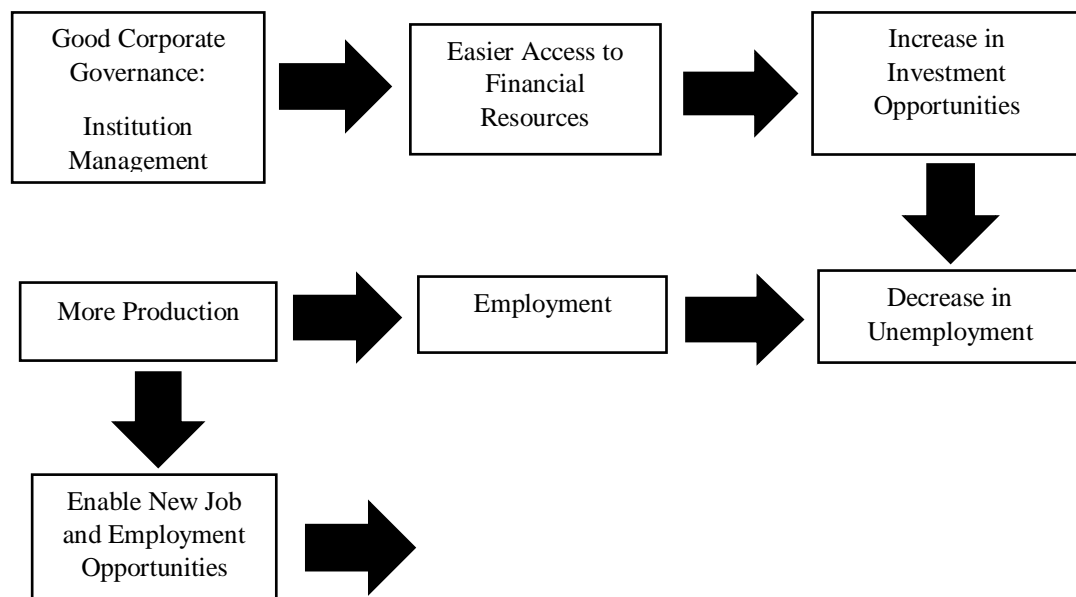


Figure 2: Good Governance

**Source:** Cengiz, 2013: 407.

In the figure above the structure of good governance can be seen. Firstly good corporate governance occurs with institution management. And then this good governance ensures easier access to financial resources with this easy accessibility, the investment opportunities will increase because of the image of good governance. When the opportunities increase the possibility or chance of the employment will increase. The investment means much more facilities and establishment and this

structure ensure new and more opportunity for people to be employed. So as a one of the most important result of good governance is occasion for citizens to be employed. The process of decreasing unemployment means much more occasion for people which will be resulted in the increase in production. The more production means much more new opportunities and this is a circle that resulted in the situation as just vice versa. New opportunities means more production and increase in production means more employment occasion. This is a loop of the good governance system.

## **PART TWO**

### **MACROECONOMICS OF TOURISM**

There are six dimensions of governance in order to account for the level of success of good governance should be used. 1. Voice and accountability (VA), 2. Political stability and absence of violence (PV), 3. Government effectiveness (GE), 4. Regulatory quality (RQ), 5. Rule of law (RL), 6. Control of Corruption (CC) (Detotto et al., 2021: 3).

#### **2.1. ACCOUNTABILITY**

Accountability is the ability to explain as a responsible for the activities done by the government or by a group of people or just as a person (Eryılmaz and Biricikoğlu, 2011: 20-21). In the beginning, accountability is used just for finance and for the other concepts derivate from finance, economics, and accountability, but in time it changed and derived into some new notions used for social issues. Accountability is not only account, used for the meaning of giving information or making a statement to just one side. It is considered as a reciprocal relationship and interaction between the elucidator and the one who takes account and asks the questions to the responsible side. In this mechanism, there is another important thing to be included in the system except for the responsible side of government, the inspection side of the country. Actually, accountability is a coincidence and possibility. It means it is not possible to control or check all the things and everything done by the government but there is always a possibility of checking some actions done. Public officials must be accountable for all their actions.” This means that there is a possibility of questioning all the activities they do (Kaufmann et al., 2010: 3).

The accountability relationship basically consists of three elements. First, the decision-making and acting actor is obliged to make a statement to the relevant circle of authority regarding the activities performed. This obligation can be formal or

informal. Second, the one who asks to account instead of those who will give an account. It is the existence of channels to question the behaviors it brings the information. And as a result of this, the punishment exists for the wicked behavior and the reward for the good activities or type of government. The punishment can be formal or informal (Detotto et al., 2021: 3). Actually, there are three features of accountability, the first one is it is external because the explanation is done to somebody or establishment from outside and out of the government system and the other features of accountability is consisting of socialization and interaction. (Kaufmann, et al., 2010). Because accountability requires explanation, researching answers, interrogation, correcting the mistakes, and as a result of this accepting the results and sanctions. And the last the rights of ones ask and require are accepted. The rights of people who ask questions about the system are accepted in the relationship between the one who asks questions and requirements and the one accountable. Accountability is power over those who deal with it, so the sides in this relationship are not equal (Dubnick, 2003: 405-41; Mulgan, 2000: 555-73).

The main idea of the accountability relationship is the principal-agent relationship between the one who ask and the one who answers. We can say that it is the (principal-agent) theory. In the principal-agent relationship, the proxies act on behalf of the principals. That's why they have to explain and answer against the original for the activities they perform and act. The principal-agent relationship is essentially and basically about the delegation of power. In daily routine, people need others to survive and to go on. For this reason, people are encouraged to carry out activities on their behalf by appointing other institutions or people. So the citizens deputize the authority instead of their own (Eryılmaz and Biricikoğlu, 2011: 21).

In this deputizing relationship, there is a very important issue; the way to make a decision is not beneficial for the delegations, but beneficial and useful for the citizens and public (Dixit, 2009: 7). It is not possible to check or control all the activities, behaviour, acts, or responsibilities of government officers or other staff of the public in order to prohibit to use of their power or authority abuse. For this reason, primarily the government officers or staff need to act on the principles of professional ethics and honesty. However, other control mechanisms should be added to this (Eryılmaz and Biricikoğlu, 2011: 23-27; Walters, 2004: 40). Attorneys have mechanisms to ensure



accountability to the principals for their actions instead of the principals, establishment, ethics, and deputies abusing the power necessary to prevent.

Accountability has a relationship with some concepts. The first one is responsibility. Responsibility means having power the make a decision, recognize the true or wrong, analyze the results of the acts, and the ability to explain the decisions (Eryılmaz and Biricikoğlu, 2011: 23-27; Walters, 2004: 40). Responsibility means giving directions to the organization, and discretionary power but accountability is different than responsibility. Responsibility is to have the power to control the behavior, acts, organizations, facilities, and establishment.

In this respect that regarding the explanation and definition of governance, there is a relationship between tourism and this concept. In the short run there is a positive relationship between tourism and accountability. The effect of accountability has indirect effect but also has a relationship with tourism. As it can be seen and understood from the definition accountability means having ability to answers the behaviours or manners of government. When the tourist make decision it is vital to know the transparency and clearness of the government. Because this also can be accepted that if the tourist live or exposed some illegal or wicked problems, the government can explain the reason or answers the questions asked by the tourists or somebody else in the time of trip or journey. So basically the relationship consist the capacity of government to answers the questions as a responsible and behaving as a liable. In the decision making process tourists would like to prefer to guarantee the rights when they visit new locations or destinations. If the government has accountability this makes an image and also give message indirectly to the tourist to prefer this location. Because if the tourists or people want to visit there can know that when some bad or wicked problems or situations occur or happen, the liable can answers the questions or explain the ways that must be follow to minimize the damage, cost, loss or harm. In this respect that accountability is the symbol of the government to the tourists as a liable and responsible. For the tourist to know that there is an interlocutor as a responsible in the location, this will increase the number of people who prefer this locations.

## **2.2. POLITICAL STABILITY AND ABSENCE OF VIOLENCE**

Political stability and the absence of violence measure perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism (Worldwide Governance Indicators, 2022). Although it is possible to define political stability and the absence of violence from different perspectives, the basic definition can exist on two concepts: order and continuity. The first concept of order means being far from violence, brute force, destruction, and force. So if the political system has these four concepts it is one of the most important indicators of political stability. And the other concept continuity means the absence of the group that wants to interrupt, change or damage the political system. And also in this concept, there is no group not behaving, acting, or attempting to change the system or the factor of political stability. Stability is like legitimacy because it is much easier to understand its absence than to notice its presence. Stability is a country's ability to overcome the problems it is experiencing and is facing. That's why it is necessary for political continuity and social intent. In the literature, in order to account the stability, the researchers use instability (Caniklioğlu, 1999: 18-20).

The absence or low level of death because of political violence, military coup, the violence of groups in the society, and rebellion of the people in the country have accepted the symbol or indicator of political stability. If the political institutions are not changed too frequently this situation also can be accepted as a political and stability indicator. But the maintaining the same conditions or situation or not changing anything in the politic does not always mean political stability. But stability means maintaining the basic and main factors of the system of a country like the institutional or constitutional structure of core political values, culture, and politics in the main elements of the political system, such as the structure of continuity and immutability. Every meaning of political stability can be matched with some other concepts or factors in the culture of the country. But the stability does not coincide with the changing participation in politics, leadership, or the politics of government. Because stability is not about the temporary situation or conditions, stability means maintaining consistency for permanent conditions. And also sometimes it can be necessary to change something to protect the main structure of the political system. Because the

socio-economic structure of the society can be changed or the necessity of the age can transform over time, that's why the main principle of society changing the other differences that exist over time does not damage the stability of politics. So in this concept protecting the main and basic values and maintaining them is the most important thing for political consistency. In order to be stable in politics the way will be used for changing politicians, the policy, and the strategies used by the government must be legitimate, or else the way applied will be illegitimate and damage the consistency and stability of the structure. In the political system in order to be stable; the leaders, the politics, and the organizations must be institutionalized. Because for consistency and stability institutionalizing is necessary. But the level of stability and consistency depends on the level of the opportunities of the organizations for the people or group that wants to join the part of the policy. In the modern age, constitutional organizations consist of regulator systems in order to ensure and protect consistency and stability. (Caniklioglu, 1999: 18-20).

Terrorism is one of the factors that affect tourism demand. Before explaining the relationship between tourism demand and terrorism it will be better to explain the definition of terrorism. In the literature, there are a lot of definitions for terrorism but basically, terrorism is the actions, movements, and behaviour in order to make accept and scared people forcedly (Zenginkuzucu, 2021: 3). There are some aims of terrorism the most common one is to make the people give up their plans or daily routine or life. And as vehicle terrorism use fear to change the behaviour of the people to make far from their daily routine, life, and plans (Şen, 2015: 18). There are a lot of reasons for people to join the terrorism or in to be the group tends terrorism. Exclusion, oppression, lack of education, social injustice, political violence, and unemployment are the most common reasons for tending to terrorism or joining terrorist groups. If these reasons inosculate with the government or the government's policies which lost the legitimacy and legality or wrong and illegal policies identified by the government. These reasons can be much more dangerous for the people who tend to join some illegal groups. Terrorism has lots of effects not only on the countries' wicked situation happens but also on the other countries. Actually, the relationship starts at this point. Because tourism is an international movement of people and this movement exists in the various countries. So if a terrorist attack happens in a country the results the

classifications of the reasons for terrorism can be classified by these subgroups according to the report of Union of Turkish Bar Association Turkey and Terrorism: political based terrorism, ideological based terrorism, and individual terrorism (Karakoç, 2020: 13). But in the literature, there is not an exact and clear distinction between the definitions. That's why it is not possible to explain the definite differences between the various definitions of terrorism. And also there are some different explanations and subgroups of the classification of terrorism according to the Union of Turkish Bar Association: terrorism by purpose, terrorism by aim, terrorism by motivation, terrorism by applier, and terrorism by the location where it exists. And also the other classification is terrorism by stages. These classifications are all done and sub grouped by the Union of Turkish Bar Association (Karakoç, 2020: 14).

