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ABSTRACT

Religious beliefs influence many aspects of peoples' daily lives, so it is plausible to argue that religion affects some of humanity's most central endeavors, such as trade, migration, foreign investment and tourism. This paper investigates the role a country's religious affiliation plays in destination choice for international tourism. To that end, a gravity model for international tourist arrivals is estimated by using a dataset of 164 countries for the period 1995-2010. Results provide evidence that religious similarity has significant explanatory power in global tourism flows even after controlling for other measures of cultural affinity. Moreover, the presence of common religious minorities in the country has a positive impact on tourism flows. However, although religious pluralism foster tourism flows between countries, religious similarity has a stronger positive effect.

Keywords: religion, tourism demand, gravity model
JEL codes: A13, L83, Z12

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I. INTRODUCTION

Religion and economics are related since both are subject to human perception and action. Consequently, religion scholars have looked at various ways how religion intersects with the economy, including a set of very diverse issues like economic development (Glahe and Vorhies 1989; Barro and McCleary, 2003; Durlauf et al., 2012), wealth and asset poverty perpetuation (Keister, 2007, 2008), migration (Schiller, 2011), human capital (Tomes, 1984), globalization (Thompson, 2007), financial decisions (Peifer, 2011; Maurer, 2002) or foreign direct investment stock allocation (Hergueux, 2011).

Furthermore, many papers have explored the relationship between trade and religion (Ensminger, 1997; Mehanna, 2003; Guo, 2004; Helble, 2007; or Lewer and Van den Berg, 2007, among others). However, could the results of this literature analyzing the effects of religion on international trade be extended to tourism flows? Although from an economic point of view tourism is frequently considered as a special type of trade in services, we should be aware that from a sociological point of view there are differences between trade and tourism, and consequently religion's effects on them might also differ. For instance, previous research analyzing the role of religion on trade focus on the idea that sharing a religion facilitates the formation of exchange networks or enhances trust between trading partners which reduces transaction costs. In the case of tourism, the effect of religion on tourism is related to the concept of cultural affinity in the tourist's decision-making process.

As far as we are aware, this research is the first attempt to measure the role of religious similarity and/or pluralism from a panel data perspective to consider a broader impact of religion on tourism, beyond specific case studies or the so-called Mecca-events. The rest of the paper is organized as follows. In section two, previous literature that has explored the role of religion as a determinant of international tourism flows is reviewed and the channels why religion may affect tourism flows are presented. In section three, the empirical research strategy is proposed while in section four results are presented. Finally, section five concludes.

II. RELIGION AND TOURISM

Every year during the 12th Muslim lunar month of Dhu al-Hijjah, close to three million pilgrims travel to Saudi Arabia to visit Mecca, birthplace of the prophet Muhammad. The Pilgrims on the Hajj, and the lesser known Umrah, swell the city of Mecca to more than double its usual population, with obvious benefits for its economy. Mecca is perhaps the best-known world pilgrimage destination, but there are many others, i.e. Saint Peter's Basilica in the Vatican City, Varanasi in India, Lumbini in Nepal, or Jerusalem. Pilgrimages, the most obvious form of religious tourism, have been much studied, particularly the major ones that we call 'Mecca-events'.

A broad literature supports the view that religion is a pull factor for tourists (Timothy and Olsen, 2006; della Dora, 2012; Hyde and Harman, 2011). However, the mechanism can of course work both ways. In fact, some works suggest that religious fervor may constrain tourist arrivals (Mattila et al., 2001). Cohen (1998) notes two possible causes of this negative impact: explicit policies that discourage tourists who do not adhere to the dominant religion, and deterrent factors specific to the religious character of the destination country, such as the presence of fundamentalist believers.

Religion affects tourism not only directly, as in the case of pilgrimages, but also indirectly since even when travel is not initiated by religious motives, tourists are often 'exposed to religion on their travels' (Stausberg, 2011). This broader impact of religious affiliation on aggregated tourism flows is the main focus of our study. Our view is that religious belief is a cultural attribute that shapes tourists' perceptions of their destination. Even if religion is not an explicit factor in a tourist's decision-making process, the fact that the dominant religion of a destination is the same as theirs may be a significant (but implicit) determinant of tourist destination choice. Nunn (2012) defines culture as 'rules of thumb that aid in decision making', and since tourism takes place in a cultural context we would expect tourists to be guided by cultural norms. Among the many elements that define culture, religion is readily observable.

