CHAPTER 1

INTRODUCTION: THE STUDY FRAMEWORK

Travel has existed since the beginning of time when primitive man set out, often traversing great distances, in search of game which provided the food and clothing necessary for his survival. Since then, people have travelled for purposes of trade, religious conviction, economic gain, war, migration and other compelling motivations. Travel, except during the Dark Ages, has continued to grow and has played an important role in the development of civilisations (Theobald 1994). For example, it was fashionable in the 16th Century for rich young men to undertake a ‘grand tour’ of Western Europe as part of their education to be gentlemen and diplomats (Robinson 1976).

Tourism as we know it today is distinctly a 20th Century phenomenon. Historians suggest that the advent of mass tourism began in England during the Industrial Revolution with the rise of the middle class, the introduction of paid annual holidays and the advent of relatively inexpensive transportation. Inventions such as the steamboat and the railway facilitated travel to distant places, particularly to seaside resorts. Once the exclusive province of the wealthy, travel and tourism had now become an institutionalised way of life for most of the world’s middle-class population. Improvements in the speed and capacity of air transport over the last 50 years further revolutionised the travel industry at the same time when international awareness and interest in travel was growing. In 1959, the Boeing 707 and Douglas DC-8 jet aircraft entered commercial service and in 1970 Pan-Am introduced the first wide-bodied Boeing 747 jet into its scheduled air services.
The creation of the commercial airline industry and the advent of the jet aircraft in the 1950s reduced travel fares, made travel accessible to more people and resulted in a wider range of routes. The jet aircraft was not only twice as fast but also offered a capacity double that of the earlier piston-engine aircraft. Tourism expansion was also encouraged by a multitude of other factors such as greater affluence, travel being considered as a status symbol, the emancipation of the young and their relatively higher wages, the increasing availability of package tours and the proliferation of international business meetings, conferences, trade fairs and exhibitions (Maison 1975).

The image of tourism as a pure and ‘clean’ industry (in contrast to ‘dirty’ ones, such as heavy manufacturing) has led local and national governments throughout the world to establish its development as a priority over creating a heavy industrial base (Plog 1994).

Tourism today has thus grown significantly both in economic and social importance. According to the World Tourist Organisation (WTO), an affiliate of the United Nations, an estimated 613 million tourists travelled to foreign countries in 1997 spending US$448 billion compared to only 25 million tourists and receipts of US$2.1 billion in 1950 (WTO 1998).¹ The number of international travellers is expected to reach 935 million by the year 2010, more than double the 459 million people who travelled abroad in 1990 (Table 1.1). This growth has not been without fluctuations caused by shocks and cycles in the world economy, but what has been remarkable is the resilience of the industry. This is partly because economic factors such as unemployment and

¹ Tourists are defined as temporary visitors staying at least 24 hours in the country visited, and whose purpose was for leisure, business, family, mission or meeting. Temporary visitors staying less than 24 hours in the destination visited and not staying overnight, including cruise ship travellers, are termed ‘excursionists’ (Mathieson and Wall 1982).
recession fall more heavily on the lower socio-economic groups and less heavily on the higher socio-economic groups who tend to dominate international travel (Wanhill 1997).

Except for a slight decline in the mid-1970s in response to the world fuel crisis and in 1981-83 when world wide recession restricted travel, international travel has maintained strong growth rates, often in excess of five per cent per annum (Hall and Page 1999).

Table 1.1. International Tourist Arrivals and Tourist Receipts in the World, 1950-95

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Number of Tourists*</th>
<th>Receipts (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>25,282,000</td>
<td>2,100</td>
</tr>
<tr>
<td>1960</td>
<td>69,320,000</td>
<td>6,867</td>
</tr>
<tr>
<td>1965</td>
<td>112,863,000</td>
<td>11,604</td>
</tr>
<tr>
<td>1970</td>
<td>165,787,000</td>
<td>17,900</td>
</tr>
<tr>
<td>1975</td>
<td>222,290,000</td>
<td>40,702</td>
</tr>
<tr>
<td>1980</td>
<td>286,249,000</td>
<td>105,198</td>
</tr>
<tr>
<td>1985</td>
<td>329,538,000</td>
<td>117,374</td>
</tr>
<tr>
<td>1990</td>
<td>459,212,000</td>
<td>264,714</td>
</tr>
<tr>
<td>1995</td>
<td>561,027,000</td>
<td>380,693</td>
</tr>
</tbody>
</table>

* excludes excursionists


Tourism has been the world’s largest industry since 1992 on virtually any economic measure including gross output, value added, capital investment, employment and tax contributions (Lundberg et al. 1995; Theobald 1994). Tourism receipts grew at an average of 17.2 per cent in 1985-90 and totalled US$380,693 million in 1995. A study by the Wharton Economic Forecasting Association puts the total gross output for
travel and tourism in 1993 at close to US$3.2 trillion, or about 6 per cent of the world's Gross National Product (GNP) exceeding the GNP of all countries except the United States of America (Ritchie 1992). Tourism, according to the study, grows almost twice as fast as world GNP (Lundberg et al. 1995). In addition, it contributes almost US$400 billion in direct, indirect and personal taxes each year (Theobald 1994). It is also the largest economic sector in terms of employment creating jobs for 130 million persons or seven per cent of all employees in the world. It is a great job stimulator as 20,000 new jobs are created for every US$1 million of revenue generated by the industry. The industry will continue to grow though not as rapidly as in the past. Conditions such as tourism fatigue, environmental degradation, noise, congestion at airports and the negative socio-economic consequences of tourism in host countries are expected to slow tourism's further growth.

