CHAPTER 6

THE PERCEIVED ECONOMIC IMPACT OF TOURISM DEVELOPMENT IN MELAKA

Throughout recorded history, tourism has impacted in some way everything and everyone that it touched (Theobald 1994). Ideally, these impacts should have been positive, both in terms of benefits to destination areas and residents. These positive impacts should include results such as improvements in local economic conditions, social and cultural understanding, and protected environmental resources. In theory, tourism should produce benefits far in excess of their costs. The gains and costs of tourism accrue to two distinct groups of people. On the one hand, the tourists themselves receive benefits and incur costs in taking holidays. On the other, the resident population of the host region profit from tourism in a variety of ways but at the same time incur costs of various types. The chapter will discuss the positive and negative economic effects of tourism on the tourist destination of Melaka as perceived by the residents and discusses the reasons for the differences in perceptions.

The Economic Impacts of Tourism

The economic advantages and disadvantages of tourism have been extensively documented but there exists considerable disagreement on the subject (Archer 1977; Bryden 1973, Mathieson and Wall 1982). International tourism is an invisible export in that it creates a flow of foreign currency into the economy of a destination country thereby contributing directly to the current account of the balance of payments. It is argued that it is a sector less subject to trading restrictions or barriers, unlike many

commodity exports. In the case of domestic tourism, domestic currency is redistributed within the boundaries of the country. Like other export industries, this inflow of revenue creates business turnover, household income, employment and government revenue (Table 6.1). The generation process does not stop at this point. Some portion of the money received by the business establishments, individuals and government agencies is re-spent within the destination economy thereby creating further rounds of economic

Table 6.1. The Economic Benefits of Travel and Tourism

A. PRIMARY OR DIRECT BENEFITS

1. Business receipts
2. Income
   a. Labour and proprietor's income
   b. Corporate profits, dividends, interest, and rent
3. Employment
   a. Private employment
   b. Public employment
4. Government receipts
   a. Federal
   b. State
   c. Local

B. SECONDARY BENEFITS

1. Indirect benefits generated by primary business outlays, including investment
   a. Business receipts
   b. Income
   c. Employment
   d. Government receipts
2. Induced benefits generated by spending of primary income
   a. Business receipts
   b. Income
   c. Employment
   d. Government receipts

Source: Frechtling 1987.

activity. These secondary effects can, in total, considerably exceed in magnitude the initial direct effects (Lea 1988).

Moreover, tourism seems to be more effective than other industries in generating employment and income in the less developed and often outlying regions of a country where alternative opportunities for development are more limited (Hall and Page 1999; Mathieson and Wall 1982). While the direct employment may be relatively little, indirect and induced employment opportunities are also created in other sectors of the economy. The indirect employment sector nonetheless does not depend solely on tourism for its existence and only part of the time of the workers may be spent dealing with tourists, even though the tourist industry may be crucial to the sector. Induced employment arises from an increased general demand for goods and services which has been prompted by an expansion in tourist expenditure. It is in outlying places that tourism can make its most significant impact. In such places many of the local people are subsistence farmers or fishermen and if they become involved in the tourism industry their household incomes increase by a relatively very large amount. The growth of tourism may also provide a monetary incentive for the continuance of many local crafts, while the tourist hotels may create a market for local produce. Indeed, the introduction of tourism into such areas can have a proportionately very much greater effect on the welfare of the resident population compared to the impact that the same amount of tourism might have on the more developed parts of the same country (Mathieson and Wall 1982)..

The development of tourism, especially in a previously underdeveloped part of the country, requires the existence of an infrastructure, as well as hotel accommodation and

other facilities specific to tourism. These utilities are economically indivisible in the sense that, in providing them for the tourism industry, they at the same time become available for the use of the local people. Thus, for example, new roads constructed primarily to cater for tourism, now provide an access to wider markets for many locally produced goods. Unfortunately, in many cases, the local people receive little direct benefit from these developments. This in essence is a problem of both physical and economic distribution, that is, of the extent to which, and the speed at which, these facilities should be made more generally available.

