

Economic Diversification as a Necessity for Growth: Agrotourism in Focus

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ABSTRACT

Economic diversification is an essential requirement for achieving sustained growth in developing countries that heavily rely on the production, use, and export of a single type of product over an extended period. This process involves actively and intentionally engaging in a wide array of economic activities, which are vital for a nation's growth and development. Economic diversification not only addresses economic downturns but also mitigates unemployment, reduces poverty, and enhances overall economic growth. Consequently, this paper explores the potential of Agrotourism as a means of achieving economic diversification. Agrotourism caters to the preferences of individuals seeking to experience nature at an attractive cost. From an economic perspective, revenue generated from accommodations, dining, and recreational activities has direct, indirect, and induced effects, revitalizing the local economy. Moreover, it supports the preservation of agricultural systems and landscapes by fostering a harmonious relationship between human activities and natural resources. However, it's important to note that, like any form of tourism based on natural resources, preserving and conserving those resources must be a priority.

Keywords: Economic diversification, Growth, Agrotourism, Agriculture, Development.

INTRODUCTION

One of the methods by which developed countries transfer capital and technology to developing nations is through the inflow of foreign direct investment. This inflow is only feasible when there is economic diversification [1]. Thus, economic diversification becomes an imperative for sustained growth in developing nations that predominantly rely on the production, utilization, and export of a single product over time. Economic diversification involves active and purposeful engagement in a wide spectrum of economic activities that are crucial for a nation's growth and development. Diversifying the economy not only addresses economic recessions but also mitigates unemployment, reduces poverty, and enhances overall economic growth [2]. At the time of gaining independence, agriculture held a dominant position in Nigeria's economy, accounting for about 85 percent of foreign exchange earnings, 90 percent of employment generation, and roughly 80 percent of the country's gross domestic product [3]. However, with the discovery of significant crude oil reserves, the agriculture sector was gradually abandoned and neglected. Crude oil became the primary driver of Nigeria's economy, contributing over 80 percent of the country's revenue, 95 percent of foreign exchange earnings, among other factors. This heavy reliance on oil exposed the economy to international oil price fluctuations and shocks, making it susceptible to economic recessions during oil price downturns [4]. Neglect of the agricultural sector was not the sole issue; the manufacturing sector also faced challenges. Its poor performance was evident in its modest contributions to the gross domestic product, low capacity utilization in terms of manufacturing output, and limited value addition. Capacity utilization in the sector plummeted from 73.1 percent in 1981 to 29.29 percent in 1995 and remained at 50.97 percent as of 2016. The sector's contribution to GDP had not surpassed 10 percent since 1981. The highest contribution was 9.87 percent in 1981, a stark contrast to the sector's contributions in industrialized nations [5]. Agriculture's contributions to government revenue and foreign exchange earnings were underwhelming and in need of urgent strategies to enhance sector performance. [6], identified major challenges faced by these two sectors, including high taxation, multiple taxation, high interest rates

on loans, and the unaltered production structure and methods since independence. In response to these challenges, the government introduced various programs over the years to enhance agricultural productivity. These programs include the National Accelerated Food Production Project (NAFPP) in 1972, the Nigeria Agricultural and Cooperative Bank (NACB) in 1973, Operation Feed the Nation (OFN) in 1976, and the Green Revolution in 1980, among others. In 2016, during President Buhari's administration, the importation of rice and other products was banned, leading to the production of over 1.5 metric tons of rice in 2017 alone [8]. Given this context, this paper aims to analyze the role of diversification in enhancing Nigeria's economy.

Economic Diversification and Economic Growth: An Overview

Economic diversification is viewed by numerous scholars as a means of accelerating growth and development, especially in economies heavily reliant on exporting a single commodity like crude oil [2]. [9] argues that economic diversification is a prerequisite for achieving robust economic growth, particularly in Nigeria, as it can meet the needs of the impoverished masses by increasing overall economic output. [1] contends that diversifying the economy is a critical solution to guide Nigeria's economy towards growth, especially considering recent economic recessions in the country. The author further suggests that the country should promote agriculture and industrial development to generate employment, boost foreign earnings, improve exchange rates, and ultimately attain sustainable economic growth and development. It's important to note that economic diversification doesn't solely imply an increase in a country's total output over time. Instead, it signifies diversifying the economic foundation of a country to withstand sudden economic shocks [10]. The issue of heavy reliance on a single product, which has hindered sustainable economic development in Nigeria, can be addressed by diversifying the productive base of the economy from crude oil exploration and mining to industrialization and agricultural development. [2] argues that economic diversification should be viewed as a long-term growth strategy for any nation. Approaching diversification in this manner has the potential to strengthen a nation's economic foundation and protect its long-term development against severe commodity price fluctuations in the global market.

[10] Contends that Nigeria's budget primarily relies on external factors, such as revenue from oil prices, rather than internal factors under Nigeria's control. [2] emphasizes that economic diversification can fulfill a country's basic requirements for sustainable development, including job creation, food security, access to quality healthcare, and an improved educational system, by expanding the economic base of the country. [1] argues that diversifying the productive base of a country leads to technological development, efficient use of natural resources, social organization, and ultimately creates an economic foundation that is responsive to people's needs and sustainable. [11] Suggests that one of the primary reasons for the poor performance of African countries in attracting investors to the continent, despite its abundant resources, is the inadequate development of physical infrastructure. The region has neglected critical infrastructure such as roads, communication networks, railways, and power supply over time. However, [12] proposes that one way to ensure economic diversification in Nigeria is for the government to increase spending on infrastructure in the agricultural sector. [10] further highlights that the government has introduced various policies over the years to promote agriculture in Nigeria, with the goal of improving agricultural productivity, achieving self-sufficiency in food production, fostering sustained agricultural growth, and realizing structural transformation at all levels.