Excepting all these types of the classification, there are some factors that create the terrorism system:

**1. Will Factor:** In order to be terrorism from violence, the action or activity must be done willingly, with knowledge, by planning, aiming at the target, and choosing the weapon fit to the aim and target. This criteria also identify the border of terrorism.

**2. Ideological Factor:** There is another feature that makes terrorism different from other violent acts, activities, and movements, its ideology. All the terrorist groups or activities have an ideology. Ideology factors separate terrorism from other violent activities, acts, actions, people, or groups. Terrorist groups or organizations move or act on the items of the ideological side of their aims. These groups also identify, choose and apply the way and strategy they will use this ideology. In the camps that are called terrorist groups 'political camps,' the ideology of the organization is taught to the members of terrorist groups. And in these camps, the aims, targets, ways, strategies, and ideology of the terrorist organ are explained, though, adopted by the organ leaders to the members. These camps also ensure the loyalty of the members of groups to the terrorist acts, activities, and organizations and also to the other members. But by the time some terrorist organizations or groups can change, derive or evolve their ideology to the situation of the time, date, year, or century (Öztürk and Çelik, 2009: 88).

**3. Organization Factor:** This factor is one of the most important criteria between terrorism and anarchism. Because for an activity or action to be a terrorist

attack it must be organized. This is the biggest difference between anarchism and terrorism. In order to be a terrorist group, this organization must act, and move together around the same political ideology and also it must be organized. This feature makes terrorism systematic and constant. Even the terrorist activity is fulfilled individually by just one person, these movements and activities must be supported by an organization. So the person who ensures and fulfills the attack terrorist activity individually he/she must be part of a terrorist group or organization and also supported by the terrorist group. So if a person fulfills or makes an attack by himself or herself without any contact with a terrorist group or organization this cannot be a terrorist act. This is anarchism. That's why the movements, acts, activities, or other attacks without terrorist groups' contact, communication or support are anarchism. Organization factors create the difference between the anarchism and lack of terrorism groups' contact, support, or communication and the terrorism. The terrorist group consists of the people together for the same aim, target, and embrace the same ideology in an organizational structure. For terrorist groups, the organizational structure has vital importance. Because the organizational structure is the beginning of the act of terrorist groups. So in order to act or organize, plan or begin to a terrorist attack, firstly the organizational structure must be completed as a first step. The importance of organizational structure also comes from the possibility of terrorist groups' decipherment. The organizational structure is the appearance of the tangibility of terrorist groups that's why if the individuals or groups deciphered one day in a situation the most important factor of the group of people would be destroyed. For this reason, the organizational structure is a dynamic factor that includes the people together around the same aim, and target and has the same ideology and acts with these destinations and goals in order to reach the target. The organizational structure has also a dynamic feature that changes, derives, increases, and sometimes decreases (Özdemir et al., 2018: 436).

**4. Violence (act) Factor:** The violence or instead of violence the word act can be used is the most important factor of terrorism. The terrorist groups or the people who join these groups use this way to reach their aims, goals, or target. The terrorist groups try to announce their acts, activities, the actions to make the people prove their aims. Violence is the last step of these structures. In these steps, the terrorist group

uses all the ways, weapons, and other choices to announce their existence. In this step, phase, or level the ways or the weapons are used for a massacre. The terrorist groups use all the wild and unmerciful ways to reach their aims also including the massacre. The consistency of the terrorist groups depends on their tangible activities, acts, and attacks. These attacks ensure the persistence and continuity of terrorist groups. The reason why armed action is important for the groups of terrorism is they compose and create their existence through the armed acts and to fulfil the task and mission in a wild and unmerciful manner. They also tried to be much more powerful as the result of their armed attack and with this image terrorist groups try to make the people tend to their side, ideology or to support with material or moral process, tool or technic. And with these results, the group tries to create a new and more dynamic cadre. And on the other side the terrorist groups which make a decision to be inertia lose their support, members and the other people although being another side of society but have sympathy for terrorism. So having violent activities is vital for terrorist groups. The main aim of a terrorist group is to make the people fear and to get this goal and reach this target, they use armed actions with weapons as a tangible result. So if a terrorist group stops its action, activities, or armed attack this causes the loss of people who supports the terrorism. The most important target of terrorist groups to destroy the current order with armed attack also includes the weapons such as wild massacres. The stand of a terrorist group makes them passive which causes a loss of support. Armed attacks and massacres make the terrorist group much more active and live. After identifying the ideology, the terrorist groups complete their organizational structure and after this step in order to prove their existence, they start to try wild and massacre activities with an armed attack. So the violence or instead of violence ‘act’ step is the third level of a terrorist group to exist. Although all the armed attack is important for these group to make people tend to their side, the first attack is the most important one. With the first armed attack citizens or people hear about the existence of the group. That’s why the first armed attack is very important and vital for terrorist groups. The first attack gives an opportunity to announce the existence of a terrorist group to declare the aim and targets of the group. So the bigger and the wilder action is better to announce, declare and proclaim their targets, aims and existence (Şimşek, 2016: 328).

The acts, activities, or facts do not happen suddenly. The case, event, or acts appear on the legal platform first. Then evolving from the legal side to illegal and wild acts can be entitled to savagery. The violence which is the subject of terrorism doesn't appear suddenly or abruptly. The beginning of violence starts with legal and legitimate protests, demonstrations, and shows. So in the beginning terrorism starts with the legal groundwork and in fracture then it evolves to the unlawful and illegitimate side that the results of the activities like a massacre (Atay, 2008: 413). Terrorism evolves with acts that are light and force and society has tolerance and indulgence for these acts, activities, events, and organizations. In the beginning, these activities look just like light situations which force the indulgence of society to stand it. But by the time these activities strain the tolerance of society evolve and derive to the events widespread and intense attacks target the life of people with like sabotage, assassination, and offensive acts. And the conditions which started on the legal and legitimate platform continues with some activities, acts, and action which forces the tolerance of society and then goes on with the action to slaughter and killing the people by the wild, unmerciful massacre. The type of behavior of the terrorist group change and evolve over time. The main aim, target, and goal of terrorist groups is to make fear, bored, dare and feel hopeless, desperate, and incurable to the people and with this way to decrease or remove the trust and faith of the people in the government, state, and the official institutions. Terrorist groups aim to make an environment, situation, and atmosphere which is chaotic, disordered, and confusing. The main result of such an environment, situation, or atmosphere like that is to decrease, eliminate or remove the faith, trust, or belief of the people in the government, official institutions, and state. And this is the result that terrorist groups aim for. The citizens who watch the activities of a terrorist group on the television, listen to the radio, or be aware of the news on social media or other channels feel hopeless and desperate because of these terrorist attacks. By watching, listening, or seeing this news people start to fear desperate and also fear to go out from the home or other location they dwell in or stay. The fear of people triggers the staying at the same location and waiting or staying at the same situation or location triggers the fear. And by the time people start to lose their faith, belief, and confidence not only for themselves but also for the government. This fear and hopelessness are the main aims of terrorist groups in the wild massacre. The terrorist groups use the protests

at the beginning which mislead the people then they start wild activities, acts, and organizations to remove the reliability, credibility, and trustworthiness of the government. The citizens who witness these terrorist acts, actions, or events start to feel bad then these events make the people fear, then finally people think the government is hopeless, weak, and desperate. The protests start by forcing the tolerance of the society and evolve into a wild massacre by the time aim this literally. The chaos, confusion, and disorderly environment make the people fear and desperate. Terrorist groups try to prove their existence with these wild, unmerciful and cruel organizations, events, acts, and activities. As much as they announce their cruelty and inhumanity they accept it as success. In order to continue to make the people fear and desperate the terrorist groups need to maintain the activities and acts like wild events such as massacres. When they stop taking action people lose their fear and go back to daily life. But this is a situation the terrorist groups don't want. So in order to maintain the fear of people, the terrorist groups continue to make events and activities (Öztürk and Çelik, 2009: 98).

Sometimes the terrorist group accepts the acts and activities even if they are not the instigator of the project. The reason for this is to announce their cruelty and try to stay on the agenda and try to maintain their popularity. This proves that the terrorist groups need to announce their activity to make the people fear. These activities are vital for terrorism, with the acts and actions of terrorist groups giving a message not only to their members and supporters but also the society. The message for the members or supporters is that they will continue the events so it means the maintenance will be continuo and the message for the citizens is they must stay at home or wherever they are and the people will remove the truth or belief of the government by the time because the actions will be continuo. The attacks, offensives, acts, activities, actions, or events organized by terrorist groups also aim destroy the image of the government and country not only in the domestic press and media but also in the international area and press. The attacks make the government desperate in the international area. This injury to the image makes the people change their decisions about another country. So terrorism is not only about the citizens or the people of this country. The effects of terrorism influence all the people all around the world (Günçiçek, 2015: 7).



Terrorism aims to make the people fear and as a result, the citizens cannot hang out outside and hesitate to maintain their daily life and routine. These are the basic domestic results of terrorism but from the international perspective, the terrorist attacks have bigger effects on the economy, tourism, and sociology of society. Because of the international structure, tourism is a very sensitive sector that is affected by a lot of things especially the events, acts, or activities about security or the economy. In the literature, there can be some different explanations or definitions for tourists. But basically, a tourist is a person who leaves for his or her own country not more than a year and with the aims for instance shopping, relative visiting, enjoying or just for wondering targets but excepting earning money or working in a country (Yıldız, 2011: 56). And also the students and the workers from other countries cannot be accepted as a tourist. Tourism is all the activities of the tour including accommodation, shopping, entertainment, recreation activities, and all the steps of the tourism establishment's supply process. In order to accept an activity or event as tourism, it must be more than 24 hours and less than a year. Tourism is one of the most important sectors for a country because it has effects not only on the economy but also on society. Tourism components consist of some subsectors: operating sectors, natural resources, and environment and built environment.

Table 3: Components of Tourism

<b>OPERATING SECTORS</b>	<b>NATURAL RESOURCES AND THE ENVIRONMENT</b>	<b>BUILT ENVIRONMENT</b>
Transportation	Physiography	Culture
Accommodation	Climate	Information
Eating and Drinking Establishment	People	Technology
Governance		Governance
Entertainment		Infrastructure
Events		Tourism Superstructure
Travel Trade		
Attractions		
Adventure and Outdoor Recreation		

**Source:** Travel Reference, 2022.

The operating sector includes transportation, accommodation, eating and drinking establishment, shops, entertainment, events, travel trade, attractions, adventure, and

outdoor recreation. Natural resources and environment include physiography, climate, and people. The built environment consists of culture, information, technology, governance, infrastructure, and tourism superstructure.