As tourism continues to grow in a region it makes increasing demands upon the scarce resources of that area. Tourist expenditure gives rise to inflationary effects on prices for local goods and land as demand increases for land for tourism projects (Lea 1988; Oppermann and Chon 1997). Farmers and other local landowners are encouraged to sell their land for tourism projects, with the result that, although they may obtain short-term gains, they are left landless with only low-paid work available. Tourism may also displace labour from other forms of economic activity, such as agriculture, as the expected wage rates and job security are higher. It is also suggested that investment in tourism development may draw resources away from other projects, enterprises and social welfare institutions. Linkages between tourism and other economic sectors are often quite weak, suggesting that tourism planning has emphasised most strongly the rapid expansion of the industry without paying due consideration to the role of tourism in an integrated programme of development which draws in other economic sectors. Such a high prioritisation of tourism development also runs the risks of creating, both nationally and sub-nationally, an unhealthy dependence on what can be a very fickle and potentially

volatile industry.

Tourism tends to be characterised by and further engender social inequalities. Not every one can be expected to participate and derive benefits from tourism on an equal basis; this applies whether we examine tourism at the international, regional, national or sub-national level. The capital requirements for entry into the tourism industry may be prohibitive to local people, leaving the way clear to 'outsiders' - be they in the form of non-local entrepreneurs or international enterprises. The role of local people is often relegated to the more marginal and less paid occupations. The lion's share of the profits accrue elsewhere, and these are often expatriated.

Superficially at least the economic 'benefits' of tourism seem self-evident. Yet in recent years, several researchers have expressed reservations about the nature and size of the benefits attributable to tourism and have become increasingly sceptical about the potentialities of tourism as a tool for development and growth and as a means of maximising the welfare of the indigenous population. For example, the multiplier effect has been criticised to be much lower than the figure of 2.0 as originally claimed (Byrden 1975; TDC 1975). Generally, the income multiplier is unlikely to be much higher than 1.0 in many developing countries because of the high leakage rates (Oppermann and Chon 1997). Evidences also suggest that tourism's claim to be a useful tool in regional development may also be questionable (Oppermann 1992). The economic costs are often not considered in evaluating tourism's economic contribution. General infrastructure needs to be supplied or upgraded and these costs never enter into the input-output analysis of tourism's profitability from a government perspective (Oppermann and Chon

1997). Being a competitive industry with more and more entrants to the marketplace, promotional spending constitutes an important and necessary cost factor and may be as high as US$10 per arriving tourists (Wood 1979). Yet despite these recent criticisms of its economic benefits, tourism continues to be an attractive proposition in earning income and stimulating employment and investment, particularly in areas lacking natural resources such as Melaka.

LOCAL RESIDENTS' PERCEPTIONS OF ECONOMIC IMPACTS

To study the perceptions of local residents on the economic effects of tourism, residents were asked to indicate their perceptions on a total of 19 survey items on economic impacts selected from similar perception studies done elsewhere. The higher the absolute value of the mean, the greater the intensity of the response.

A summary table shows the intensity of attitudes expressed concerning the economic impacts of tourism where the items are ranked by mean scores on agreement (Table 6.2). For all the ten economic impact items, the mean ($\bar{x}$) responses of the residents are above the mid-point score of 4.0. Residents generally perceive tourism as having a positive economic impact on Melaka. When the mean scores are ranked, the scores for the six positive economic impacts are placed above the four negative effects of tourism. A similar situation exists in the resort town of Coffs Harbour, Australia where the overwhelming majority felt that the economic and otherwise benefits of tourism outweighed the disadvantages (Pigram 1987). Unlike the industrialisation programme which is implemented mainly in industrial estates outside the city limits, the development

Table 6.2. Residents' Perceptions of Tourism Economic Impact Items in Melaka

Impact Item	Mean	Std. Dev.	Per cent disagree	Per cent neutral	Per cent Agree
Increased job opportunities	6.3	1.2	2.1	9.3	88.8
Recent economic development of the area.	5.9	1.5	4.1	14.7	81.2
Improved economic condition of local artisans	5.8	1.4	4.7	17.0	78.3
Future economic evolution of area	5.8	1.6	6.5	14.6	78.9
Improvement in road system	5.7	1.7	9.2	12.8	78.0
Improvement in the standard of living	5.5	1.6	7.6	20.2	72.3
Rising cost of land and land speculation	4.9	2.3	24.5	15.5	60.0
Rising cost of housing	4.9	2.3	24.0	15.0	61.0
Rising cost of foodstuff	4.7	2.4	28.3	15.2	56.5
Development of local agriculture	4.0	1.9	26.6	45.7	27.7

