

Malaysian Experience in Tourism and its impact on economic growth

Lahcene Makhloufi

Utara University- Malaysia

univutara2015@gmail.com

Medekhel Khaled

El Oued University-Algeria

khaledmedakhel@gmail.com

التجربة الماليزية في السياحة وتأثيرها على النمو الاقتصادي

Abstract:

The main purpose of this study was to investigate on the relationship between Tourism and Malaysian economic growth. Tourism plays a vital role in the development and growth of the Malaysian economy. Tourism sector is an important sector that many countries are focusing on the development of tourism sector. There are many studies show there is a significant relationship between tourism sector and economic growth. The objective of this study is to see how significant the tourism sector extension would give impact on the Malaysia GDP and other macroeconomics aspects. The study shows that the tourism sector contributes to Malaysia economic by generating output and the export of tourism sector. Besides that, the interrelationship between sectors shows that there are strong linkages between tourism sectors with other sectors. It creates the demand and supply of outputs that can stimulates the economy.

Keywords: Tourism sector, Economic growth, GDP

ملخص:

كان الغرض الرئيسي من هذه الدراسة هو التحقيق في العلاقة بين السياحة والنمو الاقتصادي الماليزي. تلعب السياحة دورا حيويا في تنمية ونمو الاقتصاد الماليزي. قطاع السياحة قطاع مهم يركز العديد من البلدان على تنمية قطاع السياحة. هناك العديد من الدراسات تظهر وجود علاقة كبيرة بين قطاع السياحة والنمو الاقتصادي. والهدف من هذه الدراسة هو معرفة مدى تأثير توسع قطاع السياحة على الناتج المحلي الإجمالي الماليزي وغيره من جوانب الاقتصاد الكلي. وتظهر الدراسة أن قطاع السياحة يسهم في ماليزيا الاقتصادية من خلال توليد الإنتاج وتصدير قطاع السياحة. وبالإضافة إلى ذلك، تبين العلاقة المتبادلة بين القطاعات وجود روابط قوية بين قطاعات السياحة وبين القطاعات الأخرى. فهو يخلق الطلب والعرض من النواتج التي يمكن أن تحفز الاقتصاد.

الكلمات المفتاحية: قطاع السياحة، النمو الاقتصادي، الناتج المحلي الإجمالي

1. Introduction

The international tourism has shown a huge development and also experiencing continued diversification. Experiencing continued expansion tourism is becoming one of the largest and significantly growing economic sectors. International tourist arrivals grew by 5% in 2013 which is 1087 million arrivals worldwide. This shows an increment from year 2012 with 1035 million arrival million (UNWTO, 2014). Tourism industry which already growing since ancient time found successful in generating income of countries. Number of tourist destination are growing bigger and bigger. According to Khaleed (2009), tourism is one of the method to overcome macroeconomic problems. By focusing in tourism sector brings promising benefits to the country as it is one of the tool to generators of income and employment creation. Tourism based development plays a vital pivotal role in contributing to its GDP growth both in developed and developing countries.

Nowadays many countries focusing on tourism sector as a tool to develop their countries in term of many facets. Countries mainly developing countries are promoting and sustaining a world class tourism to generate economic growth. Developing countries are trying to enact policies to improve their tourism industry as a tool to develop their foreign exchange earnings. Malaysia is never left out in promoting their tourism in many ways. According to Elsadig and Abdur (2011) said that Malaysia is becoming of the leading tourist destination competing with other popular tourist spots around the world. Besides that, those countries worldwide, including Malaysia, have a successful tourism sector, is often measured in dollars or specifically by the number of international tourist arrived and the income they bring in.

Malaysia is located in south East Asia and divided into peninsula Asian mainland and third of Borneo Island. Malaysia have total land mass of 329,845 square kilometers (127,354 sq. Mi). Geographically Malaysia having 11 states with 2 federals territories (Kuala Lumpur and Putrajaya) form peninsular Malaysia. Peninsular Malaysia is separated by the South China Sea from east Malaysia which includes Sabah and Sarawak and also Labuan the third federal territory (Tourism Malaysia).

