



**ASSESSING DEMAND, EFFICIENCY AND IMPACT
OF TOURISM INDUSTRY IN MALAYSIA**

BY

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requirement for the degree of Doctor of Philosophy
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ABSTRACT

Tourism is an important economic sector for most countries, and it is also one of the world's fastest growing industries. The increasing importance of tourism in boosting national economies such as Malaysia has sparked considerable interest to better understand the entire tourism ecosystem for greater sustainability. This thesis comprises three essays on the tourism industry in Malaysia. The essays are empirical investigations on various perspectives of tourism system. The first essay explores the generating aspect of the tourism system to identify the macroeconomic demand factors and their relative importance. The second essay explores the tourism sector from the perspective of efficiency and productivity. The last essay examines the impact of homestay programme using a case study in Sepang, Selangor. Overall, the interconnection between the findings of the three essays suggests that various measures are pertinent to the theme of sustainable tourism ecosystem from the perspective of policy makers. Findings from first essay suggest that Malaysia has greater potential to attract tourist arrivals from the neighbouring countries as well as Muslim countries. Despite the great potentials that exist, the finding from the second essay suggests that there are variations in the level of efficiencies between states. These variations imply that resources are not being fully utilized or there are excessive of inputs that duplicate one another. Notwithstanding these issues, findings from last essay which is based on a case study suggests that better utilization of tourism resources could bring positive spillover effects to the surrounding communities.

مُلخَصُ البَحْث

تُعَدُّ السياحة قطاعًا اقتصاديًا مهمًّا لمعظم الدول، ومن أسرع الصناعات نموًّا عالميًّا، ومع ازدياد أهميتها في تعزيز الاقتصاد الوطني للدول من مثل ماليزيا؛ ثار اهتمام بالغ لفهم النظام البيئي السياحي، ومن ثم؛ الوصول إلى استدامة أكبرن وعليه؛ يشتمل هذا البحث الدراسة ثلاثة فصول عن قطاع السياحة في ماليزيا؛ هي بحوث تجريبية تُبيِّن اختلاف وجهات النظر المختلفة فيما يتعلق بالنظام البيئي السياحي، والفصل الأول يتناول نواحي إنتاج النظام السياحي؛ لتحديد عوامل الطلب الاقتصادي الكلي وأهميته النسبية، والفصل الثاني يتناول قطاع السياحة من منظور الكفاءة والإنتاجية، والفصل الثالث يتناول برنامج الإقامة المنزلية باستخدام دراسة حالة في سوبانج (سلانغور)، وبعمامة؛ يشير الترابط بين نتائج الفصول الثلاثة إلى أن القياسات المختلفة وثيقة الصلة بموضوع النظام البيئي السياحي من منظور صانعي القرارات، فنتائج الفصل الأول تُبيِّن أن لدى ماليزيا إمكانيات كبيرة لجذب السياح من الدول المجاورة، ونتائج الفصل الثاني تُبيِّن اختلافات في مستوى الكفاءة بين الولايات الماليزية، وهذه الاختلافات تعني أن الموارد لا تستخدم استخدامًا كاملاً، أو أن هناك كثيرًا من المداخلات التي تتكرر، وعلى الرغم من هذه الإشكاليات؛ تُبيِّن معطيات الفصل الثالث (دراسة الحالة) أن الاستخدام الأفضل للموارد السياحية قد ينعكس إيجابيًا ويمتد أثره إلى المجتمعات المحيطة.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Muhammad Hanif Bin Othman

Signature.....

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DEDICATION

This thesis is dedicated to my family. I am truly the most blessed man in the world to have such a supporting family with me for the ride as I try to achieve my goals.

First and foremost, I would like to express my gratitude to my family, particularly my parents, Othman Bin Darus and Faridah Binti Abdul Wahab for their encouragement and allowing me to pursue my ambitions. Thank you also to my grandmother, Saijah binti Ismail, for always being supportive of me. I owe my special thanks to my beloved wife, Masirah Zinol A'bidin, for her patience, sacrifice, understanding and assistance; and also to my son, Muhammad Hazim and daughter, Nurul Husna, who have always been my sources of inspiration and happiness, throughout this long journey. I am grateful to my parents-in-law, Zinol A'bidin Bin Daud and Hashmah Binti Ramli, and all family members for their support. I am truly blessed to have all of you in my life.

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BOP	Balance of Payment
BOR	Geographical Border
BR1M	Bantuan Rakyat 1Malaysia
CBT	Community Based Tourism
CPI	Consumer Price Index
CRS	Constant Return to Scale
DEA	Data Envelopment Analysis
df	Degree of Freedom
DIS	Distance
DMU	Decision-Making Unit
<i>e.g.</i>	<i>exempligratia</i> (for example)
<i>et al.</i>	<i>et alia</i> (and others)
EFFCH	Technical Efficiency Change (Relative to a CRS Technology)
EPU	Economic Planning Unit
EXC	Exchange Rate
FE	Fixed Effect
FELDA	Federal Land Development Authority
GA	Government Allocation for Tourism Industry
GDP	Gross Domestic Product
GDPOCAP	Gross Domestic Product per Capita of the Tourists' Country of Origin

