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ASSESSING TOURISM REVENUE DRIVERS: ENVIRONMENTAL HEALTH, EXCHANGE RATES, AND INSTITUTIONAL EFFICIENCY IN ASIA

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Abstract

This study investigates how environmental sustainability, exchange rate movements, and institutional performance influence tourism revenues in Asia's leading tourist destinations. Employing the Dynamic Common Correlated Effects (DCCE) estimator, the analysis explicitly accounts for cross-sectional dependence (CSD) and slope heterogeneity among panel units, providing more reliable and robust inference than traditional models. The ecological footprint is utilized as a comprehensive proxy for environmental health, while institutional quality is captured through a newly constructed composite index based on seven key governance indicators via principal component analysis. The findings reveal that ecological degradation adversely affects tourism earnings, whereas improvements in institutional effectiveness, real exchange rate competitiveness, and trade openness contribute positively to tourism performance. As a novel contribution, this study integrates macroeconomic, institutional, and environmental dimensions within a unified empirical framework while addressing methodological limitations in previous literature, such as omitted cross-sectional dependence and asymmetric effects. These insights offer theoretical enrichment and actionable implications for promoting sustainable tourism in developing and emerging economies.

Key words: environmental quality, dynamic common correlated effects (DCCE), institutional performance, real exchange rate, tourism receipts

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