Tourism is a sector consisting of subsectors. That's why the change in tourism demand has a huge effect on the economy. The variable except for price changes the demand. But the change in price affects and changes the quantity of demand (Marshall, 1961). The tourism industry is affected by lots of variables such as trip features, destination resources, economic determinants, and exogenous factors. Terrorism or violence in a country is one of the exogenous factors that affect the tourist destination choice. On the other hand, safety is important for being a barrier to travel. The barrier to traveling is cost, lack of time, healthy limitations, family stage, and lack of interest, fear, and safety. The violence or terrorism's existence in a country is a big barrier and obstacle for the tourist. Because safety and security are important components of the decision-making process. People want to feel safe during their travel. So the existence of terrorism block people to visit countries that do not have a safe image in the domestic or international area and press.

When a terrorist attack is fulfilled by a terrorist group it is announced not only just domestic media but also by any other international and social media. So the tourists have news from the attacks and all the conditions in the country they want to go to or plan. That's why terrorism targets destroy the structure of the location and this zone gets bigger over time and spread all around the world through domestic and international press and social media than at the last part the people learn and get information about terrorist attacks. Then in the world agenda and journal, the country was announced as insecure and distrustful. After this news people start to change their decision from this location to any other but much safer countries. Terrorism attacks exist in one location but the effects of fear, chaos, and uncertainty spread all over the country then the fear and doubt circulate all over the world through news, press, and media. The activity is territorial, local, and regional; but the result is international. The image of the country is injured and damaged by the people residing in other countries (Özcan and Özmen, 2016: 71)

Like the tourism industry, terrorism aims to be international and tourism is an opportunity for terrorism to announce their attacks and spread the fear (Bağcı, 2020: 3).

The reason why the tourism industry is very sensitive and fragile;

- ✓ Tourism is not a domestic activity, act, or group of the organization. Tourism is an activity has an international perspective and dimension which lots of people join all around the world.
- ✓ The main purpose, aim, or target of tourism is humans. So, for a concept which is aim consist of human; safety and security is the most important factor for decision making process.
- ✓ Tourism effect lots of other sectors directly or indirectly and also other situations and conditions affect the tourism industry (Karakoç, 2020: 28).

Because of all these reasons tourism industry is very fragile and sensitive. This sensitiveness makes the sector vulnerable and unguarded to domestic and international acts. Also even though the frequency and stringency level play an important role in this decision-making process, the fear retains the people from the tourism activities. The harm that appears from the terrorist attacks which cannot be recovered, makes the tourist remove the locations where the attacks happened from their visiting list (Çelik and Karaçuka, 2017: 313).

Even one of the most important factors of tourism demand is economic, the effect of political stability, absence of violence, and terrorist attacks cannot be ignored. When there is a terrorist attack in a country, this gives a message that security precaution is not enough in this location, destination, or country. This message that was given by the terrorist group during a terrorist attack, destroys the image of the country. The attacks occur in a specific zone, area, city, country, or location but the results and the effects end international.

Tourism is an important income resource for all the countries in the system of world tourism. But especially in underdeveloped counties tourism has a much more important role in the income of the country. Even the other criteria such as; economical, sociological, and psychological factors are important for the decision-making process; one of the most important factors and variables for the tourist to

choose the destination is the structure of the country which includes political stability, absence of violence and terrorism (Çelik and Karaçuka, 2017: 314; Kılıç and Kurt, 2018: 246).

The terrorist attacks do not influence only the people or conditions in the location where the acts happened, the results affect the people all around the world because of the image of the country on social media, domestic or international press, and media. And after this, because the tourism is a sector that consists of and effect the influence of the other industries such as; finance, health, communication, entertainment, accommodation, and transportation the decision of the tourist changed because of the image of the country in the media affects all these subsectors that have a relationship with the tourism industry.

The sensitivity, delicacy, and the tenderness of the tourism demand to terrorist attacks change on some variables like:

- ✓ The frequency of the terrorist attack,
- ✓ The dimension of the terrorist attack on the destination of the tourists areas and tourists,
- ✓ The hardness of the terrorist attack (Çelik and Karaçuka, 2017: 315)

These details and variables about the terrorist attack determine and define the threat and risk perception of the tourists to make decisions and identify the destination they will visit or prefer. In this concepts, the media has a vital and important role to announce the reliability and confidence of a country in the international area. Because the frequency is determined and specified by the frequency and the dimension of the terrorist attack. The more, frequent and dense terrorist attacks take apart the domestic, local, social and international media and press. That is why the terrorist groups use tourism even not directly but most of the time indirectly to announce their massacre and wildness.

The location, zone, area, or destination in which the terrorist groups are active and occur big and damaging and nocuous attacks create the threat and risk perception and sensation for the tourist. And at the last step of the process resulted in a change of the decision of the tourist. So in order to keep the demand for tourism, safety and security must ensure in the country. Because of the uncertainty about safety and

security retain people prefer there. Tourists want to be in safe especially when they are in another country or location. The knowledge of people about security of the country makes the decision-making process easier. In this respect that the absence of violence and political stability increase the demand of tourism (Yılmaz and Yılmaz, 2005: 42).

### **2.3. GOVERNMENT EFFECTIVENESS**

Perceptions of the quality of public services, social welfare, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies are the subtitles and criteria of the effectiveness of the government (World Bank, 2022). In the structure of the country the welfare, public services, the quantity of the civil service, and degree of independence are all about the effectiveness of the government. Social welfare is a concept of the country consisting of a society that the every prefers of the citizens and people live in the country chose with freedom satisfied and in other words social welfare is a government structure that the necessities, needs, and requirement is fulfillment by government and solve or manage the problems in the society and maximize the utility of the social benefits (Güney, 2017: 43; Güney, 2018: 920).

The government ensures the effectiveness of the policy that was created and designed for the precaution against poverty, economic security, and the improvement of the health system, education, and residence. The top and the best point for the government; is the welfare government which has effective policies for education, social security, income distribution, social services for every citizen especially the disabled and elderly, health, housing, environment, and urbanization. These policies target maximize the utility of every citizen lives in the country. Actually, there are three important aims of the social government for ensuring effectiveness; social security, regulation for income distribution, and opportunity equality. Social security means life for everybody without needing anybody else and as a result this, the government ensures freedom for every citizen by giving them a chance to live any help or requirement from anybody else. One of the other aims of the government that has an effective policy is to regulate the distribution of income (Güney, 2018: 921). With the regulation for income distribution inequality in the society decrease and provide

the benefit, revenue, and income from the goods and services produced in the country are distributed equally. The government uses tax policies, government expenditures, and price controls for these regulations (Akin, 2015: 13). The government provides the policies for the people in the country in the low-income group free education opportunity and scholarships for opportunity equality. The other policy that is programmed, apply, and implemented by the government is the tax exception. By this application, some people are privileged from the taxes like old, ill, or disabled people. The last policy the government use for regulation is government expenditures. The government offers and ensures cash, tangible or material aid to the people who need much more income to survive. With these three policies, the government aims to effectiveness (Güney, 2018: 927).

Social welfare consists of three important elements; the first necessity is the fulfillment of the needs and requirements. The second criterion is solving or managing the problems of the society or social problems in the community and the last component is maximizing the opportunities and benefits for society in the community (Güney, 2018: 920). Any corruption of one of these concepts destroys the perception of welfare and indirectly affects the government's effectiveness. The most important role belongs to the government to fulfill the responsibilities for social welfare, social government, and government effectiveness. The government can regulate income inequality, working hours for the employees, improve the health of the society and some other problems or items like these. All these regulations are possible with the policies of the governments. Therefore, the effectiveness of the government is very important for social welfare, equality also regulation. As much success government gets, the result of the politics of increasing welfare will be satisfying. So the social welfare is one of the most important indicators of government effectiveness with the other factors such as; the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation, and implementation, and the credibility of the government's commitment.

On the other hand, public services are one of the important components of the effectiveness of government. Public service is ensuring the supply, response, or satisfaction for the requirements that are about or demanded from a big part of the society or everybody in the community by governments, legal entities, or the private

institution and organizations that can be checked and controlled by the government (Koumenta, 2011: 8; Gülan, 1988: 148). Even though there are some definitions and explanations for the public services in the literature, there is not a definite border or limit between the states. Nevertheless, there is no definite border between the explanations (Çal, 2009: 9). Basically, the public services include all activities fulfilled by the government for the welfare and peace of the community (The Ministry of Interior, 2022). The main aim of the public service is a community benefit, maximizing the utility with the services that are started, ensured, and completed by the government. There are some services that it is not possible to ensure by the society themselves. Because the cost of the services like that is too high therefore ensuring some services used by a huge part of the community are not affordable individually. Courts, electricity services, infrastructure investment, education, health, military and security, telecommunication and construction the establishment and facilities for the public institutions and organizations are some examples of the public services. Without government investment and activity it is not possible to ensure all these services to the citizens individually. The government targets these services to reach every citizen to satisfy by fulfilling their at least basic requirements like health, electricity, and infrastructure. The presence and entity of the government are not just about the cost. In some public and state organizations or institutions like courts and education for providing equality for the basic needs of society, the presence of effective governance is an obligation. With the public services, the government does not only undertake, but also assume or accept the cost; with these services, the government accepts to provide equality, peace, health, and security to the community and society.

On the other hand from the perspective of the citizens; transferring the responsibility of the services that need high cost and investment or require some principle like equality means the community trust and belief that the government is not only fair but also beneficial (Martin, 2004: 8).

There are some principles for providing public services to reach all the citizens:

- ✓ The principle of quality is the most important element that government takes into account.
- ✓ The public services must be beneficial, useful, and helpful for at least most of the society or if it is possible, for everybody in the community.

- ✓ The decision that is identified to determine whether it is a public service or not is assigned by political decision.
- ✓ The public service can be in a specific zone, area, location, or city. So it can be local, regional, and national.
- ✓ The public services can be provided by public, state, or official organizations and institutes or they can be provided by private organizations that are controlled and checked by the government.
- ✓ It is not a monopoly or does not need to be a monopoly.
- ✓ Most of the time public services are provided for free.
- ✓ The public services are constant, stable, and permanent (The Ministry of Interior, 2022).

Even most of the time the public services are provided by the government or public organizations, sometimes the private sector can take over to assure and supply the services. Even though the private sector provides the services, still the responsibility and rights to auditing, checking and controlling belong to the public institutions, organizations, and government. In this respect for every situation that determined the maker of the public services, the last decision-maker and the owner of the auditing and control center is government

Public services can be classified their items that; economic, social, administrative, scientific and technical, and cultural public services (The Ministry of Interior, 2022).

- ✓ **The economic public services:** the intervention in the market in order to maximize the benefit of the society. These policies that are used by the government usually utilize and operate with the private sector. These economic services are provided by the government to supply and satisfy the economic needs of the society.
- ✓ **Administrative public services:** these services are about education, health, safety, and security. The regulation of these administrative public services is adjusted by the public law.



- ✓ **Social public services:** these services consist of the adjustment, policies, and regulations regarding retirement, social aids, regulation of the working life, and social security.
- ✓ **Scientific Technical and cultural public services:** the supports of the government art and activities for art. The policies about music, theatre, ballet and opera, and any other art branch (İşten, 2007: 106).