The expansion of tourism industry has been particularly rapid in the East Asia-Pacific region where tourist arrivals rose from a mere 190,000 in 1950 to 70 million by 1993 (Table 1.2). Over the last decade, tourist arrivals and receipts in the region has risen faster than any other part of the world and at almost twice the rates of industrialised countries. From 1980-90, tourist arrivals increased by almost 150 per cent. Although this rate declined since then, it is still almost twice as high as the world average of 28 per cent (Harrison 1992). The main tourist attractions in the region are China and Hong Kong with 22 million and 12 million tourists respectively, where tourist receipts total more than US$ 10 billion in each area (Table 1.3). The rapid growth of the tourism industry has been attributed to a number of factors including strong economic growth, increase in disposable income and leisure time, easing of travel restrictions,
successful tourist promotion, natural tourist attractions, improved accessibility and recognition by the host governments that tourism is a powerful engine of growth and generator of foreign exchange earnings.

Table 1.2. Tourist Arrivals by World Regions, 1950-93 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>524</td>
<td>750</td>
<td>2,407</td>
<td>7,337</td>
<td>14,975</td>
<td>17,875</td>
</tr>
<tr>
<td>Americas</td>
<td>7,485</td>
<td>16,705</td>
<td>42,273</td>
<td>61,387</td>
<td>93,845</td>
<td>106,525</td>
</tr>
<tr>
<td>East</td>
<td>190</td>
<td>704</td>
<td>5,331</td>
<td>20,961</td>
<td>52,263</td>
<td>68,548</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe*</td>
<td>16,839</td>
<td>60,351</td>
<td>113,000</td>
<td>189,830</td>
<td>286,651</td>
<td>296,535</td>
</tr>
<tr>
<td>Middle East</td>
<td>197</td>
<td>630</td>
<td>1,864</td>
<td>5,992</td>
<td>7,444</td>
<td>7,200</td>
</tr>
<tr>
<td>South Asia</td>
<td>47</td>
<td>180</td>
<td>912</td>
<td>2,280</td>
<td>3,179</td>
<td>3,459</td>
</tr>
</tbody>
</table>

* Europe includes Cyprus, Israel and Turkey


Despite the phenomenal growth, the region’s share of the tourism traffic is still small. In 1996, the region accounted for only 15.2 per cent of total world tourists as compared to 9.4 per cent in 1985, placing the region behind Europe (58.7 per cent) and the Americas (19.5 per cent) in terms of tourist arrivals. Its share of 11 per cent of tourism receipts is dismal compared to Europe’s 64 per cent indicating the low spending propensity of tourists to the region. However, the region’s share of international tourist arrivals is projected to increase to 21.9 per cent and its share of tourism receipts to 19.5 per cent by the year 2000 (Poon 1993). The Asia-Pacific region has been gaining
market share at the expense of the Americas and European regions, which saw a decline in their respective shares during the same period. WTO projects that by the year 2010, the region will surpass the Americas to become the world's second major tourism region with 229 million arrivals. This will, however, be dependent on the region overcoming the financial crisis that began in 1997, slowing the growth in tourist arrivals to only 1.1 per cent (WTO 1998).

Table 1.3. International Tourist Arrivals and Receipts in Selected East Asia-Pacific Countries, 1995-96

<table>
<thead>
<tr>
<th>Country</th>
<th>Arrivals (000)</th>
<th>Per cent change</th>
<th>Receipts (US$ m)</th>
<th>Per cent change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995</td>
<td>1996</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>3,726</td>
<td>4,167</td>
<td>11.8</td>
<td>7,100</td>
</tr>
<tr>
<td>China</td>
<td>20,034</td>
<td>22,765</td>
<td>13.6</td>
<td>8,730</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>10,200</td>
<td>11,703</td>
<td>14.7</td>
<td>9,604</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4,324</td>
<td>5,034</td>
<td>16.4</td>
<td>5,228</td>
</tr>
<tr>
<td>Japan</td>
<td>1,731</td>
<td>2,114</td>
<td>22.1</td>
<td>3,226</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1,409</td>
<td>1,508</td>
<td>7.0</td>
<td>2,163</td>
</tr>
<tr>
<td>Philippines</td>
<td>1,760</td>
<td>2,054</td>
<td>16.7</td>
<td>2,450</td>
</tr>
<tr>
<td>Singapore</td>
<td>6,422</td>
<td>6,608</td>
<td>2.9</td>
<td>8,377</td>
</tr>
<tr>
<td>South Korea</td>
<td>3,753</td>
<td>3,684</td>
<td>-1.8</td>
<td>5,587</td>
</tr>
<tr>
<td>Taiwan</td>
<td>2,332</td>
<td>2,358</td>
<td>1.1</td>
<td>3,287</td>
</tr>
<tr>
<td>Thailand</td>
<td>6,951</td>
<td>7,192</td>
<td>3.5</td>
<td>7,664</td>
</tr>
</tbody>
</table>

TOURISM IN SOUTHEAST ASIA

The perceived economic benefits from tourism and the realisation that 'exotic' destinations such as Southeast Asia will account for a larger share of world tourist traffic motivated countries in Southeast Asia to re-examine tourism's role in their economies. The region is experiencing a boom in both foreign and domestic tourism and the industry has become one of the foremost sources of income in the region. Over the past two decades, inbound tourism has shown continued high growth, punctuated only by the effects of oil crisis, natural disasters, and political instability (Hall 1994). The phenomenal growth in tourism in Southeast Asia has been associated with a number of factors and processes. The falling cost of travel and the rising level of affluence in the source areas made travel within the region more affordable; thus, intra-regional tourists comprised 39 per cent of international tourists in 1989. The region has also gained from the shift in tourist travel from the longer established and over-developed tourist destinations, such as Europe, towards alternative destinations as tourists search for new natural and cultural environments. At the same time, the national governments, particularly those of the Association of Southeast Asian Nations (ASEAN)\(^1\) have developed the tourist infrastructure and actively promoted the industry, both individually and jointly.