Source: Field survey, June 1994.

of tourist projects since 1985 has been concentrated within the city because of the proliferation of tourist sites in the city centre itself. The effects of tourism development, whether positive or negative, are thus highly discernible among the respondents living or working in the city. Local residents perceived increased job opportunities to be the most important economic impact of tourism in the state with a very high mean score of 6.3, a view that is not surprising as tourism is considered to be a labour-intensive industry (Culpan 1987). This was followed by tourism's role in shaping the recent economic development of the area ($\bar{x}$ = 5.9) and the future economic evolution of the area ($\bar{x}$ = 5.8). As stated earlier, the development of adequate infrastructure is crucial to the

success of the tourism industry. Residents perceived that tourism has brought about an improvement in the road system ($\bar{x}$ = 5.7) as roads have either been widened or new roads built to accommodate the increased traffic. For example, the Melaka Inner Ring Road was recently completed in 1995 allowing motorists to bypass the city centre while other new road projects such as the coastal highway on reclaimed land near Saint Paul's Hill and a third interchange for the North-South Highway have been planned.[1] Tourism development has also provided local artisans, such as artists, opportunities to display their products in the numerous handicraft shops and art galleries in the vicinity of the tourism zone. The industry is thus perceived as having improved the economic condition of local artisans ($\bar{x}$ = 5.8). Concomitantly, because of the general positive perceptions, residents perceive that the standard of living has generally improved ($\bar{x}$ = 5.5). The strong agreement on the positive economic benefits of tourism is also evident in Hawaii where an overwhelming majority of the residents agreed that tourism has generated job opportunities (95 per cent), investment (90 per cent) and local business (74 per cent) (Liu and Var 1986).

However, even as the residents acknowledge the positive economic effects, they are also aware of the price that comes with tourism development, particularly in the cost of living. Pigram (1987) also cited the perceived increase in the costs of goods and services as the greatest impact from tourism on the local community in Coffs Harbour. Similarly, in Cairns, Australia, the major negative impact mentioned by residents was escalating living costs involving major household expenditure items for most families such

[1] Motorists using the North-South Highway can enter or leave Melaka via the Ayer Keroh and Alor Gajah interchange. A third interchange is being constructed at Lipat Kajang in Jasin district.

as land, houses or rental accommodation (Ross 1992). In Santa Marta, residents even favoured governmentally controlled food prices as they are unable to afford items such as seafood during the peak tourist season (Belisle and Hoy 1980). Significantly, while residents do agree that the prices of land ($\bar{x}$ = 4.9), housing ($\bar{x}$ = 4.9), and foodstuff ($\bar{x}$ = 4.70) have increased, it is interesting to note that these scores are very much lower than those of the positive effects stated earlier. Residents are more willing to attribute positive effects to tourism than to blame tourism for the negative effects. Tourism development in Malaysia has often been criticised for the lack of backward linkages to other sectors of the economy, particularly agriculture (Goh 1989). This view is substantiated by residents in Melaka who perceive that tourism development has had hardly any positive impact ($\bar{x}$ = 4.0) on the development of the declining agricultural sector. The tourist sector has yet to develop to a level where it can have a significant effect on the demand for agricultural products such as fruits, vegetables and meat.

Responses to Statements on Economic Aspects of Tourism

The positive support for tourism development is also evident from residents' responses to various statements on the economic effects of tourism (Table 6.3). Residents registered a high score of 6.5 in response to the statement that tourism has the most potential as an economic resource in Melaka. The fact that more than 92 per cent of the respondents agreed with this statement is expected as Melaka has no other natural resource except its historical heritage and the state has little choice but continue to develop this asset. Expectedly, 90 per cent of the respondents agreed with the statement that tourism attracts more investments and spending in the state's economy as tourism