One of the other classifications for the public services is based on the application area, local public services, and national public services. This criterion is identified by the size and the magnitude of the zone where the public service will be ensured (Altın, 2013: 106).

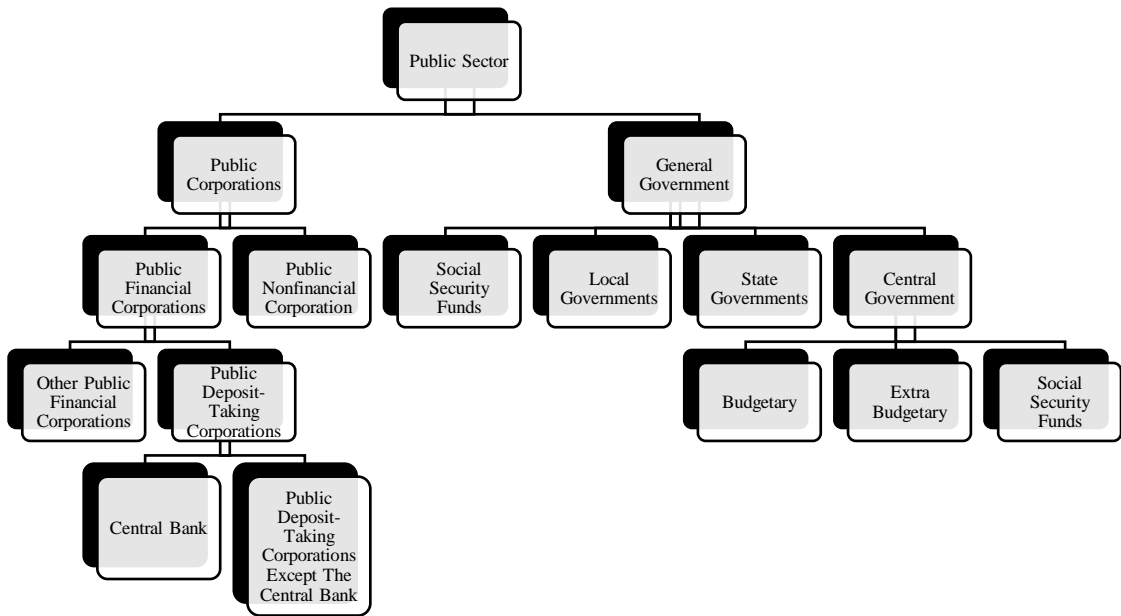


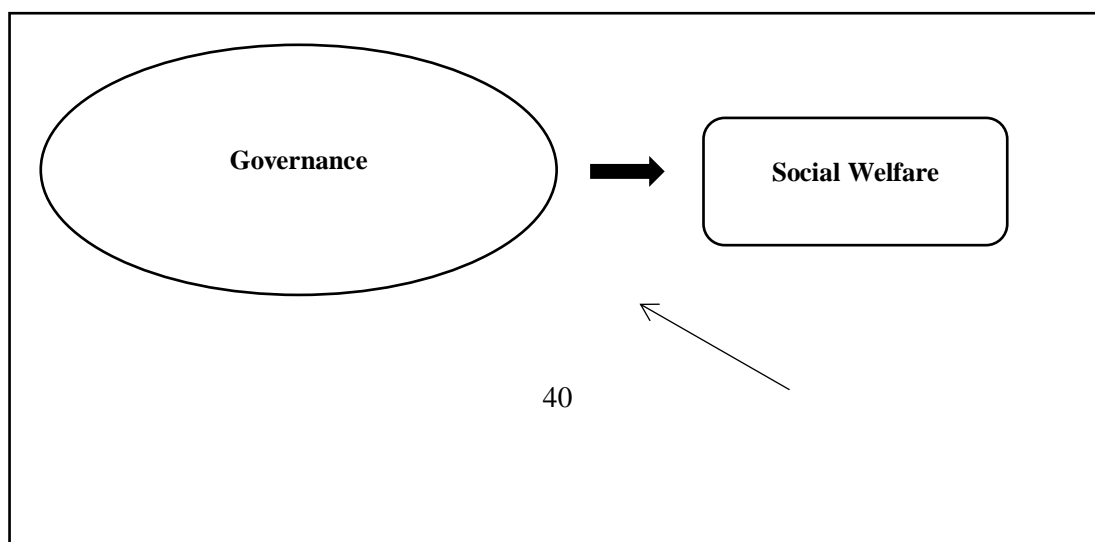
Figure 3: The Components of the Public Sector

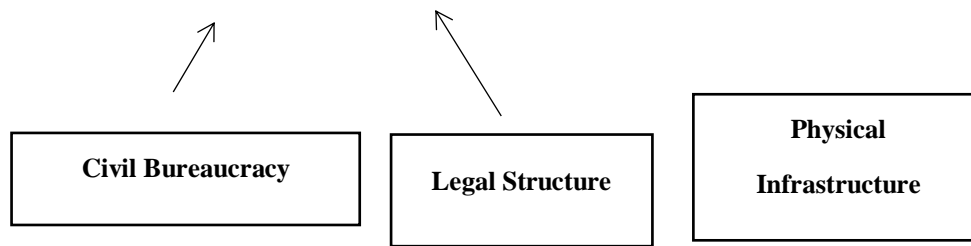
**Source:** Dabrowski, 2016: 14.

The public sector can be seen in the figure above consisting of public corporations and the general government. General government includes central government, state government, local governments, and social security funds. State and local governments cover the subsectors. Central government includes budgetary, extra budgetary, and social security funds. Furthermore public non-financial corporations and public financial corporations create public corporations. The other important concept to ensure the government's effectiveness is the quality of the civil services.

Trying to reach every citizen to ensure the requirements of the people is the most important value of civil services. There are some other features to account for and identify the quality of the civil services: integrity, impartiality and non-participations, objectivity, dedication to public services, empathy, tolerance, and compassion towards the weaker section. These variables use to determine the quality of the civil services (Politics for India, 2022).

Integrity means and expresses the quality of being closer to the moral principles and stable for every citizen. Impartiality and non-participations and objectivity state and denote the same distance that is put by the government to every citizen in the country, not to behave and act for some part of the society and for their interest and benefit. To identify and determine politics for every group in the society. Dedication for public service to act and maintain the services for the citizens in the country without accepting any award, prize, benefit, premium, or motivation. The only reason for servicing the goods and services is for the welfare and happiness of the citizens. The only pushing factor for the government must be the requirements and welfare of the society without any expectation or hope. The compassion towards the weaker-section targets even the main aim of the public service to reach everybody in the community but especially the part of the society in low-income group and need aid more than the people in the other part of the community. The effectiveness of the government depends on the civil bureaucracy, the legal structure, and the physical infrastructure. A government that does not become entangled in bureaucratic corruption accepts the rule of law and ensures the social needs and requirements of the community contributes a positive effect on the government's effectiveness (Güney, 2018: 921).





**Source:** Güney, 2018: 921.

The effectiveness of the government has an important role because it affects not only the social welfare but also the economy, policy, culture, and community. In countries that have good and effective governance, the process of making a decision is much more objective and fast. The relationship between the speed of the decision-making process and the effectiveness of the governance is about accepting the rule of law and developing a law system. In the countries that have government effectiveness the rule of law is accepted without any social corruption. The exception of the rule of law and developed law system bring velocity for projects for the society in the country. And the citizens trust the law system wherefore it is objective, fast, and reliable (Şaşmaz, 2019: 1). Also, the credibility or reliability of the government is one of the criteria for government effectiveness. The belief and faith of the people in a country assign depend on the policies of the government. Governments have an obligation to minimize uncertainty and risks in the economic, social, and political environment, situation, and conditions. The financial crisis and other recent disasters have raised and increased the number of questions in the mind of the citizens. The perception of the citizens creates an image that the government can protect them from natural disasters, economic crisis, and any other problem that affect the big part of the community. The crisis demonstrated and showed that governments were ill-prepared, unready, and extemporaneous in reacting to rapidly occurring and overlapping crises, disasters, and catastrophes and not flexible, resilient, and elastic enough to respond and solve the problems effectively. There was also a shortage of analytical data to guide them. Government action, policies, and activities have been seen to be disjointed, lacking direction and the capacity to make sense of complex and complicated issues and problems. Reliable and trustworthy policymaking requires improving a long-term vision for the public sector. In the long term, the results of the government must be

beneficial and useful for all the people in the society or a big part of the community. These policies that are made and implemented by the government determine the reliability of the government. The management of the government can be classified into two subgroups; fiscal management and risk and crisis management. Fiscal management is a key and very important element in restoring and creating trust and belief of the citizens in government (OECD, 2022a). For fiscal management, the budget is a central indicator of the policy document of the government, showing how it will achieve and reach the targets, aims, and goals. The budget is a contract between citizens and the state or government, showing how resources are raised, used, distributed, and allocated for the delivery of public services to the citizens. The documents must be clear and understandable, the existence of the documents is a guarantee in order to follow the development of the policies (OECD, 2022a). The Principles of Budgeting Governance can be used as a guide to inform budgetary processes and reforms and the ways that will be followed by the policymakers. Also, risk and crisis management are one of the most important responsibilities and duties of any government to ensure the security and safety of its citizens in a safe environment and conditions. Moreover protecting the institutions that maintain confidence, good governance, and welfare for the citizens. Government must create effective and applicable policies to decrease the risks and maintain stability (OECD, 2022a).

In conclusion, the welfare, public services, quality of the civil service, degree of independence from political pressure, quality of policy formulation implementation, and credibility of the government determine the government's effectiveness (OECD, 2022a).

The effectiveness of governance does not affect only the citizens that live in the country. The effectiveness of government that include the services not only used by the citizens of the city or country but also used by the tourists and other people visit there (Mushtaq et al., 2020: 624). So effectiveness of governance also has a relationship with tourism. The sub components such as economic public services; the intervention in the market in order to maximize the benefit of the society; administrative public services, about education, health, safety, and security about regulation of these administrative public services is adjusted by the public law, social public services consist of the adjustment, policies, and regulations life, and social

security, scientific technical and cultural public services: the supports of the government art and activities for art and policies about music, theatre, ballet and opera, and any other art branch (İşten, 2007: 106) is used by other people like tourists. So that is why there is a relationship between government effectiveness and tourism demand.

## **2.4. REGULATORY QUALITY**

Regulatory quality captures perceptions of the ability of the government to formulate and implement policies, plans, and regulations that permit, allow, motivate, promote and support private sector development. This lists the individual variables from each data source used to construct this measure in the Worldwide Governance Indicators (World Bank, 2022):

- ✓ Unfair competitive practices
- ✓ Price controls
- ✓ Discriminatory tariffs
- ✓ Excessive protections
- ✓ Discriminatory taxes
- ✓ The burden of government regulations
- ✓ Prevalence of non-tariff barriers
- ✓ Investment freedom
- ✓ Financial freedom
- ✓ Ease of starting a business governed by local law?
- ✓ Ease of setting up a subsidiary for a foreign firm?
- ✓ Share of administered prices
- ✓ Does the State subsidize commodity prices
- ✓ Does the State subsidize the price of petrol at the pumps?
- ✓ The efficiency of competition regulation in the market sector
- ✓ Investment profile
- ✓ Regulatory burden
- ✓ Tax inconsistency (World Bank, 2022).