Up until the early 1980s the members of ASEAN were largely dependent on agriculture and the export of primary products such as minerals, petroleum and timber. In order to reduce their dependence on farming and extractive industries, the ASEAN countries tried to develop areas of their economies which had hitherto received little government attention. It was

---

\(^1\) This is a regional grouping established in 1967 with six member countries - Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand. Vietnam, Laos and Myanmar were admitted as members in 1997 and Kampuchea in 1999.
hoped that the introduction of tourism on a major scale would help diversify the region's economic base and provide a boost for a host of related industries ranging from transport to arts and crafts. It was envisaged that the infrastructure introduced alongside tourism would benefit local communities and assist the process of industrialisation (Hitchcock et al. 1993).

However, the importance of tourism among countries in Southeast Asia differs markedly. Although tourism receipts are minuscule in Vietnam, Kampuchea, Laos and Myanmar, there are indications that tourism is increasingly being regarded as an attractive element in the development strategy of these poor countries that are lacking in marketable natural resources. Vietnam has enjoyed an exponential growth in tourism over the last few years, with the number of tourists increasing from a meagre 20,000 visitors in 1986 to 187,000 in 1990, and projected to reach half a million by 1995 (Hitchcock et al. 1993). A Tourism Ministry was set up in Myanmar in 1992 and Visit Myanmar Year 1996 was launched to attract a target of 250,000 visitors. Tourism earnings were estimated at US$400 million in 1994, contributing 10.2 per cent of the total gross national product (Oppermann and Chon 1997).

In contrast, the significance of tourism has long been recognised in Thailand, Indonesia, Singapore, Philippines and Malaysia and these countries have embarked on ambitious tourist development programmes. Almost all these nations are committing substantial manpower and resources to attract more arrivals. This is evident from the establishment of government departments of tourism, the widespread encouragement and sponsorship of tourist facilities, and the proliferation of small businesses and multinational corporations contributing to and deriving benefits from the tourism industry. By 1980,
these countries had recorded over 7.5 million tourists or more than a third of all arrivals in the East Asia-Pacific region as compared to slightly over 20 per cent in 1970. Its percentage share has since increased to 37.71 per cent in 1985 and 40.96 per cent in 1989. In 1987 more than 12.1 million tourists visited the region and tourism receipts amounted to US$6.998 billion. By 1990, tourist arrivals had risen to 17 million (New Straits Times 5th April 1991). In 1992, ‘Visit ASEAN Year’ was jointly promoted by the member countries resulting in tourist arrivals of 21.9 million tourists and in 1994 tourism receipts had amounted to US$23.4 billion or 7.1% of the world’s gross tourist revenue.

Tourism has been the major leading source of foreign exchange in Thailand since 1982 (Krishnamoorthy 1989). The success of ‘Visit Thailand Year 1987’ and ‘Thailand Arts and Craft Year 1988-89’ propelled Thailand into the position as the most popular destination in Southeast Asia then. Tourist arrivals to Thailand totalled 4.25 million in 1988 and is estimated at more than seven million in the early 1990s (Hitchcock et al. 1993). The tourism sector in Thailand supports over 1.5 million jobs and contributes about US$4 billion to the economy (Hall 1994).

Singapore’s location as a stop-over point for travel between Australia and Europe has promoted tourism in the island state. Tourism is currently the third most important revenue earner and the huge surplus from the industry helps maintain a healthy overall balance of payment. Despite Singapore’s open economy and vulnerability to external shocks and import leakages, tourism has made a significant contribution to output, employment, and income. Based on 1988 input-output tables, Khan et al. (1995) estimated that tourism contributed 11.9 per cent to Singapore’s GDP in 1992 while
employment accounted for 13.4 per cent of the labour force. The results showed that
every dollar of tourist expenditure would generate S$1.97 of output and S$1.05 in
income. The income multiplier for tourism was larger when compared to Hong Kong,
Indonesia and Malaysia, while the tourism output multiplier was greater relative to other
sectors of the Singapore economy. When compared with earlier studies (Schymyck
1983; Toh and Low 1990) tourism showed an increase in its economic contribution over
time, a strong indication of the significance of tourism in the Singapore economy.
Recently, the island state unveiled a new tourism blueprint titled ‘Tourism 21’ that is
expected to turn the nation into a world class tourism business centre and the tourism
capital of the East. The plan calls for increasing annual tourist arrivals and receipts by 6.4
per cent and 6.6 per cent respectively to ten million tourists and US$11.4 billion by the
year 2000.

In Indonesia, tourism has risen to be the third largest foreign exchange earner
outstripping rubber and coffee since 1990. However, despite accounting for half of
ASEAN’s population, it hosts only 8.6 per cent of the tourist arrivals. Accordingly, the
country launched ‘Visit Indonesia Year 1991’ to capture a larger share of the tourist
traffic to the region. In that year, Indonesia attracted 2.6 million tourists, over three times
the 1986 figure of 825,000 visitors (Hall 1994). Indonesia plans to make tourism the
nation’s number one foreign exchange earner by the year 2004, when tourist arrivals and
receipts are projected to reach 11 million and US$15 billion respectively from the current
levels of 4.3 million tourists and US$5.4 billion.

In the Philippines, tourism was accorded priority industry status in 1972 and thus
eligible for a variety of tax incentives and custom concessions. By 1991, tourism had generated a gross revenue of US$1.4 billion, employed 2.5 per cent of the labour force and contributed 5 per cent to the country's GDP (Hall 1994). An ambitious programme to develop the country's beaches and island resorts is being pursued under a 20 year master plan implemented in 1991 (Hall 1994). Only oil-rich Brunei among the ASEAN members has not shown a similar enthusiasm towards tourism development because of the fear of environmental and cultural pollution. However, interest in tourism was spurred by the recent establishment of the East ASEAN Growth Area or EAGA in 1994 and the need to diversify the economy (Tan 1995).