In Southeast Asia, Malaysia is one of a top tourist destination having an endless range of attractions for many types of tourist. Malaysia considered as a unique country and described as „Asia in miniature“ because the uniqueness of various cultures. The multicultural structure of Malaysia is filled with the cultures of three main ethnics such as Malay, Indian and Chinese. Besides that, there are complement from minority ethnics such as aboriginals and Eurasian ethnics such as Iban, Dayak, Melanau, Kadazan, Bajau and others. By this, Malaysia can be best described as a place, allowing the convergence of cultures.

Nevertheless, the huge biodiversity of flora and fauna in Malaysia have attracted number tourists to visit Malaysia. As there is massive development on the tourism sector, Malaysia government have step into an effort to diversify the economy and not solely depend on exports. Government started to focus on tourism industry by having policies and promotion to attract tourist around the world. By this the tourism sector is the second engine that helps the

growth of the country for developing global competitiveness. This industry effects positively on the Malaysian economy for increasing foreign exchange earnings, and employment opportunities (Bhuiyan et al., 2013).

2 .Overview of Malaysian Tourism

2.1 History of Malaysia Tourism

Earlier, before independence in 1957 Malaysia economy was only focusing in agriculture sector such as tin, rubber and oil palm. At that period, tourism does not give any effects on Malaysia economy. In 60's tourism in Malaysia started as a new sector in the economic sector for the starting there was a slow growth. A tourist plan was added into the country's 1971-1975 plan and this shows the beginning of tourism contributing in Malaysia's economic. Malaysia government tried to develop Malaysia tourism and in year 1972 Malaysia government established Tourist Development Corporation of Malaysia (TDC) under former Ministry of Trade and Industry. However, Malaysia gives more attention on 1980's due to the fall in oil price and world's economic crisis. Beside economic, tourism sector gives positive impacts on foreign exchange earnings, job opportunities and tax revenues in 1980s. In 1987, another department was established called the ministry of culture, Arts and Tourism (MoCAT) and TDC has emerged to this department in year 2004, became Ministry of Tourism. Malaysia government has brought up many plans in order to encourage and improve local and private investment in tourism industry.

In 2001, Malaysia government had created fund to help investors, which is tourism infrastructure fund with RM 700 Million allocation and increased the fund to RM 1.2 billion in 2005 and special fund for tourism infrastructure with allocation of Rm 400 Million. In 1992, TDC was replaced by Malaysia Tourism Promotion Board (MTPB). MTPB function according to the Malaysia Tourism Promotion Board act 1992 is:

- 1- To stimulate and promote tourism to and within the country
- 2- To stimulate, promote and market Malaysia as a best destination for tourism in international and domestic arena.
- 3- To co-ordinate activities relating to tourism conducted by any organization, government or non-government agencies and;
- 4-To recommend to the minister as creating of appropriate methods, measures and programs to facilitates or stimulate the development tourism industry in Malaysia and to implement or assist in the implementation of these recommendations.

In 2012, MTPB have 36 overseas and 9 marketing representative offices in 29 countries. Malaysia has a strong position today as tourist destination. By realizing the strong potential in tourism sector globally, Malaysia government is taking steps to develop this service sector together with the collaboration private sectors to bring benefit to all.

2.2 Malaysia Tourism and its contribution

Tourism sector plays important role in many economic facets in Malaysia. Malaysia has been and still an attractive tourism destination in the world. Attracting more and more international tourist to Malaysia been a main focus of Malaysia government, besides development interesting tourist destination such as Langkawi Island, Pangkor Island, Cameron highland and many more. Besides that, the natural and cultural tourism combined with heritage and multicultural aspects such as and the tropical climate of Malaysia creates a sustainable tourist development.