Vukonic (1996) explore the interdependence between pilgrimage and religion, arguing that religion has a significant impact on tourism. In a recent study, Fourie and Santana-Gallego (2013) show that culture has important predictive power in determining international tourism flows around the world, defining cultural affinity as the propensity

of tourists to visit regions with whose population they share a cultural identity. They acknowledge, however, that their results cannot explain the mechanism by which cultural affinity affects tourism flows. One possible explanation is religion. Vietze (2012) investigates the impact of shared cultural factors, particularly religion, on tourism flows into the United States. His results show that after controlling for geographic, economic, cultural (e.g. common language) and political variables, sharing a common religion has a positive effect on bilateral tourism flows. Our paper extends his analysis to a larger group of destination and origin countries and includes additional religious affiliations.

We posit that religious affinity is an important reason for tourists' decision to travel and for their choice of destination. Moreover, as far as possible, we recognize other cultural and historical influences by adding controls for common borders, colonial relationship and language in the regression analysis. Our main hypothesis is that tourists tend to visit regions that share similar religious affiliations, in other words, that present religious similarity. Furthermore, the existence of a great variety of religions, where religious majority coexists with religious minorities, would indicate religious openness (religious diversity) which may have a positive effect on tourism. To assess the validity of these hypotheses, a tourism gravity model is defined and the significance, sign and magnitude of the religion coefficient are investigated.

III. EMPIRICAL RESEARCH STRATEGY

A crucial development in the literature during the last decade is the understanding that tourism patterns have causes which, because of their historical origins, are slow-changing. Instead of simply explaining the year-on-year change in tourism demand, the new methods attempt to understand the fundamental reasons why tourists choose a particular destination. This new approach takes its cue from Lancaster's (1966) utility theory, which proposes that the source of utility is the *characteristics* of the commodities and services and not the commodities and services themselves. An important lesson that emerges from this burgeoning literature is that, influenced by common and idiosyncratic factors, destination choice is the most complex stage of the tourist's decision-making process.

The most popular models have used survey data to identify determinants of tourism destination choice. While personal income and tourism costs continue to be key determinants, factors such as political stability (Seddighi and Theocharous, 2002), climate (Bujosa and Rosselló, 2013), coastline (Lyons et al., 2009), personal motivations (Trane, 2008) and other socio-economic factors such as age, gender, marital status, household size and occupation are increasingly used in micro-econometric tourism demand modeling.

At the aggregated level, panel data techniques use country-pair variables and thus offer a greater likelihood of detecting the fundamental determinants of tourism demand. In the present paper we apply panel data techniques to analyze the impact of religious affiliation on international tourism flows. In particular, an augmented gravity model for bilateral tourism flows is defined. This model draws on the principles of Newton's Law of Universal Gravitation, and it was first proposed by Tinbergen (1962) to explain international bilateral trade. Since then, the gravity model has been successfully applied to explain not only international trade but also migration, foreign direct investment and tourism flows (Durbarry, 2000; Eilat and Einav, 2004; Fourie and Santana-Gallego, 2011; Gil-Pareja, 2007; Santana-Gallego et al., 2010).

Our dependent variable is the logarithm of tourist arrivals from country i to destination j at year t. Traditional gravity variables are the logarithm of origin and destination real GDP per capita as well as the logarithm of distance between country pairs. Then, the model is augmented with a set of bilateral controls such as a proxy for price competitiveness measured as the relative cost of living in the destination country with respect to the destination one (through the use of the Purchasing Power Parity conversion factor) and dummy variables for sharing a common border, a colonial background, a common language, a common currency and the existence of landlocked and/or islands in the pair. Additionally, country-specific variables such as the temperature and the level of political stability and protection of political rights in the origin and destination countries are included. Finally, a set of variables measuring the effect of religion on tourism is considered.

Following Cheng and Wall (2005), we estimate the gravity equation by Ordinary Least Squares including country fixed effects (CFE). That is, adding country-specific and year fixed effects. This model is a special case of the panel fixed-effect model, given that

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panel estimation by fixed effects cannot be applied since the variables of interest such as distance, common border, language, colonial relationship and, most importantly for us, sharing a common religion, remain time invariant and would be dropped from the estimate. Moreover, introducing individual destination and origin country fixed effects allows us to control for unobserved heterogeneity (Anderson and van Wincoop, 2003; Kandogan, 2008).