The ASEAN countries are expected to continue as one of the major destinations in the East Asia-Pacific region with the expansion of visitor facilities, aggressive marketing and improved air services within the region. The economic crisis and the devaluation of regional currencies in mid-1997 is expected to spur inbound travel as visitors will be attracted by the higher purchasing power in countries where currencies have been devalued. More specifically, visitor expenditures will increase as a result of a higher length of stay and attractive prices. Other significant factors that are expected to determine inbound travel will be the provision of infrastructure, the state of the environment and the level of political stability (Hall 1994).
THE RATIONALE FOR TOURISM DEVELOPMENT

In the early 1960s, the World Bank and other development institutions advocated that international tourism, as the 'white industry', could be an economic panacea to developing countries, offering a pollution-free path to economic development (Oppermann and Chon 1997). The successful example of Spain, which managed to use tourism in its development process as an income generator, reinforced the notion that countries with 'sand, sun and sea' resources, which most developing countries incidentally have, can overcome other infrastructural, locational, and economic disadvantages and sell the tourist product. Stagnating and highly unreliable commodity prices as well as import barriers for manufactured goods in many developed nations only serve to focus the economic options on tertiary activities, with tourism undoubtedly being the most important (Oppermann and Chon 1997). Following the endorsement of this doctrine by the United Nations Conference on Tourism and International Travel in Rome in 1963, an intensive campaign aimed at persuading the less developed countries to adopt tourism development was orchestrated by international organisations (Lanfant et al 1995). Developing countries responded enthusiastically, hoping to find a solution to their endemic poverty and growing unemployment. Even in the industrialised countries, tourism is no longer considered secondary but viewed as the economic activity of the future and its development a prime necessity.

A study of Culpan's (1987) model of international tourism will provide a better understanding of the interest of developing countries in promoting tourism and the effects of tourism development. Tourism serves as an important means to increase economic
growth, raise the quality of life, create employment, and improve the overall balance of payment by helping to offset deficits in other sectors. The success of tourism in the Asia-Pacific region is a clear recognition by the host governments of the important role of tourism in the economic development of the country.

Culpan depicts international tourism as an open system consisting of the four essential interdependent components of demand, marketing, transportation and accommodation (Figure 1.1). A change in any one component will affect the other elements. For example, better accommodation facilities can create new demand and promotional opportunities. The demand component is the principal pillar of the tourism system and it is determined by a multitude of conditions such as disposable income, increased mobility, stability in the host country, favourable currency exchange rates, and physical, cultural and social proximity. Demand for tourism can also be created through effective and appropriate marketing strategies. The availability of air, sea and land transportation to and within a tourist destination and its efficient management determines the successful growth of tourism. For example, a country should not promote recreational activities on its off-shore islands when it does not possess efficient transport links to such destinations. The final vital component - accommodation - has to meet the demands of the tourist market segments.

Tourism is intensively encouraged not only because of its effects on the primary sectors of accommodation and transportation but also because of its secondary benefits, or multiplier effects, on the peripheral sector - a heterogeneous group of establishments which provides a wide range of goods and services for tourist consumption. Through
Figure 1.1. Culpan’s International Model for Developing Countries

Source: Culpan 1987
taxation, import duties and tourist expenditure, tourism generates a considerable portion of the GNP of tourist receiving countries and increases foreign currency earnings to alleviate the problem of the lack of foreign hard currencies in developing countries. Being a labour-intensive industry compatible to manpower conditions in developing countries, tourism is an effective vehicle for generating job opportunities. Certain economic structures such as roads, ports and communication networks facilitate international tourism and the industry may foster an economic structure that otherwise may be neglected for years. Other positive economic benefits include the possibility of increased economic diversity and regional development as the industry reaches the periphery. Tourism has also been claimed to bring about social benefits such as preserving traditional arts and enhancing cultural integrity and international relations.

Despite the physical presence of tourists, international tourism is considered an export industry as domestically produced goods and services are sold to foreigners. Hence reliance on tourism forms part of the wider strategy of export-oriented, capitalist-based development in many developing countries (Wood 1984). Tourism is seen as a panacea for the economic problems of many such countries that lack marketable resources. It represents an attractive and relatively ‘soft’ means of promoting development. Tourism, in general, faces fewer constraints in the form of market protectionism than is the case in manufacturing. Furthermore, the technological and human resource requirements of tourism are much lower and more easily accessible than for the manufacturing and extractive industries. Tourism also faces fewer of the environmental and infrastructural constraints that have restricted the pace of agricultural development in the region (Hitchcock et al. 1993). In addition to its macro-economic
significance, tourism has also played an important role at the sub-national level. It has helped to spread economic activities into areas which hitherto have been economically marginal and spatially peripheral. Tourist destinations such as Phuket, Ko Samui and other islands in Thailand or the east coast of Peninsular Malaysia have not in the main been central to the transformations which have recently taken place in the economic structures, most notably in agriculture, manufacturing and the service sector.

Critics of tourism expansion point to the various social strains that develop in host countries, such as the distortion of indigenous cultural expressions, the conversion of farmers into wage labourers due to high land prices, perpetuation of perceived racial inequalities and the resulting distortion of dignity and exploitation by 'imperialists' (Cheowtirakul 1980). There have also been concern raised about the effects on the physical environment. Despite these criticisms, the fact remains that tourism growth will continue in developing countries, since many of the development plans refer explicitly to the need to expand the tourism sector. Thus, tourism appeals to many countries, including Malaysia, where it presently constitutes the third most important source of foreign exchange earnings after manufactured products and palm oil (Malaysian Tourism, July-August 1998). Together with this growth there has emerged a number of extremely critical issues facing the industry in terms of the impacts it has already had on destination areas and their residents, and the future prospects for people and tourist destinations in the 21st Century.
REVIEW OF THE LITERATURE ON TOURISM IN MALAYSIA

When an industry constitutes one of the major producers of foreign currency in a
country, analysis of the industry in order to maximise its earning potential would clearly
be beneficial (Sadrudin 1983).\(^1\) This has been recognised in developed countries and
research devoted to the analysis of tourism has flourished in the last few years. However,
for new tourist destinations such as Malaysia, few such studies have been reported.
Tourism studies in Malaysia can be categorised into (i) project development and market
studies, (ii) studies of the impact of tourism development, (iii) miscellaneous studies such
as on pilgrimage tourism, communal and ethnic participation in tourism, etc.