Malaysia have brought in number of international tourist around the world year by year. From the Table 1.1 below, it can be seen that the number tourist arrival increase year by year. This table shows the arrival of tourist starting from the year 1998 till 2013 which shows a constant increment. In year 1998, tourist arrival was 5.56 million and 1999 there an increase in the tourist arrival which is 7.93 million. It increases more in year 2000 to 10.22 million. Continue to increase up to 12.78 million and 13.29 million in year 2001 and 2002 respectively. In year 2003, there was slight drop in the tourist arrival which was 10.58 due to the SARS and Gulf War in 2003, but in year 2004 until 2013 the number of tourist to Malaysia increases significantly. In year 2013 the number of tourist arrive was 25.72 million which shows a good number of tourist visited Malaysia. Beside arrivals, receipts also show a drastic increment starting year 1998 till 2013. In year 2013, Malaysia have performed more than expected in term of tourist receipt of RM 65.44 billion exceeding the initial target which is RM 65 billion.

Table1.1: Tourist Arrival and Receipts to Malaysia

TOURIST ARRIVALS & RECEIPTS TO MALAYSIA		
YEAR	ARRIVALS	RECEIPTS (RM)
2013	25.72 Million	65.44 Billion
2012	25.03 Million	60.6 Billion
2011	24.71 Million	58.3 Billion
2010	24.58 Million	56.5 Billion
2009	23.65 Million	53.4 Billion
2008	22.05 Million	49.6 Billion
2007	20.97 Million	46.1 Billion
2006	17.55 Million	36.3 Billion
2005	16.43 Million	32.0 Billion
2004	15.70 Million	29.7 Billion
2003	10.58 Million	21.3 Billion
2002	13.29 Million	25.8 Billion
2001	12.78 Million	24.2 Billion
2000	10.22 Million	17.3 Billion
1999	7.93 Million	12.3 Billion
1998	5.56 Million	8.6 Billion

Source: Tourism Malaysia, 2014

Malaysia have tourist around the world coming to Malaysia due to many factors that attract international and domestic tourist. According to UNWTO, Malaysia is the 10th most visited country in the world, having more than 25 million tourist visited Malaysia last year. Table 1.2 below shows the top ten-tourist arrival by countries of nationality in year 2012. Tourist from Singapore has visited Malaysia the most with the number of 13.01 million, which is 51.99% from the total of tourist arrivals. Following by Indonesia (2.38 mill), China (1.56 mill), Thailand (1.26mill), Brunei (1.26 mill), India (0.69 mill), Philippine (0.508 mill), Australia (0.507 mill), Japan (0.47 mill), and United Kingdom (0.41 mill).

Table 1.2: Top Ten Tourist Arrivals by Countries of Nationality 2012.




Country of Nationality	Number of tourist arrival (Million)	Total of tourist arrivals (%)
Singapore	13,01	51,99
Indonesia	2,38	9,52
China(including Hong Kong and Macau)	1,56	6,23
Thailand	1,26	5,05
Brunei	1,25	5,03
India	0,69	2,76
Philippine	0,508	2,03
Australia	0,507	2,02
Japan	0,47	1,88
United Kingdom	0,402	1,61

Source: Tourism Malaysia with the cooperation of Immigration Department, 2012

Besides having international tourist, Malaysia with attractive tourist destination have also attract domestic tourist. Domestic tourists do contribute to the tourism sector. The number of domestic tourist taking vacation is bigger than international tourist in most countries (Weaver and Oppermann, 2000). According to the Malaysian Ministry of Culture, Arts and Tourism (MOCAT), domestic tourism receipts increasing at estimated 15% a year, and surveys done by the tourist office indicated that over 50% of hotel bed-nights were occupied by domestic tourists (The Economist Intelligence Unit, 1994).

Tables 1.3 show the key statistic of domestic tourist in Malaysia for year 2012 and 2013. The number domestic tourist should be taken into consideration because domestic visitor will also help to improve the tourism sector. In 2013, it shown that 152.9 million visitor was recorded with an increase of 8.1 % compared to 2012 with 141.4 million visitors. The number trip of domestic visitor increases from 174.4 million in 2012 to 193.3 million in 2013 with growth of 10.8 %. A total of RM54.0 billion was spent for domestic tourism in 2013 as against RM47.8 billion registered in 2012. Meanwhile, the average expenditure per trip registered RM279 in 2013, an increase of 1.8 per cent from 2012. The growth of domestic visitors' expenditure was driven by the increase in the number of visitors and trips in 2013.