Regarding the last part on tourism, here's a paraphrase:

The current significant role played by tourism in socio-economic development cannot be understated. This is evident in the growing number of regions striving to establish themselves as tourist destinations. Local authorities are increasingly recognizing its benefits, particularly in terms of employment generation. These considerations gain even more relevance as a result of the outsourcing of productive activities due to agricultural crises and the relocation of factories overseas. From an economic standpoint, it's crucial to consider the direct income generated by tourism, including accommodation, dining, transportation, and related services, as well as its broader effects on employment. Tourism, in comparison to traditional industries, places a high demand on human capital, resulting in both quantitative and qualitative benefits in economic and social terms. In the socio-cultural dimension, tourism necessitates the development of new infrastructure, not only in terms of transportation and communication but also in leisure and culture, such as museums, parks, and interpretative centers. These facilities benefit both residents and tourists. It's also essential to acknowledge the environmental benefits of tourism, as one of the main attractions often revolves around natural resources. This obliges both the public and private sectors to prioritize environmental preservation efforts [13].

Overview of Agrotourism

Agrotourism has gained significant importance due to its multifunctional nature and its utilization of farms to ensure their sustainability [14]. According to the General Secretariat of Tourism [15], agrotourism refers to tourism activities directly associated with farms, serving as an additional source of income for farmers. It is, therefore, a subset of rural tourism [16]. This concept of agrotourism is narrower in scope than that of rural tourism, which encompasses all types of tourist activities conducted in rural areas, not limited to farms, as is the case with agrotourism. The distinguishing feature of agrotourism is the simultaneous operation of tourism and agriculture by

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a farmer [17]. In agrotourism, the farm owner continues their agricultural activities, with tourism serving as a supplementary source of income [17]. [18] highlights that the key components of agrotourism include reception, accommodation, food services, leisure activities, and participation in farm work. Therefore, if rural tourism is seen as a collection of recreational activities in rural settings, agrotourism is a specific form of rural tourism closely tied to farming activities. [19] view agrotourism as more than just a range of tourism products and services in rural areas. They perceive it as a new way of approaching travel, emphasizing a different sensitivity, a positive attitude toward nature, landscapes, local culture, and people. Consequently, the agrotourism experience should encompass shared or independent accommodation within the farmer's home, involving the entire family and preserving their customs and traditions. This approach ensures that tourists are treated as if they were part of the family and provides direct contact with rural life and nature. [20] suggests that the ideal agrotourism product should be distinctive, adaptable to the area's capacity for value generation, involve all local stakeholders, offer experiential elements that stimulate tourists' imagination and participation, target specific demand segments that appreciate its offerings, and be sustainable and responsible in both production and consumption. It should also minimize risks and feature a robust reception infrastructure. According to [21], agrotourism is a flexible business, unlike rigid hotel infrastructure, and can expand or contract according to demand.

The Importance of Agrotourism in Economic Diversification

Agrotourism caters to the desires of a population seeking to enjoy nature, rural life, and culture at an affordable cost, appealing to a broad market that includes families, couples, older individuals, and children, among others. From an economic perspective, the revenue generated from accommodations, dining, and recreational activities produces direct, indirect, and induced effects, contributing to the revitalization of the local economy. Additionally, agrotourism brings about various positive aspects, such as the enhancement of heritage assets, direct marketing of agricultural and artisanal products, recognition of women's roles in rural communities, acknowledgment of farmers' societal contributions, and cultural exchange opportunities [19]. Several studies concur on the significance of agrotourism in diversifying rural income, resulting in economic benefits for farms [22]; [23][24]. These authors unanimously acknowledge that while agrotourism may not yield substantial economic gains and has limited potential for job creation, it plays a crucial role in sustaining the viability of farms. According to [20], agrotourism is a specific form of tourism experiencing growth because, in addition to supplementing farm incomes, it fosters close connections between tourists and agricultural activities, as well as local culture. It can also promote the preservation of agricultural systems [25] and contribute to the conservation of the natural and cultural heritage, including ethnographic, ethnological, and gastronomic elements, by bridging human activities with natural resources [26]."

CONCLUSION/RECOMMENDATION

Similar to all forms of tourism relying on natural resources, it is imperative to take measures to sustain and protect these resources. According to [26], the participation of family farms can play a vital role in preserving local communities, landscapes, and ecosystems. Just as ecotourism prioritizes the sustainable development of natural areas, its principles can also be applied to small-scale agriculture. Consequently, the promotion of agrotourism in rural regions can be viewed as a means of practicing sustainable agriculture and ecological conservation. The economies of areas dependent on both agriculture and tourism promote the responsible utilization of natural ecosystems and agricultural practices. Therefore, traditional rural occupations like agriculture contribute significantly to environmental preservation. Moreover, this type of tourism is centered on lodging within residents' homes, thus fostering a balance in the overall ecosystem—both natural and human—by ensuring that the growth of tourist activities does not overwhelm the existing human and natural environment."

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