Project Development and Market Studies

Foreign and local consultants have been occasionally engaged by the Tourist
Development Corporation (TDC),\(^2\) the Malaysian Tourism Development Board (MTPB),
and State Governments to look into the feasibility of planned tourism projects. Many of
these plans have been left on the shelves or only partially implemented. Nevertheless, they
form an important source of reference on tourism in Malaysia.

The first tourism master plan on visitor development was formulated in 1969.
Based on the criteria of accessibility, natural beauty, existing historical or cultural

\(^1\) Particular attention has been given to such tourism issues as life style, psychographics,
advertising, benefit segments for travel in the United States, characteristics of American visitors to
Canada and Europe, and the characteristics of the American who travel overseas (Sadrudin 1983).

\(^2\) The Board was formally known as the Tourist Development Corporation (TDC) of
Malaysia but a change in name and function was effected on 1st May, 1992.
attractions and infrastructure, 15 areas in Peninsular Malaysia were studied and evaluated for their tourism potential (Department of Tourism, Malaysia 1969). The Plan identified the problems and opportunities of tourism in Malaysia and suggested various methods and techniques of sales, advertising, merchandising, and publicity that may be utilised by MTPB. Three areas - Kuala Lumpur, Melaka¹ and Perak Resort Region - were classified as 'high impact areas' and formed the focus of a Visitor Development Plan to develop tourism projects and facilities.

To cope with the uncoordinated manner in which hotels and other tourist facilities were being built, bearing little relationship to actual market factors or infrastructural requirements, a national tourism plan was proposed in 1975 to formulate a concept of development strategy for tourism as a whole.

The Plan sought to

.... provide the Government with an identification of those areas best suited for tourist facilities and to present the concept, policies, and general programme for the orderly development of the various facets of the industry in those selected areas (TDC 1975).

As a co-ordination and policy document, the master plan was not detailed and specific enough and the essential planning, engineering and economic feasibility analyses for priority and specific tourist areas were neglected. Thus in 1979, two of these tourist regions - Johor and Kota Bharu-Kuala Terengganu – formed the focus of another study by Pannell, Kerr and Forster (1979).

¹ The standardised Malaysian spelling ‘Melaka’ is used. ‘Malacca’ is the historic rendition of the settlement name and remains in active use in the press and in tourism industry literature.
The two plans mentioned followed a conceptual approach - identifying 'tourist regions' in the national context for development. As these regions encompassed different states, State Governments have also commissioned their own studies with the aid of consultants to evaluate the viability of tourist development within their respective states. This has been done either through individual tourism development plans or incorporating tourism into the overall development plan for the state. All these plans have similar objectives, that is, to identify the tourism attributes of the area, prepare an action oriented tourist destination plan and specify the required internal and external transport and other infrastructural facilities.\footnote{Included among these are:- Peat Marwick Mitchell (1977), Langkawi Visitor Destination Plan; Maunsell and Partners (1979), Terengganu Coastal Region Study; Thompson and Berwick Pratt Ltd. (1979), Tourism Master Plan for Sabah and Sarawak; Lyon Associates (1980), Master Plan and Engineering Study of Teluk Rubiah and Pangkor Island; Sysplan (1983), Terengganu Master Plan Study; Minconsult Sdn. Bhd. (1984), Malacca Master Plan Study; JICA (1985), Regional Study on the Integrated Development of Southern Terengganu; Pannell, Kerr and Forster (1988), Bukit Keluang/Dendong (Terengganu) Tourist Feasibility Study; and Economic Planning Unit (1988), Pahang Barat Operational Regional Master Plan Study.} With the present boom in tourism, tourism master plans have also been prepared for areas such as for Langkawi, Penang (or Pulau Pinang), Pahang, Sabah and also for the country as a whole. For example, the Pahang Coastal Tourism Development Potential Study sought to formulate detailed tourism development programmes for the state's coastal area up to the year 2010. This will not only involve the preservation of natural resources but also the encouragement of local participation in tourism development (A.I. and Associates 1996).
Impact Studies

The fear that the country may also be subjected to similar adverse experiences of other countries affected by the rapid development of tourism prompted a few studies on the environmental, economic and social impact of tourism in Malaysia. One of the earliest research on such a theme was by Hofmann (1979). The paper provided general information on the tourist attractions, visitor statistics and also discussed some of the economic and social implications of tourism, highlighting the effects of tourist-host contacts. He suggested that to overcome the social and economic problems of international tourism, the concept of ‘human tourism’ should be introduced:

By this concept, it is understood that in the very first instance, Malaysians should be informed of and educated on the significance of tourism which is not just as an income generator. For example, it is tourism that helps conserve or revive crafts, though possibly in the process changing their original meaning. Tourists, on the other hand, must be enlightened on the religious, political, and economic situation of Malaysia before and while they travel, for example, through objective information in guidebooks (Hofmann 1979).