According to World Bank, the variables listed below figure are used for accounting for the quality of the regulations. The stability, performance, and effectiveness of the regulatory determine to affect the quality of the regulatory.

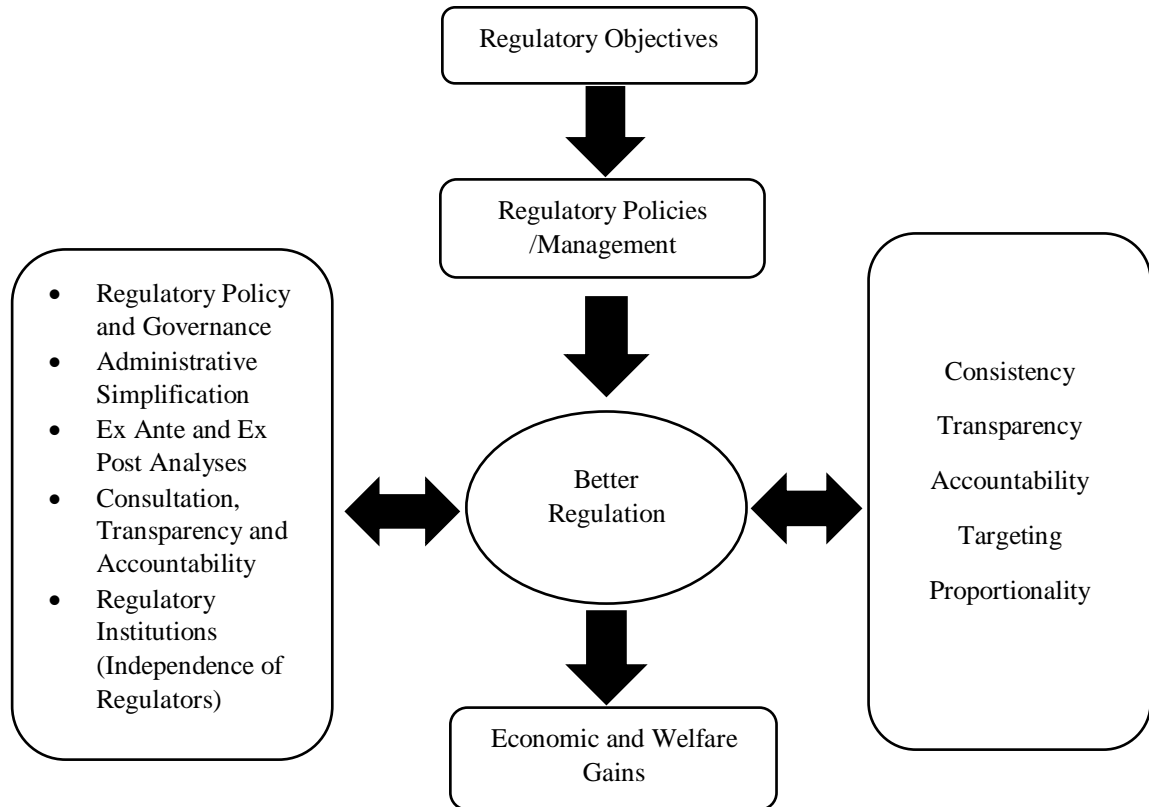


Figure 5: The Causal Chain and Specific Regulatory Policies

**Source:** Parker and Kirkpatrick, 2012: 12.

According to Parker and Kirkpatrick (2012) for calculation of the regulation and to understand the quality level of the regulatory, there are some variables that can be used: regulatory objectives, regulatory policies and management, and economic, and welfare gains. With the raising of application of these factors, the better regulation policies are gotten up. Consistency, transparency, accountability, targeting, and proportionality ensure high quality for the regulator. The more intensive the features are applied the better regulation will be gained for the society. To obtain a better regulation system and to get much more efficiency, the tools that can be used are regulatory policy and governance, administrative simplification, analyses, consultation, transparency and accountability, and regulatory institutions. The tools and policies for better regulation resulted in economic welfare and gains (Parker and Kirkpatrick, 2012: 12).

Regulatory quality is a complex and complicated item. But it has an advantage: principles of better regulation ensure a focus on quality that goes beyond efficiency (Radaelli and De Fransceso, 2004: 5). The regulator controls and inspects public ownership and private business activities. How many firms does the government control in the market, its share in the communication sector directly on commercial enterprises, and the other shares of the sectors in the economy? Government or regulator can be used instead of each other to check and control the local, domestic and international investment to reach the location from where the resource came from. This is part of the economical control mechanism for the regulator (Karacan, 2012: 21).

The control mechanism for the economy consists of these items:

- ✓ The percentage of the public in the market and the prevalence of the official investment.
- ✓ The share of the public investment in the sector of communication, energy industry, and transportation.
- ✓ The direct control of the community enterprise and the intervention of the public in the market consist of the private enterprise.
- ✓ The control of the market is competitive and includes transportation, trade, professional services, and mobile communication.
- ✓ The use of a controlling system and mechanism.
- ✓ The license and allowance that is given by the government for important projects and activities.
- ✓ The endeavor to make much more basic the process of the government
- ✓ The administrative burdens for the corporations to create a new corporations
- ✓ The administrative burdens for the companies have only one owner
- ✓ The administrative burdens for the land transportation and trade
- ✓ The legal obstacle to entering the market for trade
- ✓ The exception of the public companies from the competition law
- ✓ The obstacle for the communication sector
- ✓ The obstacle to the services and professional services
- ✓ The barrier for the foreign investment which directly enters the country and the borders for the foreign investment for some industries

- ✓ Tariffs
- ✓ Discriminatory processes are the indicator of the discrimination against foreign companies on the border of the law.
- ✓ Regulatory policies are the obstacles to the trade except for the tariffs (Karacan, 2012: 19).

With these items sorted above, the quality of the regulations can be accounted for. The policies can be social, economic, legal, or about the zone of government activities. Under the title of the activities of the government, there are subgroups of the concept; the percentage of the government expenditure in the total expenditure, transfers, and subsidy of the gross domestic product, the expenditures and investments of the government, marginal tax ratio, marginal income tax ratio and the tax of the marginal income and wages.

The law structure and property rights have some other subtitles; the independence of the law, objective courts, the protection of the property right, the military intervention of the law and policy, the consistency of the law system, the legitimate application of the agreement, the regulatory intervention to sell the real estate, the reliability of the police, the cost of the quilt.

Some of the regulations are about the system of the country inside and some of them are about international trade and maintaining the power of the national money. To increase the supply of money, inflations, the standard variation of inflation, and the freedom of the currency. The government uses international free commerce arrangements with these sub regulations; the taxes on international trade, the income of the trade tax, average tax ratio, the regulator trade interventions, foreign exchange in the black market, and capital controls. Some other regulations about labor force market, business arrangements, credit market regulations; the ownership of the markets, credit of the private sector, negative real interest rate, the rules to accept business and minimum wage, dismissal regulations, obligation service, bureaucratic costs, extra payments and bribe, the limits of the license. The features that regulatory authorities need to have is objectivity, stability, consistency, reliability, and independence (Petek, 2002: 13).

The components of regulatory quality such as black market, supply of money, inflations, the standard variation of inflation, and the freedom of the currency factors



do not effect only the people live in a country. For instance one of the most important sub component like inflation effect the people who would like to visit other countries. Because the components of regulatory quality factor has relationship with the purchasing power of tourists especially the international ones. In the decision making process tourists focus the purchasing power, inflation or exchange rates of the countries. The countries has more advantage by more purchasing power or exchange rate opportunities can ensure the tourists. These economic indicators like black market, supply of money, inflations, the standard variation of inflation, and the freedom of the currency factors are all about the regulatory policy. These indicators have direct effect on tourism demand. In this respect that there is a relationship between tourism demand and regulatory policy.

## **2.5. RULE OF LAW**

The rule of law means; to suit and comply with every citizen in the society and the country to the rule of the laws. Laws are equal for every single person in the community. This concept is about spreading the legal and law system to every individual in the country. The application and practice are the same and equal for everybody. Across the law system and rule of law, there is nobody much more superior to the other one. Applying the constitutional laws are applied to everybody with the same process and period equally (Turkey Bar Association, 2015: 13).

The scope of the rule of law is for citizens, the group of people governs, legal entities, and individuals. Because the scope of rule of law covers everybody, it also adjusts the relationship between the people in the trade, the companies in the market, people who are a citizen, and the sides of an item that happened as an object of a legal event. The rule of law subordinate the use of authority and this application makes the legal system independent and equal for everybody in the country. No one can use their authority depending on his or her desire and pleasure.

According to World Justice Project, some indexes can be used for the rule of law accounting:

- ✓ Constraints on Government Powers
- ✓ Absence of Corruption

- ✓ Open Government
- ✓ Fundamental Rights
- ✓ Order and Security
- ✓ Regulatory Enforcement
- ✓ Civil Justice
- ✓ Criminal Justice (World Justice Project, 2022).

The indicator constraints on government powers consist of subtitles. The first one is government powers are effectively limited by the legislature measures and accounts whether legislative bodies have the capability in practice to exercise effective checks on and observation of the government. The second subtitle government powers are effectively limited by the judiciary; measures whether the judiciary has the independence and the ability in practice to exercise effectively on the government. Another subtitle about constraint on the government powers; is government powers are effectively limited by independent auditing and review measures whether comptrollers or auditors, as well as national human rights ombudsman agencies, have enough independence, freedom, and the ability to exercise effective checks on and oversight or the applications of the government. Another item about this indicator is; that government officials are sanctioned for misconduct which measures whether government officials and institutions in the executive, legislature, judiciary, and the police are investigated, prosecuted, and punished for official misconduct and some other violations. Government powers are subject to non-governmental checks measures whether an independent and free media, civil society organizations or social groups that people can join, political parties, and individuals are free to report and comment on government policies without fear or doubt. The transition of power is subject to the law; which measures whether government officials are elected or appointed by the rules and legal and legitimate procedures outlined in the constitution. Where elections take place, it also measures the integrity of the electoral process, including access to the ballot, the absence of intimidation, and public scrutiny of election results. These sub-indicators can be used to account for the level of the constraints on government powers (OECD, 2022b)

The other indicator for the rule of law is the absence of corruption calculated by some other sub-indicators as government officials in the executive and judicial branches do not use public office for private gain, government officials in the police, and the military and legislative do not use public office for private gain.

While accounting rule of law for a country one of the other indicators of an overall index score is the open government concept. Moreover, the open government concept consists of publicized laws and government data which measures if the basic laws and information on legal rights are publicly available, presented in language, and made accessible in all languages. It also measures the quality, attainability, and accessibility of information published by the government in print or online, and whether administrative regulations, drafts of legislation, law system, and high court decisions are made accessible to the public in a timely manner. Furthermore, the open government concept includes the concept of the right to information which measures whether requests for information held by a government agency and institutions are granted, whether these requests are granted within a reasonable, logical, and rationalist time period, and if the information provided is pertinent and complete, and if requests for information are granted at a reasonable cost and without having to pay a corruption. It also measures whether people are aware of their right to information and whether relevant records are accessible to the public upon request. Open government criteria also have one more subtitle as civic participation that measures the effectiveness of civic participation mechanisms, including the protection of the freedoms of opinion, logic and expression, assembly and association, and the right to petition the government. It also measures whether people can voice concerns to various government officers and whether government officials provide enough information and notice about decisions affecting and resulting from the society. The last sub-index for open government is complaint mechanisms which measure whether people can bring specific and private complaints to the government about the provision of public services or the performance of government officers in carrying out their legal duties in practice and example also how government officials answer complaints (Britannica, 2022; World Justice Project, 2022).