Table 1.3: Key statistics of domestic tourism, 2012 and 2013

Key Statistics	2012	2013	Percentage Change
Number of Visitors ¹ (million)	141.4	152.9	 8.1
Number of Tourism Trips (million)	174.4	193.3	 10.8
Total Expenditure (RM billion)	47.8	54.0	 13.1

Source: Department of Statistic Malaysia, 2013

During 1980's in order to overcome balance of payment deficit, Malaysia government planned to bring up a strong and developed tourism sector as an alternative source of foreign exchange. Improving tourism gives positive impact on development of direct tourism related sector and indirectly related sector. Thus, tourism generates the economics of developing countries and its importance is gaining huge recognition. Now Malaysia and other developing countries considering tourism as one of the important to of development of economy and also gain attention from governments industrial strategy. Malaysia governments try to increase its allocation on the development of the industry over years. It has been increased from RM605.5 million in the 7th Malaysian plan to RM1009.0 million in the 8th Malaysian plan period, experiences 60% increase in its allocation (EPU, 2001). In the 9th Malaysian plan period, the allocation reached to RM1367.0 million (EPU, 2006).

Development of tourism sector does help the growth in Malaysia economic. Its contribution in economic growth is very important as it gives impact on growth sector directly related to tourism and also indirectly related. Tourism sector contributes in sales and production of output, employment, tax revenue and income (Horvath and Frechtling, 1999). The income generated by tourism through tourist expenditure is important earning for the country. By this the public and private sector can generate income via inter- sector linkages their earning can generate earning, besides creating employment opportunity to the locals. According to Department of Statistic Malaysia (2013), every year the amount of expenditure done by domestic and international tourist is raising because Malaysia is the best tourist destination and also number services beside interesting activities can be done here.

Table 1.4: National and International Tourism Expenditure

Year	National Tourism Expenditure		International Tourism Expenditure	
	RM (Million)	Annual change (%)	RM (Million)	Annual change (%)
2005	28,117.6	..	42,183.2	..
2006	32,294.4	14.9	48,264.3	14.4
2007	39,109.0	21.1	59,267.1	22.8
2008	32,069.2	-18.0	64,370.1	8.6
2009	36,606.3	14.1	70,473.6	9.5
2010	44,562.0 ^r	21.7	75,333.7 ^r	6.9
2011	57,521.8 ^r	29.1	81,503.4 ^r	8.2
2012	66,438.7 ^p	15.5	88,217.8 ^p	8.2

Source: Tourism Satellite Account (TSA) 2005-2012, 2012

Table 1.4 shows the national and international tourist expenditure occur in Malaysia from year 2005 till 2012. In 2005 national tourist expenditure is RM 28 177.6 million and international tourist expenditure was RM 42.183.2 million. In 2006 the expenditure of both national and international tourist expenditure have increased to RM 32 294.4 million and RM 48 264.3 million. Also in 2007, there was a drastic increase by RM 39,109.0 million and RM 59,267.1 million total expenditure of national and international tourist. In 2008, there declining rate where the expenditure of national tourist were at RM 32,069.2 million but there is a rise in international tourist expenditure which was at RM 64, 370.1 million. Then there are continues rising in both national and international tourist expenditure.

The tourists will spend in Malaysia. Transaction happens in Malaysia will help value of Malaysia currency increase. Besides that, much transaction such as hotel services, restaurant, transportation services and many others would help economic growth and also due to high demand for certain sector will help the sector to develop and create job opportunities to local people.

According to Dritsakis (2004), the most direct effect happen within some sectors for instead, hotels and restaurants, wholesale and retail trade, transportation and business services. Meanwhile indirect effects are to the other sectors that indirectly related to the development of tourism sector. Since numbers of international and domestic tourist visit Malaysia, the number of hotel and restaurants has increased drastically over years all over Malaysia. The hotel industry is consisting of five stars, four stars, motels, chalet, homestays and many more. The demand for hotel industry increase as the arrival of international tourist visit Malaysia increase.