Ruiz and Vilarrubia (2007) pointed out that the omission of time-varying multilateral trade resistance terms in the estimation of a gravity equation introduces important biases in the results. Thus, time-varying (or country-year) fixed effects, as an extension of the methodology proposed by Feenstra (2002) for cross-sectional data, are considered in the empirical analysis. To that end, a two high-dimensional fixed effects approach developed by Guimaraes and Portugal (2010) is also used (2WFE).

IV. EMPIRICAL RESULTS

Our dataset covers 164 countries as both origin and destination of tourists from 1995 to 2010.[1] As Table 1 shows, fifty-one per cent of the destination countries considered in the sample have Christianity as the major religion, twenty-six per cent have Islam, four per cent of the countries present a Hindu majority, five per cent a Buddhist and two per cent a Jewish majority. The remaining twelve per cent of the countries have other religions or have no religion. Christianity and Islam are the most common minor religions.[2]

[Table 1, here]

In the empirical analysis, both religious majorities and minorities are considered. As Hergueux (2012) pointed out, it is interesting to know whether the magnitude of

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[1] Sources of data are available upon request.

[2] We define religious majority as the religion that presents a highest percentage of affiliated population within the countries (when this share is greater than 40%) while religious minority is the religion that presents the second highest percentage of affiliated population (when it is between 10%-49%).

religion's effect strengthened when two countries have a major part of their population affiliated to the same religion, or whether common religious minorities are also affecting flows between countries. Firstly, to establish whether sharing a common religion has an impact on global tourism flows or not, the impact of sharing a common major and minor religion are estimated.

Secondly, it is relevant to test whether religious similarity and/or religious diversity are associated with increases in tourism movements. To that end, a religious similarity index and a religious diversity index are generated. Following previous papers, religious similarity is included in the regression (Helble, 2007; Guiso et al. 2009; Hergueux 2012):

$$Similarity_{ij} = \sum_{r=1}^{5} r_i r_j \qquad [1]$$

where *r* is the percentage of affiliated population to each of the five major religions in each country: *Christian, Muslim, Hindu, Buddhist* and *Jew*. The similarity index represents the probability that two randomly chosen individuals in each country will share the same religion. According to this definition, a country pair can be considered relatively more religiously proximate both because it has a common religious majority or a common religious minority.

Following Barro and McClearly (2003) and Hergueux (2012), a diversity index is also calculated as:

$$Diversity_{ij} = \left(1 - \sum_{r=1}^{6} r^2{}_i\right)\left(1 - \sum_{r=1}^{6} r^2{}_j\right) \qquad [2]$$

It is a Herfindahl index of religion in each country (i.e. an indicator of the concentration of each country's religious market).[3] This indicator grows to one when both countries tend to host a higher number of religions with their market shares being distributed as evenly as possible. When everyone in the country belong to the same religion, the diversity index is equal to zero. Hence, this pluralism index is the probability that two randomly selected individuals in each country belong to different religions.

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[3] The "other" category is included in this index which considers all the other religions and no religion. The sum of the six shares is 1.

[Table 2, here]

Regression by CFE and 2WFE are implemented and results obtained by the two procedures are very similar. The explanatory variables have the expected sign and significance. The income of both the origin and destination countries have significantly positive effects on tourism flows, meaning that national economic size has a positive effect on tourism. In other words, the richer the countries are, the higher the international tourism movement between them. Distance between countries in the pair is significantly negative, showing that tourists prefer closer destinations. This result is also confirmed by the large and significantly positive effect of the common border dummy variable. The other proxies for cultural affinity, such as having or having had a colonial relationship or sharing a common language, are positive and significant. Sharing a common currency promotes tourism between country pairs, while being landlocked or an island reduces it. Price competitiveness is a relevant factor in explaining worldwide tourism movement. That is, having a higher price level in the destination country than the origin country reduces tourism. The temperature of the destination country is significantly positive, while the temperature of the origin country is significantly negative. This result provides evidence that tourists from colder countries travel more and they prefer warmer destinations. Finally, measures of political stability and political rights protection also appear to have an impact, although it is limited to the destination country. Unsurprisingly, people tend to visit more politically stable countries or those that tend to protect political rights.[4]