Rule of law index has some subtitle like fundamental rights consists of equal treatment and absence of discrimination, the right to life and security of the person is

effectively guaranteed, due process of the law and rights of the accused, freedom of opinion and expression is effectively guaranteed, freedom of belief and religion is effectively guaranteed, freedom from arbitrary interference with privacy is effectively guaranteed, freedom of assembly and association is effectively guaranteed, fundamental labour rights are effectively guaranteed. Equal treatment and absence of discrimination measures whether individuals are free from distinction based on socio-economic status, gender, ethnicity, religion, national origin, sexual orientation, or gender identity to public or services, employment, court proceedings and operations, and the justice, fairness, and equality system. the right to life and security of the person is effectively guaranteed which is one of the sub-index of fundamental rights measures whether the police inflict or condemn physical harm upon criminal suspects and doubtful during arrest and interrogation and whether political dissidents or members of the media are subjected to unreasonable and unwise or illogical searches, arrest, detention, imprisonment, threats, abusive treatment, or violence. Freedom of opinion and expression is effectively guaranteed measures whether an independent and free media, civil society organizations or institutions, political parties and organizations, and individuals are free to report or statement and comment on government policies without fear or doubt of retaliation (Gözlügöl, 2013: 1433)

Freedom of belief and religion is effectively guaranteed measure of whether members of religious minorities can worship and conduct religious practices freely and publicly, and whether non-adherents are protected from having to submit to religious laws (Sambur, 2009: 42). Freedom from arbitrary interference with privacy is effectively guaranteed which measures whether the police or other government officials conduct or manage physical searches without warrants, or intercept electronic communications of private individuals without judicial authorization. Freedom of assembly and association is effectively guaranteed about whether people can freely attend community or society meetings, conferences, or sessions and join political organizations, hold peaceful public demonstrations, sign petitions, and state or explain opinions and comment against government policies, events, and actions without fear of retaliation. Fundamental labor rights are effectively guaranteed measures of the effective application of fundamental labor rights, including freedom of association or social organizations and the right to collective bargaining, the absence of

discrimination for employment, and freedom from forced labor and child labour (World Justice Project, 2022).

Order and security is another index for rule of law consisting of crime is effectively controlled, civil conflict is effectively limited, and people do not resort to violence to redress personal grievances (Sargin, 2009: 160). As well as people's general perceptions of safety and security in their societies in the country crime are effectively controlled by an account of the prevalence of common crimes seen in the country including homicide, kidnapping, burglary and theft, armed robbery, and extortion (World Justice Project 2022). Civil conflict is effectively limited measures of whether people are effectively protected from armed conflict and terrorism (Sağlam, 2007: 291). People do not resort to violence to redress personal grievances and problems means whether people resort to intimidation and violence to solve civil disputes and problems amongst themselves or to seek compensation from the government or institutions and whether people are free from mob violence (World Justice Project 2022). Regulatory enforcement includes some subtitles; government regulations are effectively enforced, government regulations are applied and enforced without improper influence, administrative proceedings are conducted without unreasonable delay, due process is respected in administrative proceedings, and the government does not expropriate without lawful process and adequate compensation. Moreover, civil and criminal justice is another index value for rule of law means; covers the accessibility of the people to the legal rights freely (World Justice Project 2022).

Rule of law index is measured by these indicators about social, economic, and cultural lives, events, organizations, acts, institutions, and companies basically about every element in the society or community in the country. Rule of law must apply to every citizen in society.

Even the sub titles of rule of law look like interested in just citizens of the country, from the broad perspective there is another effect on international area. When the tourist make a decision about the destination of a trip they want to feel safe and secure if some unlucky problems occur. And one of the other criteria for tourists to know if something happens in the trip law of the country can protect them across to the wicked and unlucky actions done by illegal person, people or groups. The tourism

activities require the freedom to move from one place to another. In order to act and move people need to feel the protection of law. In this respect that the rule of law is the guarantee for tourists across the incident, events and cases. The rule of law protect people not only the citizens to each other but also the tourists to the actions, people and events can be occur in the holiday and trip. The countries that does not have rule of law and the law decisions make by out of legal border, cannot be fascination for the tourists. Because people don't want to be in the places, destinations or locations that cannot be estimated of the manner of law or rules. That is why there is a direct effect of rule of law on the tourism demand (Maniatis, 2016: 5)

## **2.6. CONTROL OF CORRUPTION**

Corruption is one of the biggest problems in countries regardless of developed or non-developed. In the literature, there can be lots of reasons for corruption but this is a definite result that corruption destroys the social and economic structure of the society. Corruption has negative effects on economic factors like; investment, growth, and income. To prevent, decrease or control corruption the most important role belongs to the government. Because the most important target and aim of the government is service to the citizens; the responsibility to remove the obstacle to economic growth and increasing income, belongs to the government (Berksoy and Yıldırım, 2017: 2). The definition of corruption is abusing public office and rights for private gains (World Bank 2022). The factors of corruption are; authority, illegal use of authority and to get profit. Authority is the power that is given by the position of people in a public organization or a private company. Using authority illegally means, behaving out of the borders that are limited by the law or the rules of companies, institutions, or organizations. To get benefit means, having gained from this illegal activity. The border of the authority is not only in the public sector, if the owner of the authority is in the private market corruption can exist in the private sector (Yürekli, 2017: 239-40). Corruption has high costs such as; economic, social, political, and environmental costs. Corruption is a very large and complex problem.

- ✓ It is a social and economic cancer
- ✓ Can metastasize throughout an organization
- ✓ Breeds different corrupt practices

- ✓ Cannot be fully solved by legislation or decree
- ✓ Inflates costs, eliminating competitiveness
- ✓ Discourages foreign and local investment
- ✓ Destroys credibility and undermines the authority
- ✓ Reduces quality of products and services
- ✓ Weakens the rule of law
- ✓ Poisons' values, morale, and culture (Corruption Control 2022).
- ✓ Judicial corruption undermines the rule of law and government legitimacy
- ✓ A corrupt judiciary cripples a society's ability to curb corruption.
- ✓ Corrupt practices facilitate drug trafficking and organized crime.
- ✓ Corruption is associated with money laundering and illicit international money transfers, which can be used to support international terrorists (UNODC, 2022).

Corruption has also a relationship with terrorism. Terrorist groups use corruption to transfer their resources from one location to another, money laundering, and also to get an allowance for their illegal activities.

In the process of the control of corruption; government officials in the executive branch do not use public office for private gain means the prevalence of bribery, informal payments, and other inducements in the delivery of public services and the implementation of regulations and adjustment. it also measures whether government procurement and public works contracts are awarded through an open and competitive bidding process and whether government officials at various levels of the executive branch refrain from embezzling public funds, benefits, and capital or stock. Government officials in the judicial branch do not use public office for private gain accounts whether judges, juristically and judicial officials refrain from soliciting and accepting bribes and corruption to perform duties or expedite processes and whether the judiciary and judicial rulings are free of improper influence by the government, private interests, and criminal and quality organizations.

Government officials in the police and the military do not use public office for private gain means whether police officers or staff and criminal investigators refrain from soliciting and accepting bribes and corruption to perform and act basic police services or to investigate crimes and if government officials in the police and the

military are free of improper influence by private interests or criminal organizations or the group of people.

Government officials in the legislative branch do not use public office for private gain measures whether members of the legislature refrain from soliciting or accepting bribes and corruption or other inducements in exchange for political favors or positive votes on legislation (World Justice Project 2022).

Corruption has different types the result appears in various sectors or areas; economic, political, social, environmental, and judicial. The types of corruption can be classified by various factors but basically, it is; political and managerial. In political corruption, the owner of authority behaves illegally in the process of creating policy. The owner of the authority accepts the bribe for following the illegal ways and to get benefit some group of people. Political corruption appears in the decision-making process of the government. Another corruption type is managerial which means the owner of authority behaves illegally in the process of managerial activities and business. In this type of corruption, there are two more subtitles of managerial corruption; the first one is for financial benefit and the other one is not for financial benefit. Corruption is for financial benefit and gets material results like money, gift, and properties. The corruption that is not for financial benefit is not getting material results. The results of this type of corruption are lobbying, vote trade, logging, and nepotism (Yürekli, 2017: 240-41).

Table 4: Type of Corruption

Money	Assets	People	Power
✓ Bribery	✓ Misappropriation	✓ Forced labor	✓ Predatory practices
✓ Gratuities	✓ Theft	✓ Discrimination	✓ Prepotency
✓ Kickbacks	✓ Buyer schemes	✓ Harassment	✓ Impunity
✓ Skimming	✓ Chiseling	✓ Function abuse	✓ Justice obstruction
✓ Tainted loans	✓ Billing fraud	✓ Nepotism	✓ Suppression
✓ Embezzlement	✓ Collection fraud	✓ Cronyism	✓ Bullying
✓ Fraud	✓ Seller schemes	✓ Ineptitude	✓ Influence peddling
✓ Larceny	✓ Concealment	✓ Interest conflict	
✓ Extortion	✓ Book cooking	✓ Plagiarism	
✓ Blackmail	✓ Misstatement	✓ Big ridding	



✓ Laundering	✓ Expense peddling	✓ Price fixing	✓ Hoarding ✓ Insider trading ✓ Illicit enrichment ✓ Squander
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**Source:** CorruptionControl, 2022.

Corruption in the society in a country affects the policies, environment, society, and also international activities such as tourism. Corruption creates an opportunity for terrorist groups or other illegal organizations to money laundering. This situation destroys and ruins the image of the country. Image is one of the most important factors in the decision-making process of tourists. Preventing corruption is important for not only national benefits but also for an international situation of a country in the world press and to express its image of it.

Control of corruption has an important effect for the citizens but also has an international effect on tourism in the global market. The corruption makes the holiday, trip or journey dangerous and insecure. In the countries where the corruption is very common has a dangerous image for not only the citizens but also the tourists. Corruption is a very dangerous factor that pretend the tourist to move freely. One of the other danger about corruption is being an image of non-developed countries. Because in the developed countries corruption is not tolerated by government, people or society. But in the non-developed counties corruption is a very common situation. In this respect that corruption indicators does not only show the percent of corruption in a country, these indicators also shows the level of developing of the countries. As a result because of being a powerful symbol of the level of developing for a country and indirect indicator of law, secure and social life; the corruption has an effect on tourism demand (Ekine, 2018: 51).

## **PART THREE**

### **RESEARCH ON GOVERNANCE IN TOURISM**

In this part, the impacts of World Governance Indicators (WGI) on tourism will be empirically analysed worldwide for the period from 2005 to 2018 with STATA 14 program.