According to website of Tourism Malaysia, in 2013 the countries average hotel occupancy rate rose to 62.6% than 62.4% in 2012 and 60.6% in year 2011. This is in tandem with the increase in international and domestic tourists. In year 2013 Pahang recorded the highest occupancy rates at 80.4%. The Federal Territory of Kuala Lumpur and Selangor recorded the second and third highest occupancy rates of 69.5 % and 67.5% respectively.

Table 1.5: Hotel occupancy rate by state 2012-2013

STATE	2012	2013	DIFFERENCE
KUALA LUMPUR F.T	69.3	69.5	0.2
PUTRAJAYA F.T	65.3	62.0	-3.3
SELANGOR	67.3	67.5	0.2
PENANG	64.0	64.2	0.2
PERAK	49.6	49.8	0.2
KEDAH	52.9	53.0	0.1
PERLIS	41.2	43.1	1.9
KELANTAN	39.8	40.0	0.2
TERENGGANU	46.3	47.0	0.7
PAHANG	81.8	80.6	-1.2
JOHOR	56.1	56.4	0.3
MELAKA	62.0	62.2	0.2
NEGERI SEMBILAN	43.0	43.6	0.6
SABAH	60.8	62.2	1.3
LABUAN F.T	66.9	67.0	0.1
SARAWAK	57.2	57.4	0.2
MALAYSIA	62.4	62.6	0.2

Source: Tourism of Malaysia, 2013

Tourism sector have significantly gives positive impact on employment in Malaysia. The rise in many sectors which is related to the tourism lead to increase in labor demand. Most of the sector in tourism sector is relatively labor intensive and the development of this sector would require for more labor to work in this sector. Other than that, the strong connection between sectors such as transportation, retail, utilities, food and beverages as well as financial services. In Malaysia there are many higher education institution are offering programs on tourism and hospitality, which creates thousands of graduates to works in this tourism sector. By creating job opportunities, this will also help low-income group to upgrade their lifestyle by involving in tourism related small business or activities such as rural homestay programs. By this Malaysia can overcome one of the macroeconomic problems.

Table 1.6: Employment in Tourism Sector 2005 - 2012

Year	Employment in the tourism industries		Total employment		Share of employment in the tourism industries to total employment (%)
	Number ('000)	Annual change (%)	Number ('000)	Annual change (%)	
2005	1,511.5	..	10,045.4	..	15.0
2006	1,554.6	2.9	10,275.4	2.3	15.1
2007	1,568.8	0.9	10,538.1	2.6	14.9
2008	1,677.6	6.9	10,659.6	1.2	15.7
2009	1,759.5	4.9	10,897.3	2.2	16.1
2010	1,849.8	5.1	11,899.5	9.2	15.5
2011 ^a	1,993.7	7.8	12,284.4	3.2	16.2
2012 ^a	2,088.2	4.7	12,723.2	3.6	16.4

Source: Tourism Satellite Account (2005-2012)

From the table above, it can be seen that annual changes in the employment in the tourism sector shows a drastic. Overall, the employment in 2012 has increased by 4.7 % compared to 7.8 % in recorded in 2011. The share of employment in the tourism industry for 2012 was 16.4%, which shows rise from year 2011, 16.2 % and in year 2012 it was the highest share within the eight years period. Total employment recorded 12.7 million in 2012, higher than 2011, which with 12.2 million persons Tourism plays crucial role in contribution of GDP. Tourism sector will generate employment and income, which lead to a positive tourism balance of payment. Besides it also will stimulate the supply of goods and services of sectors of tourism due to demand of tourist and will generally increase the level of economic activity in the country. This will lead to the development and the rise in GDP.