Regarding the variable of interest, results indicate that sharing both a common major and/or a common minor religion have a positive impact on tourism flows, although the magnitude of sharing a common major religion is, as expected, higher. In particular, two countries that share the same dominant religion will experience an increase in its tourism figures of around sixty per cent over two countries with the same characteristics but without the shared religion. For the case of a common religious minority, the impact is around fifteen per cent. Therefore, these estimates indicate that religion, over and

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[4]Note that Political Stability index ranged from -1 (less political stability) to 4 (more political stability) and Protection of Political Rights index ranks from 1 (strong political rights) to 7 (weak political rights).

above its direct impact in the form of specific events or places of worship, is an important determinant of global tourism.

Results presented in the last two columns of Table 2 indicate that both religious similarity and religious diversity have a positive impact on tourism, although this impact is greater for the similarity index. In particular, a ten per cent increase in the similarity index would increase tourist arrivals by nine per cent, while a ten per cent increase in the diversity index would raise tourism by three per cent. This result contrasts with the one obtained in Helble (2007) and Hergueux (2012) who found that being an open religious society has a stronger effect on trade and foreign direct investment, respectively.

Finally, adherence shares for the five main religion groups are included in the estimate. The adherence shares are measured relative to persons identifying with some religion in each country. For instance, $Christian_{ij}$ is the product of the share of population that follows the Christian belief in each country. In other words, it measures the probability that two people from different countries share the Christian belief. Christianity is then split into three different denominations: Roman Catholic, Protestant and Orthodox. Results are presented in Table 3.

[Table 3, here]

The results in Table 3 indicate that all the pairwise relationships of religious similarities, apart from Buddhism, are positive and significant, which suggest that tourists prefer to visit countries with the same religious affiliation as their own. After controlling for political stability and protection of rights as well as other cultural proximity variables, the religions that present higher magnitude are Judaism, Islam and Hinduism. Other things equal, the higher the number of people from a pair of countries sharing the Muslim or Hindu beliefs, the greater the volume of tourism movements between them.[5]

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[5] The estimated coefficient Jew_{ij} is surprisingly high, although this could be explained by the fact that the percentage of people that adhere to Judaism is very low and the cultural affinity between them is very strong. Thus, a small increase in the percentage of people that share Judaism in a pair of countries would cause a great increase in the tourism movements between them.

Regarding the Christian beliefs, the religious similarity effect is particularly important for the case of Orthodox Christianity. The reason for this greater religious affinity of Jewish and Orthodox Christian adherents are, perhaps, the existence of greater numbers of religious relics in these countries which inspires larger flows of tourists. This is a hypothesis for future research.

V. CONCLUSIONS

Religion is a factor that has power in explaining tourist behavior, whether it motivates or constrains the tourist's destination choice. The contribution of religion to the tourism attractiveness of a region has received some attention in the literature, although with sparse formal and quantitative research and a focus mainly on particular case studies of pilgrimages to sacred places. Using a standard gravity model, we show that religious affiliation is a significant factor in determining global tourism flows. These large preferences cannot be explained simply as the result of specific religious attractions or events.

Instead, our results suggest that, over and above directly religious reasons, tourists exhibit a religious affinity in their choice of destination. This supports new evidence which shows that tourists prefer to visit destinations that share some cultural and historical similarities with their home countries. However, the limitations of the database used in the investigation restricted the range of this study. It was not possible, for example, to evaluate the intensity with which religion is implanted in the destination country, or to consider how the government affects a country's official religious policy.

Our main contribution is to suggest that cultural linkage may be largely through religious affiliation. We show that these religious linkages are global and applicable to the five major religions. While it may not surprise us that tourists tend to prefer destinations that practice the same religion as their own country, there is large variation between religions. In particular, other things equal, the more people from a pair of countries that share the Jewish, Muslim or Hindu beliefs, the greater the volume of tourism movements between them. Regarding the Christian beliefs, the religious similarity effect is particularly important for the case of Orthodox Christianity. Future research, perhaps using more micro-data at the country-level, should begin to

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investigate why religion matters even when religious events, destinations or pilgrimages – Mecca-events – are not the only factor in the choice of destination.