#### **3.1. PURPOSE AND SCOPE OF THE RESEARCH**

The aim of the thesis is to analyse the effects of governance on tourism from a country-level macro perspective, using governance indicators. Within this framework, the positive or negative effects of the relevant indicators (Voice and Accountability; Political Stability and Absence of Violence / Terrorism; Government Effectiveness; Regulatory Quality, Rule of Law, and Control of Corruption) on tourism will be revealed, a general judgment will be reached and macro recommendations will be presented in the context of tourism policies. The scope of the research in this thesis is limited to a macro perspective, as it is aimed to make inferences at the country level. This study examines the narrow and broad definitions of governance and gathered the traditions and institutions that apply authority in a country under 3 headings. These are as follows (Kaufmann, 2010: 4);

**(a) The process by which governments are selected, monitored and replaced:**

1. Voice and Accountability (VA)
2. Political Stability and Absence of Violence/Terrorism (PV)

**(b) The capacity of the government to effectively formulate and implement sound policies:**

3. Government Effectiveness (GE)
4. Regulatory Quality (RQ)

**(c) The respect of citizens and the state for the institutions that govern economic and social interactions among them:**

5. Rule of Law (RL)

6. Control of Corruption (CC)

### **3.2. DATA SET AND METHODOLOGY**

The panel data set used in this study was taken from the World Bank statistics. The data covering the period 2005-2018 includes 137 countries. We included the largest number of countries in the analysis, with the longest time dimension (see appendix). Because we aim for worldwide analysis. The existence of a long-term relationship between the World Governance Indicators (WGI) and tourism will be analysed separately for each indicator by the panel co-integration method. Theoretically, all governance indicators can affect tourism in the short term. However, revealing the long-term relationships will help us to predict the permanent effects of governance indicators. Also, these predictions will provide important information for policy suggestions. Therefore, we use the panel co-integration method because it allows the analysis of long-term relationships with the stationary analysis of the variables. If co-integration cannot be detected, the causality relationship between the variables will be tested.

In statistical data analysis, we can generally divide the observations into three classes. These are time-series, cross-section, and mixed data created by the combination of these two. Panel data are called the data obtained by observing the cross-section units (individuals, firms, countries, etc.) within a certain time period (Uçar, 2013: 3). The method of estimating economic relations with the help of panel data models is called panel data analysis (Çelik and Kırıl, 2018: 1013). Panel data analysis combines cross-section data with time series. It provides more interpretive data, less linear collinearity between variables, higher degrees of freedom, and more efficiency (Gujarati, 2016: 406). Panel data studies generally have three purposes:

- ✓ To reveal the change of each unit over time in the cross-section.
- ✓ To explain the change of units separately or together through other variables

- ✓ To be able to predict each unit depending on the relevant explanatory variable (Uçar, 2013).

We can summarize the advantages of panel data analysis over cross-section and time-series studies as follows:

- ✓ The number of observations is high and this increases the confidence of the results of asymptotic tests in practice.
- ✓ The heterogeneity of the cross-sections can be modelled through some variables.
- ✓ When the number of observations increases in the time dimension, the efficiency of parameter estimations increases, and the multicollinearity problem disappears.

The disadvantages are as follows:

- ✓ The assumption of independence between measurements, which is one of the assumptions of test statistics, is broken.
- ✓ Panel data collection or survey creation and editing are costly.
- ✓ If the stationary test is not performed, the spurious regression problem is also encountered in the panel data analysis (Uçar, 2013: 3).

The spurious regression problem will be eliminated with the cointegration approach. Because the cointegration approach investigates whether the linear composition of the non-stationary series is stationary in order to eliminate the spurious regression.

The precondition for cointegration analysis is that the series are stationary of the same order. Therefore, panel unit root tests should be applied first in order to decide whether the series are stationary or not. However, the cross-section dependency and the homogeneity of the slope coefficients; affect the selection of both unit root and cointegration tests. If a unit root is detected in the series as a result of the tests, it is decided that the series are not stationary. In order to select the appropriate stationary tests, first of all, cross-section dependency and homogeneity tests should be performed (Yerdelen Tatoğlu, 2017: 3-5). Whether the slope coefficients are homogeneous or heterogeneous can be determined by the Swamy (1970) Test. If heterogeneity is determined, heterogeneity must take into account for the cross-section dependency

test. Cross-section dependency is expressed as a shock that affects any cross-section units in the panel data at the same level. Cross-section dependency between series is examined by Breusch and Pagan (1980) Lagrange Multiplier (LM) test, Pesaran (2004) cross-section dependence (CD), Pesaran (2004)  $CD_{LM}$  test, and Pesaran, Ullah and Yamagata (2008) deviation corrected LM (Bias-Adjusted Cross Sectionally Dependence LM) tests. We can decide which tests will be used considering the cross-section (N) and time (T) dimensions of the panel data set. If the cross section (N) is smaller than the time dimension (T), the Breusch and Pagan (1980) LM and Pesaran, Ullah and Yamagata (2008) tests should be applied. In the opposite case, the Pesaran (2004) CD test should be preferred.

Stationary tests are divided into two generations. First-generation tests are applied assuming that the cross-sections are independent, and second-generation tests consider dependency. Therefore, the determination of suitable stationary tests depends on homogeneity and dependency tests (Yerdelen Tatoğlu 2017). If there is heterogeneity and cross-section dependency in the panel data sets, the stationary should be investigated with the CADF Test (Im, et al., 2003; Pesaran 2003; Breitung and Pesaran 2005) and if it is not the MW Test (Maddala and Wu 1999) should be performed. After the stationaries are determined, we can investigate the cointegration relationship between the same order stationary series. Cointegration tests also differ in that they take into account cross-sectional dependency and heterogeneity. The Westerlund cointegration test is a test that takes into account both heterogeneity and cross-section dependency. It also models structural breaks in the data. If a cointegration relationship is found, long-term coefficients can be estimated. The cointegration shows that the two variables act together in the long run.

The significance of the effect of the previous values of the independent variable on the present values of the dependent variable is also examined in the Dumitrescu-Hurlin (DH) panel causality test as in Granger (1969). The null hypothesis of the DH causality test is that there is no causality. In the case where the cross-section size (number of countries) is larger than the time dimension ( $N > T$ ),  $Z$  tilde statistics are taken into account, while  $Z$  bar statistics are taken into account in the opposite case (Dumitrescu and Hurlin, 2012).

### 3.4. FINDINGS

The data used in the analysis were retrieved from the Worldwide Governance Indicators (2021) statistics. World governance indicator indexes take values between -2.5 and +2.5. The symbols used for variables, definitions, and descriptive statistics are presented in table 5. There are 1918 observations between 2005 and 2018 for 137 countries. We were able to include 137 countries for which the data is available.

Table 5: Variable Definitions and Summary Statistics

<b>Variables</b>	<b>Description</b>	<b>Observation</b>	<b>Mean</b>	<b>Min</b>	<b>Max</b>
<i>ARR</i>	Percentage Change in Arrivals	1918	7.58	-50.06	303.27
<i>PS</i>	Political Stability - No Violence Index	1918	0.03	-2.69	1.61
<i>VA</i>	Voice and Accountability Index	1918	0.09	-2.23	1.73
<i>GE</i>	Government Effectiveness Index	1918	0.18	-2.07	2.43
<i>RQ</i>	Regulatory Quality Index	1918	0.92	-2.26	2.26
<i>CC</i>	Control of Corruption Index	1918	0.13	-1.67	2.46
<i>RL</i>	Rule of Law Index	1918	0.95	-1.85	2.12

We must decide whether the series are stationary before conducting the co-integration. If the series are stationary to the same degree, they can be co-integrated. If there is no co-integration, then the differenced variables can be used for causality analysis. Some stationary tests do not consider the cross-section dependency, so we need to employ a test to investigate the existence of such a dependency and choose the stationary test accordingly. To this end, we firstly used the Swamy (1970) Test to examine the heterogeneity of the slope coefficient of the World Governance Indicator and Percentage Change in Arrivals series.

Table 6: Swamy Homogeneity Test

H <sub>0</sub> = coefficient of intercept is homogeneous; H <sub>1</sub> = coefficient of intercept is heterogeneous			
Dependent Variable	ARR		
Independent Variables	$\chi^2$	P-value of $\chi^2$	Results
<i>PS</i>	740.71	0.0000	Reject H <sub>0</sub> ; Accept H <sub>1</sub>
<i>VA</i>	643.41	0.0000	Reject H <sub>0</sub> ; Accept H <sub>1</sub>
<i>GE</i>	705.48	0.0000	Reject H <sub>0</sub> ; Accept H <sub>1</sub>
<i>RQ</i>	669.62	0.0000	Reject H <sub>0</sub> ; Accept H <sub>1</sub>
<i>CC</i>	853.75	0.0000	Reject H <sub>0</sub> ; Accept H <sub>1</sub>
<i>RL</i>	707.88	0.0000	Reject H <sub>0</sub> ; Accept H <sub>1</sub>

Table 6 shows the slope coefficient for all series is heterogeneous. Therefore, the cross-section dependency examines with Pesaran's (2004) test. The results of this test are in the table below.

Table 7: Pesaran Cross-Section Dependence Test

H <sub>0</sub> = Cross-section independence; H <sub>1</sub> = Cross-section dependence					
Variables	CD Test Statistics	P-value	Cross-Section	Observation	Results
<i>ARR</i>	26.12	0.000	137	1918	Reject H <sub>0</sub>
<i>PS</i>	2.49	0.013	137	1918	Reject H <sub>0</sub>
<i>VA</i>	-0.31	0.759	137	1918	Accept H <sub>0</sub>
<i>GE</i>	2.86	0.004	137	1918	Reject H <sub>0</sub>
<i>RQ</i>	1.51	0.132	137	1918	Accept H <sub>0</sub>
<i>CC</i>	-1.60	0.110	137	1918	Accept H <sub>0</sub>
<i>RL</i>	14.45	0.000	137	1918	Reject H <sub>0</sub>

Table 7 shows the series which are ARR; PS; GE; RL cross-sectional dependent, VA; RQ, and CC are independent. Dependence requires choosing a test accounting for the cross-section dependency. The cross-section dimension is greater than the time dimension of the data, i.e.,  $N > T$ , so we employed the Pesaran non-stationary test for variable ARR; PS; GE; RL. This stationarity test is convenient for heterogeneous panels. The table below presents the results of this test statistics.

Table 8: Pesaran Non-Stationary Test

H <sub>0</sub> = Non-stationary; H <sub>1</sub> = Stationary					
Variables	Z (t bar)	P Values	Lags	Observations	Results
<i>ARR</i>	41.65	1.000	3	1370	Accept H <sub>0</sub>
<i>PS</i>	46.38	1.000	3	1370	Accept H <sub>0</sub>
<i>GE</i>	46.38	1.000	3	1370	Accept H <sub>0</sub>
<i>RL</i>	41.65	1.000	3	1370	Accept H <sub>0</sub>
$\Delta 3ARR$	-34.79	0.000	0	1370	Reject H <sub>0</sub>
$\Delta 3PS$	-35.89	0.000	0	1370	Reject H <sub>0</sub>
$\Delta 2GE$	-10.21	0.000	1	1370	Reject H <sub>0</sub>
$\Delta 2RL$	-14.31	0.000	1	1370	Reject H <sub>0</sub>

According to table 8, only ARR and PS variables are stationary at the same 3<sup>rd</sup> degree.