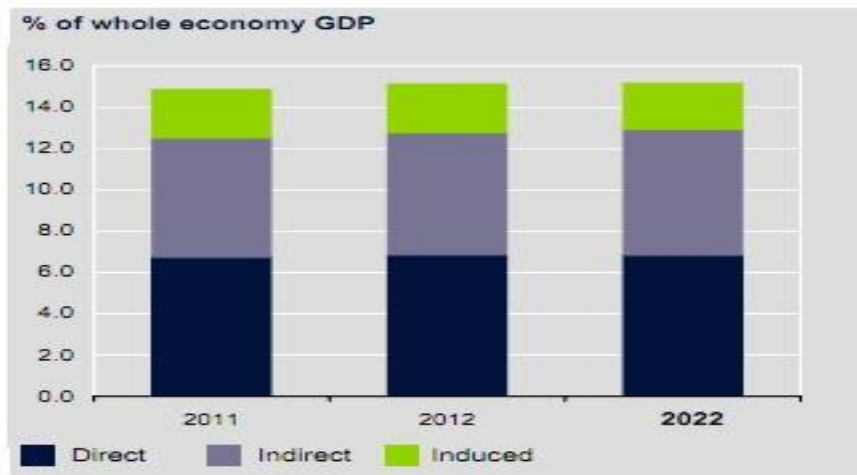
Table 1.7: Gross Value Added of Tourism Industries and Percentage Share to GDP

Year	Total output of tourism industries (at basic prices)		Total intermediate consumption (at purchasers' prices)		Total Gross Value Added of Tourism Industries (at basic prices)		Gross Domestic Product (at current prices)		Percentage share of GVATI to GDP
	RM (Billion)	Annual change (%)	RM (Billion)	Annual change (%)	RM (Billion)	Annual change (%)	RM (Billion)	Annual change (%)	
2000	73.2	..	31.9	..	41.3	..	356.4	..	11.6
2001	75.0	2.5	32.7	2.5	42.3	2.5	352.6	-1.1	12.0
2002	77.1	2.9	33.9	3.7	43.2	2.2	383.2	8.7	11.3
2003	79.2	2.7	34.7	2.3	44.5	2.9	418.8	9.3	10.6
2004	87.8	10.9	39.0	12.4	48.8	9.7	474.0	13.2	10.3
2005	100.3	14.2	43.9	12.7	56.4	15.5	522.4	10.2	10.8
2006	110.3	9.9	48.7	11.0	61.5	9.1	574.4	10.0	10.7
2007	129.9	17.8	57.3	17.5	72.7	18.1	642.0	11.8	11.3
2008	148.5	14.3	66.3	15.8	82.2	13.1	742.5	15.6	11.1
2009	151.1	1.7	68.0	2.5	83.1	1.1	679.9	-8.4	12.2
2010	163.0	7.9	73.7	8.4	89.3	7.5	766.0	12.7	11.7

Source: Tourism Malaysia

The tourism industry has performed favorably. Tourist arrivals have increased almost 15-fold from 1.2 million in 1974 to 24.7 million in 2011. Likewise, gross earnings have also increased to RM58.3 billion in 2011. The tourism industry contributes a significant share of Malaysia's total employment. Tourism related activities provided 15.31 thousand job in 2000 but in 2010, jobs in related tourism industry is 1770 thousand. However, employment creation is even higher, taking into account the strong linkages tourism has with other segments of the economy, such as transportation, retail, utilities, food and beverages, as well as financial services. In addition, tourism also plays a crucial role in helping low-income groups to improve their livelihood through involvement in tourism related activities, such as rural homestay program, eco and agro-tourism guide activities as well as handcraft industries.

Figure 1.8: Total contribution of Tourism to GDP



Source: Tourism Malaysia

Tourism is expected to remain an important activity, which contributes significantly to the Malaysia economy. Under the Ninth Malaysia Plan, the overall tourism policy is to realize the sectors full potential as an important source of growth in terms of income- generation, job creation, foreign exchange earnings and entrepreneurial development.

3. Economic Impact of Tourism

Tourism has a variety of economic impacts. Tourists contribute to sales, profit, job, tax revenue, and income in an area. The most direct effects occur within the primary tourism sector such as lodging, restaurants, transportation, amusement, and retail trade. Through secondary effects, tourism effect most sectors of the economy. An economic impact analysis of tourism activity normally focuses on change in sales. Income and employment in a region resulting from tourism activity (Daniel J. Stynes, 1996) a simple tourism impact scenario illustrates. Let's say our country attracts an additional 100 tourists, each sending RM100 per day. That's RM10000 in new spending per day in the area. If sustained over 100 day season, our country would accumulate a million Ringgit in new sales. The million Ringgit in new spending would be distributed to lodging, restaurant, and amusement and retail trade sectors. Perhaps 30% of the million Ringgit would leak out of the region immediately to cover the costs of goods purchased

by tourist that are not made in the local area. The remaining RM700, 000 in direct sales might yield RM350, 000 in income within tourism industries and support 20 direct tourism jobs. Tourism industries are labor and income intensive, translating a high proportion of sales into income and corresponding jobs.