Table 6.3. Residents' Responses to Statements on the Economic Aspects of Tourism

Statements on Economic Impact	Mean	Std. Dev.	Per cent Disagree	Per cent Neutral	Per cent Agree
Tourism has the most potential as an economic resource in Melaka.	6.5	1.1	2.1	5.6	92.3
Tourism attracts more investments and spending in the state's economy.	6.4	1.1	1.8	8.2	90.0
The construction of medium cost hotels to cater to domestic and budget tourists should be encouraged.	6.4	1.3	2.6	9.1	88.3
Greater economic incentives should be offered by the government for tourism development.	5.9	1.5	4.4	15.8	79.8
The economic benefits from tourism accrue only to a minority of the population .	4.8	2.1	21.6	24.9	53.5
The carrying capacity, i.e. the maximum number of visitors should be determined and enforced by the government in all tourist sites.	4.3	2.4	32.9	23.0	44.1
More efforts should be made to attract local rather than foreign tourists.	4.1	2.3	35.0	25.1	39.9
Construction of hotels with greater foreign than local ownership should be discouraged.	4.1	2.3	33.5	27.9	38.6
A government tax should be levied on tourist expenditures, for example, tourists should be charged higher entrance fees to tourist sites and hotel tax.	2.5	1.9	67.6	18.4	14.0

Source: Field survey, June 1994.

and industrialisation have been responsible for all foreign investments in Melaka.. Thus 80 per cent residents feel that the state government should offer greater economic incentives for increased tourism development ($\bar{x}$ = 5.9). This strong support for tourism

is also evident in other tourist destinations such as in Colorado where 71 per cent of the residents held a similar views (Perdue *et al.* 1987) and in Santa Marta, Colombia (Belisle and Hoy 1980).

Accordingly, suggestions to curtail the number of tourists such as through the imposition of differential entrance rates to tourist sites are strongly rejected. In response to the statement that a government tax should be levied on tourists, a low mean score of 2.5 was recorded with only 14 per cent of the respondents agreeing with the suggestion. However, at the same time, it appears that residents are not keen on too rapid an increase in tourist numbers because of the accompanying problems and were thus only slightly supportive of the suggestion that a limit should be imposed on the number of visitors to tourists sites ($\bar{x} = 4.3$).

The mean scores also indicate that residents are aware of certain economic limitations of the tourist industry in Melaka. For example, there was a strong positive response ($\bar{x} = 6.4$) to the statement that more medium cost hotels should be encouraged, with more than 88 per cent of the respondents agreeing. Hotel construction in Melaka has focussed on the luxury class category because of incentives and the higher rate of returns and while guesthouses have emerged to cater to the needs of the 'backpackers' there exists a vacuum for medium cost hotels. Such hotels are essential for the development of domestic tourism, particularly to meet the budgets of families who cannot afford to stay at the luxury hotels but who at the same time desire some degree of privacy and comfort that is not present in the guesthouses. However, residents were ambivalent whether more local tourists should be encouraged as the mean score of 4.1 was just

above the average as the number of foreign tourists is still small. Another limitation noted by residents was that hotels with foreign control should be restricted. The response, however, was a weak score of 4.1 as foreign owned or operated international class hotels in the country are concentrated in Kuala Lumpur and Penang. Residents were however more critical in response to another criticism that the economic benefits of tourism accrue only to a minority of the population. A higher score of 4.8 was reported with slightly more than half the respondents agreeing that the widespread multiplier effects that has been cited has yet to be experienced.

RELATIONSHIP BETWEEN PERCEPTIONS OF ECONOMIC IMPACT AND DEMOGRAPHIC DIFFERENCES

Certain independent variables (such as sex, age, educational level, occupation, and distance) were selected to measure their effects on the dependent variables, that is, the perceptions of economic impacts. These variables have been cited in the tourism literature as being important in explaining differences in perceptions (Belisle and Hoy 1980; Liu and Var 1986; Madrigal 1993). Differences in perception were tested for significance using a grouped t-test and one-way ANOVA depending on whether two or more sub-groups of respondents were involved (Table 6.4a and b).