Table 9: Fisher Panel Non-Stationary Test

H <sub>0</sub> = Non-stationary; H <sub>1</sub> = Stationary				
Variables	$\chi^2$	P-value of $\chi^2$	Lags	Results
<i>VA</i>	473.15	0.0000	4	Reject H <sub>0</sub>
<i>RQ</i>	488.56	0.0000	3	Reject H <sub>0</sub>
<i>CC</i>	441.70	0.0000	3	Reject H <sub>0</sub>

**Note:** Lag numbers were determined according to the Akaike information criterion.

On the other hand, the Fisher test was applied for the VA, RQ and CC variables where the cross-sections are independent. It was concluded that the series were



stationary at level. In this study, we investigated the long-term effect of World Governance Indicators on the percentage change (ARR) in the number of inbound tourists. Only the variables ARR and PS turn out to be stationary at the third difference, or they are defined as  $I(3)$  variables so that the series can be co-integrated. We also need to consider any possible structural break in the series over the period considered. Therefore, we tested whether there is any structural break in the series to decide which test to apply for the co-integration analysis using the Chow test for panel data. The table below displays the results of this test. Table 10 shows structural break years for ARR and PS.

Table 10: Structural Change Test

<i>Variables</i>	$H_0 = \text{No Structural Change}$ $H_1 = \text{Structural Change}$				
	<i>Structural Change</i>	<i>Chow</i>	$F_{\text{statistics}}$	P-value	Results
ARR	2007	F (2, 10)	6.28	0.01	Reject $H_0$
	2008	F (2, 10)	4.19	0.04	Reject $H_0$
	2009	F (2, 10)	7.59	0.009	Reject $H_0$
PS	2013	F (2, 10)	8.41	0.007	Reject $H_0$

The structural break years in the ARR series 2007; 2008 and 2009 were the years when the Global Economic Crisis started and its effects were felt thoroughly. 2013 is the year of the break in the PS series, events that threatened political stability such as protests and bomb attacks occurred in many countries around the world such as Turkey, Pakistan, Egypt, and France.

As the structural breaks are available in the data series, we employed the Westerlund co-integration test accounting for the structural breaks and the cross-section dependency (Westerlund, 2007; Persyn and Westerlund, 2008; Chudik and Pesaran (2015); Gengenbach, Urbain, and Westerlund, 2016; Eberhardt and Presbitero, 2015). The other co-integration test statistic ignores either of these problems in estimation or both. This test examines the significance of the panel error correction term for the inference. If significant, there is a co-integrating relation. The Westerlund co-integration test is based on the error correction model.

Table 11: The Westerlund Co-Integration Test

## Panel-EC Test

H <sub>0</sub> = No Co-integration			
dΔARR	Coefficient	$\bar{T}$ Statistics	Prob.
ΔARR _t-1*	-1.323	-3.923	≤ 0.01

Note: \*ΔARR \_t-1 is the error correction term.

The error correction term was estimated as -1.323 in the model, in which the Percentage Change in Arrivals (ARR) is the dependent variable. This estimation is statistically significant. These findings imply that the Percentage Change in Arrivals (ARR) and the Political Stability - No Violence Index are positively co-integrated in the period 2005-2018 at 1 % significance level. This result clearly shows that the political stability in a country and being away from violence reduce the anxiety of the tourists to encounter any negativity, thus increasing the number of visitors. Determining that this relationship is long-term shows that in order to develop tourism, countries should definitely minimize risks such as internal turmoil, violence and war in the long run.

Table 12: Panel Non-Causality Test

	H <sub>0</sub> : VA does not Granger-cause d3ARR. H <sub>1</sub> : VA does Granger-cause d3ARR for at least one country		
	Optimal number of lags (AIC)= 1		
	Statistic Value	95 % critical value	P Value
	$\bar{Z}$		
$\bar{Z}$	-2.8716	8.2916	0.3990
$\tilde{Z}$	-3.1225	2.9335	<b>0.0310</b>

	H <sub>0</sub> : RQ does not Granger-cause d3ARR. H <sub>1</sub> : RQ does Granger-cause d3ARR for at least one country		
	Optimal number of lags (AIC)= 1		
	Statistic Value	95 % critical value	P Value
	$\bar{Z}$		
$\bar{Z}$	-4.7983	8.8781	0.2030
$\tilde{Z}$	-4.0956	3.2130	<b>0.0190</b>

	H <sub>0</sub> : CC does not Granger-cause d3ARR. H <sub>1</sub> : CC does Granger-cause d3ARR for at least one country.		
	Optimal number of lags (AIC)= 1		
	Statistic Value	95 % critical value	P Value
	$\bar{Z}$		
$\bar{Z}$	-3.3968	8.8594	0.3170
$\tilde{Z}$	-3.3878	3.1502	<b>0.0410</b>

	H <sub>0</sub> : d2RL does not Granger-cause d3ARR. H <sub>1</sub> : d2RL does Granger-cause d3ARR for at least one country.		
	Optimal number of lags (AIC)= 1		
	Statistic Value	95 % critical value	P Value
<b>Z</b> bar	6.2941	8.4018	0.1680
<b>Z</b> tilde	1.5069	2.5929	<b>0.2220</b>

	H <sub>0</sub> : d2GE does not Granger-cause d3ARR. H <sub>1</sub> : d2GE does Granger-cause d3ARR for at least one country		
	Statistic Value	95 % critical value	P Value
<b>Z</b> bar	11.3471	8.6015	0.0070
<b>Z</b> tilde	4.0590	2.6723	<b>0.0070</b>

Note 1: Lag numbers were determined according to the Akaike Information Criterion (AIC).

Note 2: p-values computed using 1000 bootstrap replications.

According to the panel non-causality test results in table 12, in the 2008-2018 period VA; RQ, and CC do granger cause ARR at 5 % significance level. GE does granger cause ARR at 1 % significance level. In final, RL does not granger cause ARR. Government Effectiveness is the granger cause of the increase in visitor numbers in the short term. This result is in line with the political stability and non-violence-free environment that has positively affected the change in the number of tourists. As a matter of fact, a stable environment can only be achieved through effective governments in the short term. A similar connection can be established between legal rules and tourism, but the lack of a causal relationship in the short term can be explained by the fact that tourists will primarily look at government practices in general, since they will not stay long-term. On the other hand, Voice and Accountability (VA); The determination of the short-term causality relationship between the Regulatory Quality (RQ) and Control of Corruption (CC) and the change in the number of incoming tourists emerges as the preparers of the political stability and non-violence necessary for the development of tourism in the long run. Countries that have a good outlook on regulations, accountability and anti-corruption in the visited country will contribute positively to tourism as they will reduce the anxiety levels of the visitors

## CONCLUSION

In this study, the effect of governance on tourism has been tried to be analyzed in macro terms by using literature review and quantitative analysis methods in 2005-2018 period.

In the literature there are other studies about governance in private sector, in public sector and any other industries. But there is not a study that work on not only the effects of governance but also results in tourism. In this study the effects of governance that consist of six sub dimension; voice and Accountability (VA), political Stability and Absence of violence/terrorism (PV), 3. Government Effectiveness (GE), regulatory quality (RQ), rule of law (RL), control of corruption (CC) on tourism had been searched and the results analized.

The literature review indicates that there are too few studies that evaluate the issue from a macro perspective. This shows the original value of the study. No previous study has used the co-integration approach for the relationship between world governance indexes and tourism at the macro level. The empirical analysis indicates that only political stability - no violence index (PS) positive and long-run relationship between percentage change the number of inbound tourists. This result supports the idea that tourism does not like chaos. Similarly, Dettotto (2021) asserts that good governance in explaining differences in countries' tourism performances. Therefore, it can be clearly said that the results of this study are parallel to the literature. Political stability must be the main focus of tourism policy in the long run. However, other governance indicators are also considered for good governance to improve tourism performance, because except for rule of law index all governance indicators cause a percentage change in the number of inbound tourists. According to empirical results, the significance level of the causality test between the government effectiveness index and the percentage change in the number of inbound tourists is higher than the other indicators. It clearly shows that for long-term policies, government effectiveness is important in the short run. As a result, in our study, the theoretical phenomenon of

long-term tourism policies has been empirically proven for the 2005-2018 period on a world scale. It can be argued that an effective government is at the centre of long-term tourism policies. In the short term, government activity will have a positive impact on tourism supply as it will improve public services and infrastructure. Voice and accountability, regulatory quality and control of corruption, which are statistically significant in causality tests, are also factors that positively affect the effectiveness of the government. On the other hand, as the results of the analysis support, the arrival of tourists in the long term requires the absence of violence and the presence of political stability. Failure to detect short or long term relationship between Rule of Law index and the percentage change in the number of inbound tourists can be explained by the fact that the legal rules of the countries affect the actual situation more indirectly.

Finally, the fact that this study was conducted on a world scale in order to reach generalization leads to ignoring the differences between countries. This is an important limitation of the study. Future studies may reach different results by grouping countries according to income levels.

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# **APPENDIX**

SAMPLE		
1. Albania 2. Algeria 3. Andorra 4. Angola 5. Antigua and Barbuda 6. Argentina 7. Armenia 8. Australia 9. Austria 10. Azerbaijan 11. Bahamas 12. Bahrain 13. Bangladesh 14. Barbados 15. Belarus 16. Belgium 17. Belize 18. Bhutan 19. Bolivia 20. Bosnia and Herzegovina 21. Brazil 22. Brunei Darussalam 23. Bulgaria 24. Burkina Faso 25. Cambodia 26. Canada 27. Cape Verde 28. Cayman Islands 29. Central African Republic 30. China 31. Colombia 32. Comoros 33. Costa Rica 34. Croatia 35. Cuba 36. Cyprus 37. Czech Republic 38. Denmark 39. Dominica 40. Dominican Republic 41. Ecuador 42. Egypt, Arab Rep. 43. El Salvador 44. Ethiopia 45. Finland 46. France 47. Gambia, The	48. Georgia 49. Germany 50. Grenada 51. Guatemala 52. Guyana 53. Haiti 54. Honduras 55. Hong Kong SAR, China 56. Hungary 57. Iceland 58. India 59. Indonesia 60. Iran, Islamic Rep. 61. Ireland 62. Israel 63. Italy 64. Jamaica 65. Japan 66. Jordan 67. Kazakhstan 68. Kenya 69. Korea, Rep. 70. Kuwait 71. Kyrgyz Republic 72. Lao PDR 73. Latvia 74. Lebanon 75. Lesotho 76. Liechtenstein 77. Luxembourg 78. Macao SAR, China 79. Malawi 80. Malaysia 81. Maldives 82. Mali 83. Malta 84. Mauritius 85. Mexico 86. Moldova 87. Mongolia 88. Morocco 89. Mozambique 90. Myanmar 91. Namibia 92. Nepal 93. Netherlands 94. New Zealand	95. Nicaragua 96. Niger 97. North Macedonia 98. Norway 99. Oman 100. Panama 101. Paraguay 102. Peru 103. Philippines 104. Poland 105. Portugal 106. Puerto Rico 107. Romania 108. Russian Federation 109. Saudi Arabia 110. Serbia 111. Seychelles 112. Singapore 113. Slovenia 114. Solomon Islands 115. South Africa 116. Spain 117. Sri Lanka 118. St. Lucia 119. St. Vincent and the Grenadines 120. Sudan 121. Sweden 122. Tanzania 123. Thailand 124. Togo 125. Trinidad and Tobago 126. Tunisia 127. Turkey 128. Ukraine 129. United Kingdom 130. United States 131. Uruguay 132. Uzbekistan 133. Vanuatu 134. Vietnam 135. West Bank and Gaza 136. Zambia 137. Zimbabwe