Hong (1985) highlights the displacement of communities, pollution of the seas, the introduction of new values, the use of local resources for the benefit of tourists, and the prevalence of sex tourism. Her study is, however, largely based on newspaper reports, research articles and the effects of tourism in other countries. A general study of a similar nature on Langkawi Island was also completed by Bird in 1989.¹ Bird concludes that

¹ Numerous general studies of such nature have been carried out at the undergraduate level. See Lim Lin Lean (1969), The Tourism Industry of Penang, Faculty of Economics, University of Malaya; Chong Yoke Har (1982), Tourism in Peninsular Malaysia: An Analysis of its Economic and Social Impact, Faculty of Economics, University of Malaya; Azizah Bidin (1985), Kesan Ekonomi oleh Pelancongan di Malaysia, National University of Malaysia, Bangi; Mohd. Nizam Flynn (1987), The Socio-economic Impact of the Tourism Trade in Malaysia, Faculty of Economics, International Islamic University, Kuala Lumpur.
tourism has brought more adverse impacts, that local residents of the islands have not benefited from the present pattern of development and are becoming increasingly marginalised and frustrated.

Residents of Langkawi increasingly feel that the money spent by the government in Langkawi is not for their benefit. Those residents displaced from their land and experiencing a loss of livelihood express great dissatisfaction. Islanders are concerned that the prices of basic necessities are rising, and the island’s environment is being disrupted by the large-scale developments (Bird 1989).

Langkawi has also been the focus of a perception study on the impact of tourism by Ahmad Shuib and Arminshah Siraj (1988). The researchers, however, presented a picture contradictory to Bird’s. Respondents in their study perceived that tourism has improved the general standard of living, employment opportunities and infrastructure and that more tourists should be encouraged to visit the islands. However, this positive attitude among residents is conditional on the involvement of medium-sized, middle-market projects that will offer more local involvement - an attitude that normally prevails during the euphoria stage at the onset of tourism.

The economic impact of tourism and its positive economic implications has been assumed and rarely studied.\(^1\) Among the few studies on this theme has been that of Seow et al. (1984) who attempted to measure the macro-economic impact of tourism in Malaysia using input-output tables of 1975.

International tourism is estimated to have generated about 1.1 per cent of Malaysia’s Gross Domestic Product in 1980, and accounted for about one

---

\(^1\) For example, the Tourism Development Plan of 1975 assumes a multiplier of 3.2 to 4.3, a figure generally regarded as too high.
per cent of the total wage bill. It was estimated to employ approximately
42,900 people (or 0.8 per cent of the labour force) both directly in tourism
establishments and indirectly through intermediate industries (Seow et al.
1984).

The study notes that tourism imports only accounted for 0.4 per cent of total imports.
However, this does not imply that little leakage occurs in the economy but rather that the
low percentage is due to the high import bill for the country. The income multiplier is only
0.85 which is comparable to that of Thailand, Indonesia, Australia and Philippines but
exceeds the figure of 0.4 for Singapore. Goh (1989) estimated an income multiplier of
only 0.53 and a leakage of 65.8 per cent of gross tourism earnings, indicating that the
country is heavily reliant on imports in tourism and that there are insufficient backward
linkages to other sectors of the economy. Tan's study of Penang in 1988 states that the
industry has been less exploitative than in other Third World countries where there has
been virtually no limit on foreign investments in tourism. However, he also cautions that
the international hotel trade and travel and tour agencies are still dominated by the local
or regionally based corporations and private companies and it is the formal sector, not the
informal, that enjoys the major share of the benefits.

The generally accepted view that tourism brings about economic advancement is
also disputed by Abdul Kadir (1990). In his study on Malay entrepreneurship he notes
that government planners assume that with the right environment in the form of building
infrastructure and loan facilities, Malay entrepreneurs will step forward to take advantage
of such new opportunities. However, he concludes that unless the Malays are already
adapted to the demands of the modern market, such expectations may not be realised.
Miscellaneous Studies on Other Themes

Other studies on tourism in Malaysia have encompassed a broad range of themes. The subjects of the religious factor on tourism development and the perceived conflict between secular tourism and Islamic values were examined by Abdul Kadir Din (1988a and 1988b). He notes that religion has been a factor in restrictions on gambling, and liquor sale and consumption though it has only been applied to Muslims. The effects of environmental changes on tourism has been studied by Wong (1981) who highlighted the problems faced by beach resorts in the east coast of Peninsular Malaysia caused by coastal processes such as beach erosion. Ahmad Shuib and Nazri Ahmad (1988) studied the perception of tourists towards public and tourists facilities on Langkawi Island. While tourist facilities such as sea sports were rated highly by tourists as these are maintained by the respective hotels, their perceptions on public facilities were generally unfavourable.

OBJECTIVES OF THE STUDY

From the brief review of tourism studies in Malaysia, it is apparent that tourism is a much understudied subject and issues such as the dependency relationships between host and tourist generating regions, the role of multinationals, tourism’s impact on income and poverty, communal and ethnic participation and perceptions, religious and moral values, and the tourist themselves, have not been studied in any great detail. This study will thus add to the limited tourism research in the country by focussing on one particular state, Melaka. Although, tourism expansion has been undertaken in all the states in Malaysia, Melaka has been in the forefront of this development. The study will
encompass two major objectives:

Firstly, it focuses on the development and present state of the tourism industry in Melaka and examines several important aspects of the tourism industry which may affect its development and future expansion. Under this objective the factors necessitating the development of tourism in Melaka and the tourist promotion strategies implemented will be highlighted. The lack of marketable resources such as petroleum and other minerals had forced the state, which had been commonly referred to as the 'sleeping hollow', to turn to its historical and cultural heritage for its survival. Yet, for a tourist destination to be successful, it must not only have a marketable product, be accessible, be politically and socially stable but there should also exist, or be created, a demand for the destination through effective promotion strategies. The study will thus examine the state tourism policy and the various measures taken to transform Melaka into THE destination for tourists.\textsuperscript{1} Next, the likely constraints on tourism development - both physical and institutional - will be discussed. These may include the lack of clearly defined aims and objectives for tourism development, physical access, competition, and insufficient focus on the organisational, structural and institutional characteristics of the industry which may constrain tourism's contribution to indigenously defined economic and social development.