Perception of Economic Impact and Demographic Differences

While gender differences have increasingly been cited as important in the perception of tourism's impact as jobs in the tourism sector are gender-specific, a t-test on the sex variable yielded no discernible difference in perception scores except for

Table 6.4a. Demographic Differences in Resident Perceptions to the Economic Impact of Tourism in Melaka

Economic Impact Variable	Analysis of Variance (F-Value and Level of Significance)							
	Age		Ethnicity		Educational Level		Job Sector	
	F Ratio	F Prob.	F Ratio	F Prob	F Ratio	F Prob	F Ratio	F Prob.
Effect on local agriculture	1.8882	0.0959	0.6146	0.6060	0.6208	0.6479	3.9735**	0.0089
Cost of land	1.5506	0.1736	1.5796	0.1941	1.2648	0.2836	1.8470	0.1398
Cost of housing	0.3795	0.8627	2.2638	0.0809	0.7787	0.5397	0.9347	0.4249
Cost of foodstuff	2.6306*	0.0237	3.1910*	0.0238	0.8441	0.4980	1.4012	0.2436
Effects on local artisans	1.2876	0.2688	0.7898	0.5003	0.3237	0.8620	1.5114	0.2127
Increased job opportunities	3.0554**	0.0103	0.9434	0.4198	1.5806	0.1790	3.4228**	0.0182
Improvement in road system	1.2352	0.2922	2.3281	0.0744	0.4412	0.7788	4.3380**	0.0055
Improved standard of living	2.9489*	0.0128	3.4209*	0.0175	2.0101	0.0927	0.6966	0.5551
Economic development of the area	1.5103	0.1860	2.5967	0.0523	0.3837	0.8202	0.2808	0.8392
Future economic evolution	0.8966	0.4835	3.4968*	0.0158	3.6749**	0.0060	0.6998	0.5532
Tourism's economic potential	1.5614	0.1704	3.3492	0.0193	0.8926	0.4685	2.1499	0.0952
Attracts more investments	0.8044	0.5471	2.0882	0.1015	0.7092	0.5861	1.8496	0.1394
More economic incentives	0.6042	0.6968	0.4147	0.7425	0.3703	0.8298	0.8594	0.4631
Local hotel ownership	2.8523*	0.0154	0.3895	0.7606	1.8395	0.1209	2.7533*	0.0437
Medium cost hotels to be built	1.0576	0.3838	0.7549	0.5202	0.5517	0.6979	0.0169	0.9970
Tourism benefits only a minority	1.7304	0.1270	0.4270	0.7338	0.6320	0.6400	1.5591	0.2006
Local tourism to be encouraged	3.5192**	0.0041	1.5338	0.2055	0.4013	0.8077	0.9301	0.4272
Government tax to be imposed	2.2513*	0.0491	0.4438	0.7218	0.7057	0.5885	2.4740	0.0628
Carrying capacity to be imposed	2.8068*	0.0169	5.9293**	0.0006	1.2045	0.3087	2.2639	0.0824

* Significant at the .05 level
** Significant at the .01 level
*** Significant at the .001 level

Table 6.4. Demographic Differences in Resident Perceptions to the Economic Impact of Tourism in Melaka