Even without going deeper into the causes of our positive and large coefficients on religious affinity, we can recommend that tourism managers and policy-makers should take note of the pervasive effect of religion on tourism. The strong correlation suggests that marketing campaigns could make much greater use of religious symbols. How strongly tourists react to such subtle religious clues in advertising campaigns could be an important research question.

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TABLES:

Table 1. Percentage of Religion in destination countries

Major Religion			Minor Religion		
Christianity	64615	51%	Christianity	21204	16.84%
Catholics	39707	32%			
Protestant	13630	11%			
Orthodox	11278	9%			
Islam	32774	26%	Islam	9272	7.36%
Hinduism	4903	4%	Hinduism	2644	2.10%
Buddhism	6718	5%	Buddhism	1723	1.37%
Judaism	2430	2%			
Other	14496	12%			

Table 2. Effect of common religion on tourism

	OLSFE	2WFE	OLSFE	2WFE	OLSFE	2WFE
$Distance_{ij}$	-1.516 **	-1.497 **	-1.556 **	-1.533 **	-1.500 **	-1.482 **
$GDPpc_i$	0.645 **		0.646 **		0.649 **	
$GDPpc_j$	0.211 **		0.205 **		0.206 **	
$Colony_{ij}$	0.798 **	0.814 **	0.779 **	0.794 **	-0.298 **	0.814 **
$Language_{ij}$	1.106 **	1.091 **	1.179 **	1.162 **	0.797 **	1.065 **
$Border_{ij}$	1.172 **	1.193 **	1.186 **	1.206 **	1.079 **	1.180 **
$Relative\ PPP_{ij}$	-0.294 **		-0.298 **		1.158 **	
$Currency_{ij}$	1.281 **	1.333 **	1.232 **	1.282 **	1.271 **	1.330 **
$Island_{ij}$	-0.259 **	-0.261 **	-0.216 **	-0.218 **	-0.278 **	-0.280 **
$Landlocked_{ij}$	-0.340 **	-0.326 **	-0.344 **	-0.331 **	-0.348 **	-0.332 **
$Temperature_i$	0.066 **		0.059 **		0.069 **	
$Temperature_j$	-0.129 **		-0.124 **		-0.131 **	
$Political\ Stability_i$	0.149 **		0.148 **		0.148 **	
$Political\ Stability_j$	0.020		0.024		0.021	
$Political\ Rights_i$	-0.042 **		-0.042 **		-0.043 **	
$Polotical\ Rights_j$	-0.001		0.001		-0.001	
$Major\ Religion_{ij}$	0.471 **	0.461 **				
$Minor\ Religion_{ij}$			0.109 **	0.136 **		
Similarity					0.927 **	0.908 **
Diversity					0.311 **	0.278 **
Obs	125936	128271	125936	128271	125936	128271
F-test	2096.58	137.93	2062	135.47	2115.07	139.22
R2	0.8359	0.845	0.8334	0.8426	0.8372	0.8462

i and j refer to origin and destination countries, respectively
Standard errors robust to heteroskedasticity are computed by using Huber-White estimator.
Origin, destination and year fixed effects are not reported. Standard errors and t-statistics available upon request
Significance at 1%(**) and at 5%(*)

Table 3. Similarity effect per type of religion on tourism

	OLSFE		2WFE		OLSFE		2WFE	
Christian$_{ij}$	0.082	**	0.078	**				
Catholic$_{ij}$					0.080	***	0.056	*
Protestant$_{ij}$					0.691	***	0.562	***
Orthodox$_{ij}$					2.335	***	2.229	***
Muslim$_{ij}$	1.911	***	1.883	*	1.924	***	1.901	***
Hindu$_{ij}$	1.338	***	1.315	*	1.393	***	1.380	***
Buddhist$_{ij}$	-0.010		0.010		0.037		0.065	
Jew$_{ij}$	139.776	***	143.156	*	147.029	***	150.272	***
Obs	125936		128271		125936		128271	
F-test	2119.2		141.08		2117.28		142.99	
R2	0.8391		0.848		0.841		0.8498	

i and j refer to origin and destination countries, respectively
Standard errors robust to heteroskedasticity are computed by using Huber-White estimator
Estimates are based on the same model as presented in Table 2. These results are available upon request
Origin, destination and year fixed effects are not reported. Standard errors and t-statistics available upon request
Significance at 1%(***), 5%(**) and 10% (*)