GNP	Gross National Product
HR	Hotel Room
ITC	Islamic Tourism Centre
INFRA	Institute for Rural Advancement
LSDV	Least Square Dummy Variable
MICE	Meetings, Incentives, Conventions and Exhibitions
MOCAT	Ministry of Culture, Art and Tourism
MOTAC	Ministry of Tourism, Arts and Culture
MASCO	Malaysian Standard Classification of Occupations
MTPB	Malaysia Tourism Promotion Board
NEM	New Economic Model
NKEA	National Key Economic Areas
Obs	Number of observations
OIC	Organisation of Islamic Cooperation
PECH	Pure Technical Efficiency Change (Relative to a VRS Technology)
PMR	Penilaian Menengah Rendah
POLS	Pooled Ordinary Least Squares
POP	Population
RE	Random Effect
SARS	Severe Acute Respiratory Syndrome
SESRIC	Statistical, Economic and Social Research and Training Centre for Islamic Countries
SECH	Scale efficiency change

SFA	Stochastic Frontier Technique
Sig.	Significant
SME	Small and Medium Enterprises
SPM	Sijil Pelajaran Malaysia
SPVM	Sijil Pelajaran Vokasional Malaysia
SPSS	Statistical Package for the Social Sciences
STAM	Sijil Tinggi Agama Malaysia
STPM	Sijil Tinggi Persekolahan Malaysia
TECHCH	Technological change
TFPCH	Total factor productivity (TFP) change
TDC	Tourist Development Corporation
UN	United Nations
UNWTO	United Nations World Tourism Organization
UPSR	Ujian Pencapaian Sekolah Rendah
VDSC	Village Development and Security Committee
VMY	Visit Malaysia Year
VRS	Variable Return to Scale
WTTC	World Travel and Tourism Council

CHAPTER ONE

BACKGROUND AND MOTIVATION OF STUDY

1.1 INTRODUCTION

The United Nations World Tourism Organisation (UNWTO) has defined tourism as “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited” (UNWTO, 2000). Tourism has become an important industry and has grown to become a major contributor to the world economy (UNWTO, 2019). In 1950, approximately 25 million international tourist arrivals were recorded. In 1960, that number had increased to 70 million visitors; and in 2010, this number had increased to approximately 940 million visitors – a growth of 1,250% from 50 years earlier (see Figure 1.1). In addition, the UNWTO forecasted that this number would continue to grow – up to 1.8 billion visitors in 2030 (UNWTO, 2011).

Although the tourist industry has had an exponential growth pattern since the 1950s, there has also been negative growth due to several economic, political, and health crises, including the oil price crisis in the mid-1970s, the global recession in the mid-1980s, the Persian Gulf War in 1991, the Asian financial crisis in late 1997, the terrorist attacks on the World Trade Centre in New York and the Pentagon in the United States in 2001, the outbreak of severe acute respiratory syndrome (SARS) and avian flu in 2003, and the global financial crisis in late 2007. These crises all significantly affected the international tourist arrivals (Tang, 2014).

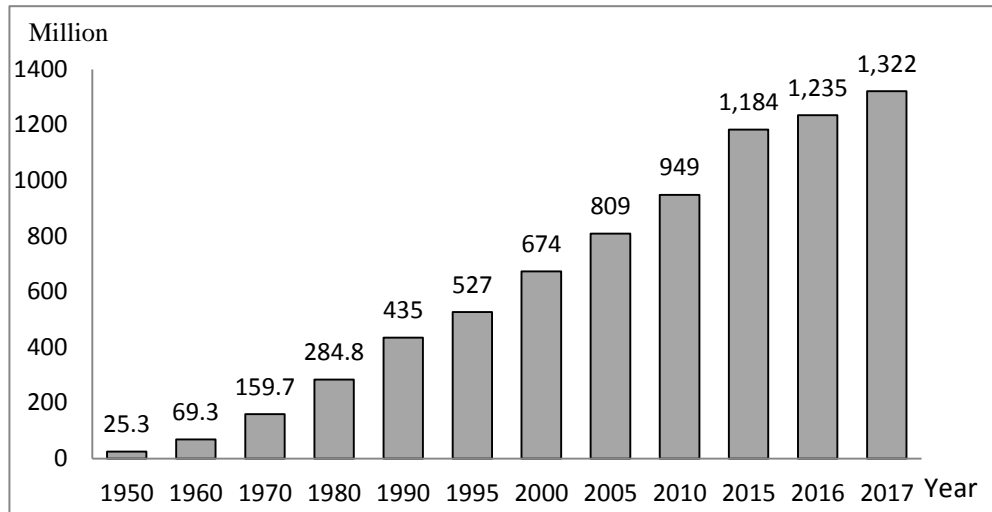


Figure 1.1 The Trend of World Tourist Arrivals
Source: UNWTO (2017)

Furthermore, positive growth in the tourism sector has also contributed towards employment opportunities. According to the World Travel and Tourism Council (WTTC) (2013), in 2013 about 101 million people were directly employed in the travel and tourism industry, which contributed about 3.4% of total employment. This number could be increased to 265.9 million if direct and indirect employments are incorporated in the calculations. The WTTC has projected that, in the next decade, direct employment in the tourism industry could be increased by up to 126.3 million jobs (if both direct and indirect employment are included, that number could be increased to 346.9 million). In addition, growth in the tourism sector will positively affect other services sectors which are closely-related to the tourism sector such as accommodation, entertainment, transport, shopping, foods and beverages, and small and medium enterprises (SMEs) (Johan, 2009). Hence, many countries around the globe have begun to pay serious attention to the development of this sector and to offer a variety of packages and promotions in order to attract international tourists and to generate profits for their respective countries (Kusni, Kadir and Nayan, 2013).