Economic Impact Variable	Analysis of Variance (F-Value and Level of Significance)							
	Occupation		Income level		Length of stay		Distance from tourist zone	
	F Ratio	F Prob.	F Ratio	F Prob.	F Ratio	F Prob.	F Ratio	F Prob.
Effect on local agriculture	1.8343	0.0294	1.6964	0.1222	0.9867	0.4462	0.6808	0.6057
Cost of land	1.3220	0.1866	0.3533	0.9076	1.6447	0.1112	3.3592*	0.0103
Cost of housing	0.9017	0.5626	0.2969	0.9381	1.3798	0.2042	1.3657	0.2455
Cost of foodstuff	1.5137	0.0982	1.0793	0.3751	1.0561	0.3937	0.5464	0.7018
Effects on local artisans	1.2636	0.2236	0.4927	0.8136	1.9116	0.0575	0.5942	0.6671
Increased job opportunities	1.0900	0.3644	1.7669	0.1061	1.4439	0.1771	0.2324	0.9201
Improvement in road system	1.1237	0.3334	1.0111	0.4183	0.8038	0.5995	1.2628	0.2844
Improved standard of living	1.7552	0.0400	0.4306	0.8582	0.8773	0.5358	0.3675	0.8318
Economic development of the area	0.6364	0.8444	0.6888	0.6588	0.6834	0.7062	0.2458	0.9121
Future economic evolution	0.9499	0.5088	0.6822	0.6641	0.3217	0.9576	0.8942	0.4675
Tourism's economic potential	0.7613	0.7204	1.4804	0.1850	0.3850	0.9284	1.3435	0.2535
Attracts more investments	0.6026	0.8726	0.8828	0.5079	0.9703	0.4591	0.9276	0.4480
More economic incentives	0.9936	0.4614	1.5835	0.1521	0.6098	0.7697	0.2363	0.9178
Local hotel ownership	1.3890	0.1503	1.9775	0.0692	1.9054	0.0585	1.0008	0.4072
Medium cost hotels to be built	0.5611	0.9033	1.9388	0.0749	1.3254	0.2297	1.1969	1.1969
Tourism benefits only a minority	0.9703	0.4865	1.7442	0.1111	1.4467	0.1761	2.9011*	0.0220
Local tourism to be encouraged	2.1261	0.0087	2.4068*	0.0279	0.6762	0.7125	3.2032*	0.0133
Government tax to be imposed	1.2598	0.2263	0.3547	0.9068	0.8589	0.5516	0.8397	0.5008
Carrying capacity to be imposed	1.2527	0.2312	2.6045*	0.0181	0.6831	0.7064	0.1576	0.9595

* Significant at the .05 level
** Significant at the .01 level
*** Significant at the .001 level

differences in perception on the cost of foodstuff and improvement in the road system (Table 6.5). In the case of rising costs of foodstuff, males scored a mean of 5.0 compared to 4.4 for females while males scored a lower 5.5 for the item relating to the improvement in road system compared to 5.9 for females. The differences in means, however, are not that large as to warrant an explanation.

Age has been claimed in tourism literature to be a important determinant of residential attitudes and perceptions towards tourism as younger residents would respond more favourably to tourism activities than older residents because of their higher educational background and exposure to tourism. In the case of respondents in Melaka city, differences in perceptions between the five age groups are noted in responses to seven of the 19 variables (Table 6.6). Generally, the mean scores are higher among the middle-aged residents for both the negative and positive impacts. With reference to the negative effect of the rising costs of foodstuff, the mean scores increased with each age group. Residents under 20 years have yet to set up their own family and are normally not involved in the purchase of foodstuff and thus indicated a low mean score (3.8) in response to the statement that tourism has contributed to the costs of foodstuff. On the contrary, older residents probably realise that prices of foodstuffs have been increasing over the years; thus those over 60 years scored a mean of 6.0. Higher positive scores are also recorded among the young in response to tourism's impact in providing job opportunities and raising the standard of living. For example, the mean score for the impact of increased job opportunities among those under 20 years age is 6.5 compared to a lower mean of 5.7 for those over 50 years. While the increased job

Table 6.5. Mean Perception Scores of Economic Impact Items by Sex

Impact Item/Statement	T Value	Difference in Means	Significance Level
Effect on local agriculture	-0.11	-0.0226	.913
Rising cost of land	0.76	0.1886	.448
Rising cost of housing	0.84	0.2069	.404
Rising cost of foodstuff	2.44	0.6139	.015
Effects on local artisans	0.28	0.0434	.782
Increased job opportunities	-0.23	-0.0293	.820
Improvement in road system	-2.20	-0.4076	.028
Improvement in standard of living	-1.58	-0.2755	.114
Economic development of area	0.30	0.0493	.761
Future economic evolution	0.86	0.1470	.391
Tourism's economic potential	-1.56	-0.1876	.120
Attracts more investments	-0.80	-0.0964	.423
Economic incentives to be offered	-1.04	-0.1713	.297
Local hotel ownership to be encouraged	0.41	0.1026	.680
Medium cost hotels to be built	0.26	0.0356	.798
Tourism benefits only minority	-0.73	-0.1671	.467
Local tourists to be encouraged	0.15	0.0384	.879
Government tax to be imposed	0.32	0.0683	.747
Limits on tourist numbers	-0.63	0.1617	.531

Source: Field Survey, June 1994.