The distribution of benefits from tourism is determined by the organisation and structure of the industry. This structure, reflecting the capitalistic and often monopolistic nature of the enterprises of which it is comprised, directly shapes the industry's internal and external linkages, and determines

\textsuperscript{1} The Chief Minister has stated that the State intends to draw 50-60 per cent of international tourists to Malaysia (\textit{New Straits Times}, 8\textsuperscript{th} June, 1988).
the role that tourist market and tourist destination countries play within the international system. These in turn decide the regional, sectoral and class distribution of benefits from tourism (Britton 1983).

It is not the intention here to cover the purely economic costs and benefits of tourism but to look at the organisational characteristics and performance of the various sectors, the control and dominance of certain activity components and groups and the actual beneficiaries from tourism development. Among areas to be covered are:

(i) local participation in tourism such as employment in tourism facilities and as entrepreneurs in tourist related activities or in the informal sector,
(ii) the particular mode of participation of foreign companies in tourism whether in the form of ownership, leasing arrangements, management contract or franchising.

The second major objective of the study will focus on a neglected aspect of impact studies, that is, the perceptions of the local community of the impacts of tourism. In the decision to promote tourism development, most local governments have examined only the perceived economic benefits of such development and planning for the industry is still based on projected tourist arrivals and demands. Perception studies to support the planning procedure generally emphasise how the tourists perceive a tourist destination rather than the views of the permanent residents of the area where tourism takes place (Jenkins 1995). There is a need to monitor the opinions of local residents on the various effects of tourism as a means of incorporating community reactions into tourism planning and identifying key planning issues and priorities. This is important as unlike many other industries, tourists visit places where residents also live and social conflicts between tourists and residents have been cited as an important determinant in the choice of a
vacation destination. The impact effects may be 'real', since objective data can be found to verify their existence, or 'perceived', that is views held by the community that life may be different (Theobald 1994). Perceived views are equally as important as real views because if residents believe an impact does exist (regardless of whether it is true or not), their behaviour will be altered.

Under this objective, the study will:

(i) identify the economic, socio-cultural and environmental impacts of both domestic and international tourism development as perceived by the local population and hence establish a general profile of the population's satisfaction with the industry,

(ii) identify the influence of selected variables on residents' responses. These variables are primarily socio-economic status and distance from the tourism zone and secondarily age, education, ethnicity, sex, length of residence and exposure to tourism activities.

It is suggested that the perceptions of tourist impacts vary with the distance a person lives from the tourist zone, that is, the farther residents are from the tourist zone, the less contact they will have with tourists, thus forming different perceptions of the impacts of tourism. This hypothesis is supported by recent psychological research as well as geographical theory such as distance decay (Belisle and Hoy 1980; Reisinger 1994a; Ross 1992). It is also hypothesised that the perceptions of tourist impacts differ with the resident's socio-economic status. It is assumed that certain socio-economic segments of society derive more benefits from tourism than others; hence, for example, those involved in tourist occupations or are dependent on the industry may perceive tourism in a more
positive manner than others.

iii) identify the perceptions of local residents with regard to the shortcomings of the tourism industry and suggestions to overcome these limitations.

RESEARCH DESIGN AND METHODOLOGY

Perceptions of the local community towards the impacts of tourism were derived from a comprehensive questionnaire consisting of four parts. The survey instrument, based on one originally developed by Pizam (1978a) and further developed by other researchers, included a seven-step Likert scale response to a variety of possible effects of tourism. A seven-point scale was decided upon instead of a five-point scale as studies of questionnaire construction indicate that labelled, positively stated, odd-number scales with a sufficient number of points to permit discrimination are important and avoid inadvertent bias (Ryan and Montgomery 1994). Part 1 solicited background information of the respondents including age, education, income, length of residence and employment in tourism related establishments. Part 2 consisted of a series of impact items related to the economic, social and ecological effects of tourism which have been identified from a search of tourism studies elsewhere. Respondents were asked to indicate their perceptions of these impacts on a Likert scale ranging from ‘1’ (strongly negative impact) to ‘7’ (strongly positive impact) with a neutral value of 4. For example, if tourism is perceived as having had a very strong positive impact on the rising cost of foodstuffs, the respondent could indicate a ‘7’ in the appropriate space. In Part 3 of the questionnaire, respondents were asked to use a similar scale to indicate the extent to which they agreed
or disagreed with each statement relating to the economic, social and environmental aspects of tourism. Finally, in the last section, several open-ended questions were included to allow residents to comment on aspects relating to tourism development such as the main limitations of the industry and suggestions for the future improvement of tourism in the state.

The questionnaire was framed in both English and Bahasa Malaysia. Both languages are taught in schools and commonly used in every day communication. It was expected that the selected respondents would be able to understand at least one, if not both, of the two languages as the literacy level in an urban area such as Melaka city\(^1\) is high. However, it was recognised that the Likert scale used in the questionnaire has some shortcomings. For example, respondents were unable to express ideas beyond those stated in the close-ended questions. Great care had to be exercised to ensure that the questions were properly framed so that they could be easily understood and that the range of questions were comprehensive enough to cover all the expected effects of tourism development.

Despite these deficiencies, the Likert scale has been popularly accepted and utilised in tourism studies on the attitudes and perceptions of both tourists and residents (see Belisle and Hoy 1980; Caneday and Zeiger 1992; Kavillinis and Pizam 1994; Liu, Sheldon and Var 1987; and Ross 1992). It facilitates the statistical analyses of the

\(^1\) City status may be conferred by the federal government even if an area is still formally a town in the national administrative hierarchy and has yet to meet the criteria of a population of 100,000 and a diversified growth oriented economy (Letchumanan 1996).
intensity of both positive and negative reactions to the impacts of tourism (Ryan 1995). Also, the survey questions had been modified after a pre-test of the questionnaire had been conducted earlier on 30 respondents in Melaka.