The tourism industry, in turn, buys a goods and services from other businesses in the area, and pay out most of the RM350, 000 in income as wages and salaries to its employees. This creates secondary economic effects in our country. The study might use a sales multiplier of 2.0 to indicate that each Ringgit of direct sales generates another Ringgit in secondary sales in this country. Through multiplier effects, the RM7000, 000 in direct sales produces RM1.4 million in total sales. These secondary sales create additional income and employment, resulting in a total impact on the country of RM1.4 million in sales, RM650, 000 in income and 35 jobs. In applying an economic model, economic impact analysis can produce estimates of the total economic impact of holding a sport event, operating a museum, and other actions that will influence an economy. Furthermore, economic impact analysis also helps policy analysts and decision makers to evaluate current and proposed projects by providing estimates that are measurable and comparable. Clawson and Knetsch (1966) claim that economic impact analysis can provide tangible estimates of tourism's contribution to an economy. The economic contribution under consideration often results in public policies or decisions that are favorable to tourism development.

4. Empirical Evidence on the relationship between Tourism and Economic growth One of the prominent studies that employed input-output model in estimating the economic impact of tourism was performed by Rashid et al. (1993) conducted an inter-sectorial analysis on Malaysian economy concerning tourism impact analysis in which static input-output analysis was the basis of analysis. The study used 1983 input-output table to estimate the impact of tourism on Malaysian economy for the year 1991. Tourist and non-tourist components were categorized from private consumption expenditure column and export column of the final demand sectors of 1983 input-output table. The direct and indirect impacts on sectorial output, employment, commodity taxes, and non-competitive imports were estimated resulting from tourist expenditures which were generated following questionnaire method in 1991. Tourist expenditures were categorized into domestic, Singaporean, and other foreign tourists. It was found that all sectors of the economy were receiving benefit from tourism directly and indirectly. The contribution of tourist expenditure in influencing output, employment and commodity taxes was found to be varied but still small. The contribution of tourism on the generation of value-added, employment, and commodity taxes was found to be less than 5% or the total but steadily expanding. The Wholesale and retail trade, Hotel and restaurants, Land transportation, Air transportation, and Business and personal services sectors were benefiting largely from tourism. The study conclude that other sectors did have strong technological linkages with other domestic supply sectors, therefore, it required to give simultaneous emphasis to the development of these strategic and non-strategic tourism sectors when designing policy. Archer and Fletcher (1996) analyzed the impact of tourists expenditures contribution on the generation of income, government revenue, and supporting employment and the balance of payment using input output model to the Seychelles island economy. The input-output

transaction table was disaggregated into 18 sectors. While analyzing the economic impact of tourism by different country of origin tourist, they found that impact varies by visitors' origin.

Visitors from Germany, Italy, Switzerland, Ireland, the UK and other European countries were the highest spenders and contributed significantly in generating income and employment. The study shows that input-output analysis can do more than merely quantify impact. It can produce data which is of importance to policymakers and provide guidance to marketing experts. It also provides a strong indication to government which sector of the economy should be promoted and encouraged to meet particular policy objective.

Albqami (2004) estimated output, employment, and income multipliers of the Saudi Arabian economy from the economic impact analysis of tourists' expenditure using input output model. The input output transaction table of 1997 was disaggregated into nine sectors where tourism sector was included as one of the sectors. The impacts of tourist expenditure on output, income, and employment were measured at direct and indirect level. The share of output, income and employment was found to be 5% of gross output, a total SR8690 millions of income and the service sector received 33% of income from tourism receipts, and the total employment generated from tourism expenditure was 507,114 which was about 12% of total employment. The study concludes that service sector received highest income and employment impact although output impact was relatively lower compared to transportation sector.