Table 6.6. Mean Perception Scores of Selected Economic Impact Items by Age Groups

Impact Item	< 20 years	21 - 30 years	31 - 40 years	41 - 50 years	> 50 years
Rising cost of food	3.8	4.7	5.1	5.2	5.6
Job opportunities	6.5	6.5	6.0	5.9	5.7
Higher standard of living	5.8	5.7	5.0	5.0	5.0
Local ownership of hotels	3.3	4.0	4.6	4.7	4.5
Local tourists to be encouraged	3.7	3.8	4.5	5.4	4.6
Government tax to be imposed	25	2.3	2.5	3.1	4.3
Limits on tourist numbers	5.0	4.2	3.9	4.2	5.9

Source: Field survey, June 1994.

opportunities generated by tourism is generally accepted by all residents, the higher score among the young can be attributed to their greater awareness and interest in the job market because of their greater vertical mobility. Thus, because the younger age groups are more receptive to tourism development, they also indicated a lower score to the suggestion that taxation be implemented to reduce tourist numbers and are also more willing to accept the inherent limitations of the industry. For example, foreign hotel ownership and the emphasis on foreign tourists are also more tolerated among the younger respondents.

Ethnicity has been an important factor that has determined differences in local attitudes, acceptance and even behaviour patterns in a multi-racial society such as in Melaka. In this study, ethnicity is found to be important in influencing perceptions of tourism's economic impact, being significant in five instances (Table 6.7). In response to the impact of rising foodstuff, an extremely high score of 6.8 is recorded among the other ethnic races followed by the Chinese ($\bar{x}$ = 4.8). The higher mean score is no doubt a consequence of the fact that the urban population is dominated by these two categories of residents who have been more exposed to the rising cost of food in this tourism zone. The other races of which the Portuguese form an important component have been particularly affected as they belong to the poorer economic group. Thus, this group also showed the lowest response to tourism's impact on the improvement in the standard of living as the Portuguese community has not benefited much economically from tourism.

Table 6.7. Mean Perception Scores of Selected Economic Impact Items by Ethnicity

Impact Item	**Malays**	**Chinese**	**Indians**	**Others**
Rising cost of food	4.5	4.8	3.9	6.8
Higher standard of living	5.4	5.6	4.7	4.2
Future economic evolution	5.7	5.9	5.0	4.7
Economic potential	6.8	6.4	6.1	6.1
Limits on tourist numbers to be imposed	5.2	4.0	4.6	3.3

Source: Field survey, June 1994

Being recipients of the economic fall-off from the development of tourism, the Chinese ($\bar{x}$ = 5.9) and Malays ($\bar{x}$ = 5.7) are more positive of tourism's role in the recent economic evolution of the area and its economic potential ($\bar{x}$ = 6.8 among the Malays and 6.4 among the Chinese). Again, though the responses of the other races to the two variables above are positive, they are the lowest in comparison to the other three races. The largest difference in means is noted in response to the suggestion that a limit be imposed on tourist numbers visiting tourist sites. The Malays ($\bar{x}$ = 5.2) are supportive of this while the other races ($\bar{x}$ = 3.3) are against any imposition of limits to tourist numbers. The ambivalent responses of the respondents, for example, acknowledging rising food costs while accepting tourism's importance in the economy, is reflective of the earlier contention of tourism being both a blessing and a blight. The other races, while agreeing strongly that food costs have arisen, are also against any restrictions on tourists numbers. This is because the economic health of the Portuguese settlement depends to some extent on visiting tourists. In fact, the number of tourists visiting the settlement has been discouraging resulting in the termination of the weekend cultural performances at the Portuguese square.

Residents' educational levels are tested against their awareness of the effects of tourism with the expectation that residents with higher educational levels would have stronger perceptions because of their exposure to issues relating to tourism. The results indicate that educational level is not an important influence on respondents' perception of economic impacts except in response to tourism's role in the future economic evolution of the area. Discounting the single respondent without any formal education, the mean scores are higher among those with secondary, college and university education (Table

6.8).

Table 6.8. Mean Perception Scores by Education Groups in response to tourism's impact on the future economic evolution of the area.

Level of Education	Mean Score
Primary education	4.4
Secondary education	5.8
College education	6.0
University education	5.8
No formal education	6.0

Source: Field survey, June 1994.