Sampling of the Study Population

The sample for the questionnaire survey was stratified according to distance from the tourist zone. The tourist zone in this case was taken to be synonymous with the historical zone around Saint Paul’s Hill in Melaka city as most tourists and excursionists concentrate their activities there. A topographical map of the Melaka City area (scale of 1:25,000) was used in the selection of the sample study area. Each grid square in this map equivalent to 0.9 by 0.9 kilometre on the ground was allocated a number. Two grid squares were randomly selected for each of the three distance zones of 1.5 kilometres intervals (0 to 1.5 kilometres, 1.5 to 3.0 kilometres and more than 3.0 kilometres) away from the tourist zone. The distance of 1.5 kilometres was chosen as most of the tourist attractions in Melaka city are within that range. Residents within the first zone are thus expected to experience more frequent contact with tourists and have stronger perceptions of tourism impacts. In each of these six grid squares chosen, every alternate business or residential unit along the major roads was selected and the questionnaire was hand delivered to an adult member of the selected unit until a figure of 100 was reached.\(^1\) The next unit was chosen as replacement if a unit is empty or if the occupant of the unit declined to accept the questionnaire. Financial and human resource

\(^1\) Similar techniques have been successfully used elsewhere such as in Colorado, U.S.A. (Allen et al. 1993; Long et al. 1990; Perdue et al. 1987) and in Bakewell, United Kingdom (Ryan and Montgomery 1994).
constraints did not allow for personal interviews with each respondent and respondents were given a couple of days to fill up the questionnaire. As the study purposed to compare perceptions across groups, any potential bias from the self-completion approach was presumed to be constant across the groups (Allen et al. 1993). The study was carried out over a period of one month in June 1994. Out of the 600 questionnaires distributed, only 344 were returned for analysis despite repeated attempts to retrieve these questionnaires. The most commonly cited reason for the failure to complete the questionnaire was its length and the time required to complete it. However, the length of the questionnaire was necessary for a detailed study of this nature. Although the response rate of 57 per cent was lower than expected, the sample size was considered adequate for statistical analysis as the distribution of the respondents reflected the differences in socio-economic status and distance from the tourist zone.

Data Analysis

The data from the survey were analysed using the Statistical Package for the Social Sciences. The mean scores of all the responses of residents to the various impact items and statements were obtained. One-way analyses of variance (ANOVA) and t-tests were used to determine the influence of the selected independent variables on the mean responses to all the impact items. Common factor analysis with varimax orthogonal rotation extracted the perceptual patterns and identified the structural dimensions relating to the perceptions of the economic, social and environmental aspects of tourism. The method was chosen because of its ability to identify underlying dimensions in data for which there is limited theoretical basis (Liu et al. 1987). Factor analysis is based on the
assumption that there are causal factors upon which relationships between the variables cluster. In order to determine these causal factors, a covariance matrix of variables is formed, and the reduced correlations from the analysis are compared with the actual correlations. When a certain acceptable level of discrepancy is reached, the causal factors are determined. The analysis involves the identification of the principal axes either by using the least square approach or the maximum likelihood approach. After the initial factoring is performed, the matrix is rotated to find simpler and more easily interpretable factors.

SCOPE AND LIMITATIONS

Although the study focuses on only one state, yet it is beyond the scope of the study to examine every single aspect of the tourism industry in the state. The study of primary and secondary sectors of the industry is confined only to establishments benefiting directly from tourism. Admittedly, tourism has wide linkages with other sectors of the economy, for example restaurants, retail shops, departmental stores etc., but it would be difficult to differentiate the role played by tourism in this peripheral sector as these establishments also serve the local community besides the tourists. Data on tourism is also limited and co-ordination among government agencies in data collection is lacking. For example, the Tourism Unit of the State Economic Development Corporation of Melaka (SEDC) collects data only on hotels with more than ten rooms and data on other tourist establishments such as restaurants, souvenir shops and rental car agencies are unavailable. Data on tourist arrivals and composition for the state are estimated based on data provided by hotels and MTPB. As such, any discussion of the tourism industry has
to be viewed in the light of such data limitations.

The questionnaire survey was carried out in the city and its vicinity and not elsewhere because of the concentration of tourist activities there. While tourist attractions may be found in other parts of the state such as Ayer Keroh, these areas have not experienced such rapid tourism development and the responses of residents may not be based on their actual experiences with tourists. However, the concentration of the questionnaire study in the city undoubtedly resulted in some bias as the urban areas in the west coast of Peninsular Malaysia are dominated by the Chinese and the more educated segment of the local population.

THESIS ORGANISATION

The thesis is divided into 11 chapters. Chapter 2 discusses the development of tourism in Malaysia. It will trace the changing emphasis accorded to the industry, the incentives to promote its development, and its contribution to the national economy. Chapter 3 examines the factors necessitating the promotion of tourism as part of Melaka's development strategy and also discusses the official efforts at tourism development in the state. Chapter 4 focuses on the primary and secondary sectors benefiting directly from the expansion of tourism. The chapter not only identifies the establishments involved but will explore further the ownership patterns or management arrangements of such establishments with the objective of determining the level of foreign control and local participation in the industry. Chapter 5 discusses the increasing recognition of the
importance of community attitudes towards tourism development and the socio-economic characteristics of the sample selected. The next three chapters highlight the perceived economic, social and environmental impacts of tourism development in Melaka as perceived by local residents. The results of the factor analysis on local resident responses are discussed in Chapter 9. Chapter 10 discusses the main problems and constraints of the tourism industry in Melaka as perceived by the residents and their suggestions to overcome these weaknesses. The concluding chapter presents several proposals that may be incorporated into tourism planning in Melaka to assist the healthy growth of the industry.