Sharif and Zakariah (2003, 2004) study on the economic impact of changing tourist profile in Malaysia for years 2001-2002. They have shown in their results that tourism activities in Malaysia appear to be favorable not only to the external account but also in generating local values-added and tax revenue. They found that tourist from West Asia which most of them from Muslim and Arab counties spent relatively higher proportion on wholesale and retail trade. The expenditure pattern of tourist from West Asia is favorable to the economy in terms of having a remarkable proportion of their expenditure on item that has a considerable multiplier effect on output and value-added and friendly to the external demand.

Tianhu Fan and Jan Oosterhaven (2005) investigate the impact of international tourism on the Chinese economy for 1997. They investigate the Chinese economy's dependence on the 1997 international tourists' expenditure, the most recent year for which sufficiently detailed data are available. They employ an input-output impact model extended with SAM-based endogenous consumption demand to estimate the direct, indirect and induced dependence of the Chinese economy on international tourism. The result shows a small dependence of Chinese GDP on international tourism of 1.64%. This dependence is not only absolutely small, but when compared to result found from literature, result that often smaller, less closed, less diversified, and more tourism oriented economies than the Chinese economy in 1997. They conclude that the impact of international tourism in China is still small; its high value added-intensity indicates its future potential for the Chinese economy.

Krista Daniella Yu (2011) study on the economic impact of tourism to the Philippine economy through the use of input-output analysis. The input output model is used to examine the

interdependence between industries in an economy. From the inverse matrix, she derives the multiplier that will estimate the economic impact of an exogenous change in the hotel and restaurant sector to output, GDP and income. She used the latest input-output released, 60 x 60 2000 input output table of the Philippines from the National Statistical Coordination Board (2006). This table includes the Hotel and restaurant sector which will be used to measure tourism activities. From this study, she concludes that the Philippine tourism industry does have an impact in the economy. Although its impact is not as significant as expected, it does contributed to the welfare of the citizens through increasing their income and at the same time reduce balance of payment deficit.

5. Conclusion and recommendations

5.1 Recommendations

The review of the analysis revealed that tourism sector contributed more income to the economy and play as a second sector contributed to the Malaysian economy after manufacturing. Apart from this, there a few recommendation that the researcher thinks necessary to bring about

- Government should increase their effort in improving the economic impact of tourism sector.
- Government should promote activities that should be directed towards raising the awareness on the important in improving the tourism sector and also encourage tourist to visit Malaysia
- Improvements to attraction and present markets and developing tourist infrastructure
- Government should create inter-ministerial committees include the representative from tourism sector in order to monitor and coordinate the implementation of tourism policy
- Malaysia government must make improvements in procedures for the issuance of visas, border formalities and customs regulation to ease international travel.

Besides government, private sector together with other stakeholders should collaborate in order to develop tourism. In order attract tourism around the world, there is a needed for a strategy that involve customer marketing to promote tourism product offering which must be different than other countries. For example promoting tour package with other tourism packages such as welfare tour packages with tourism homestay. This likely to be an “added value” for tourist product and will contribute to the extension of tourist visit to Malaysia.

5.2 Conclusion

This research review highlights the country significantly depends on the performance of the tourism sector for its growth. Tourism is multi sector industry and its demand impacts several sectors in the economy directly and indirectly. As the economic importance of tourism industry is growing among the policy makers and researchers, this study applied input-output technique to determine multiplier to measure the significance of tourism in generating output, income and employment in Malaysia. These multipliers showed several interpretations.

First is, Malaysia tourism industry not only playing an importance role for generating output, income and employment but also creates spillover effects on other related sector of the economy. This industry has strong inter sectorial linkages with other sector in the economy.

Secondly, result that have been estimated in this study can be considered as a guideline to the tourism industry policy makers to take necessary action in developing and implementing policies and then to pay attention to promote those area of tourism where the effect is highest.

Based on the analysis of this paper, it is clear that tourism industry is contributing significantly to the Malaysian economy in terms of generating output, income and employment. As Malaysia is aimed to be a developed nation by 2020, this industry has the potential to contribute significantly towards achieving the goal.

6. References

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