The employment of residents in the public or private sector can be expected to influence perceptions in certain ways. For example, those in the government sector may be more aware of government policies on tourism and thus be more supportive of them. One way ANOVA showed that employment was significantly different in only four of the variables relating to economic impact. Those who were either self-employed or employed in the private sector scored higher than government employees in three of these impacts – effect on local agriculture, job opportunities and improvement in road system (Table 6.9). It can be concluded that job opportunities and effect on local agriculture may be a result of tourism impacting the private sector more as employment in the public sector is not greatly affected by tourism development. Besides employment in tourist information centres and in museums set up by the state, job creation has been most obvious in the private sector. Government employees however scored a higher mean score in response to the statement that local hotel ownership should be encouraged, a policy which is being

pursued by the state government itself.

Table 6.9. Mean Scores of Perceptions to Selected Economic Impact Items by Employment Sector

Impact Item	Government	Private Sector	Self-employed
Effect on local agriculture	3.6	4.1	4.6
Increased job opportunities	6.0	6.3	6.2
Improvement in road system	5.6	5.8	5.8
Local Hotel Ownership to be encouraged	4.6	4.2	4.0

Source: Field survey, June 1994.

The number of respondents in some of the 16 occupational categories is too small to permit an analysis as to whether the type of occupation influences perceptions. However, significant differences are found in the mean scores among the various occupational groups with regards to tourism's effect on local agriculture, improved standard of living and that local tourists should be encouraged. While differences existed, there was no discernible pattern as to which occupational group is important in determining perceptions to the significant economic impact items.

Alternatively, the income variable is used on the assumption that those with higher income are more educated, hold better jobs and are more exposed to the impacts of tourism. Only in the responses to two variables are there significant differences between different income groups (Table 6.10). There is a noticeable increase in the mean scores as income levels increases in response to the statement that more local tourists should be

encouraged. On the other hand, the mean responses to the variable that limits should be imposed on tourist numbers, declined with increasing income levels. This arises from the realisation among the higher income group that local tourists should form the core of any successful tourism industry because of the influence of external forces on foreign tourist inflow and that the local tourism industry has yet to reach such a level as to warrant the imposition of restrictions of the number of tourists visiting tourist sites.

A number of researchers have pointed out that a major influence on any community's attitude towards tourism is the level of contact between tourists and locals (see, for example, Duffied and Long 1982; Pizam 1978, Rothman 1978). This level of contact is not uniform but spatially selective. Thus, those who live in close proximity to

Table 6:10. Mean Perception Scores of Selected Economic Impact Items by Income Levels

Income Level	**Local Tourists to be encouraged**	**Imposition of carrying capacity**
Unemployed	3.4	4.7
< RM5,000	4.0	4.8
RM5,000 – RM9,999	3.6	4.5
RM10,000 – RM14,999	4.8	4.2
RM15,000 – RM19,999	4.2	4.3
RM20,000 – RM24,999	4.9	3.6
RM25,000 - RM29,999	4.4	2.4
> RM30,000	4.9	3.7

Source: Field survey, June 1994.

the major tourist activity zones will be most aware of the industry and experience the full impact of its disruption to their daily lives. In contrast, those who live in the city suburbs or farther from the focus of the industry will be less aware of the industry because they will come in contact with tourists and the infrastructure less frequently. Significant differences in mean scores are found among residents in different distances from the tourism zone with regard to the cost of land and in response to the statements that tourism benefits a minority and that local tourists should be encouraged (Table 6.11). It is significant that the residents in the first distance zone of within 1.5 kilometres from the tourist zone recorded the lowest mean score with regard to the effect of tourism on the rising cost of land. Land around the tourist zone has been designated as a conservation area solely for tourism activities. The plan to establish museums on existing buildings accord this area little commercial value comparatively. It is in the distance zones of 3.0-6.0 kilometres that most tourism projects such as hotels and shopping centres have been

Table 6.11. Mean Scores to Selected Economic Impact Items by Distance from Tourist Zone

Impact Item	**0 -1.5 km**	**1.5 - 3.0 km**	**3.0 - 4.5 km**	**4.5 - 6.0 km**	**> 6.0 km**
Rising cost of land	4.3	5.2	5.2	5.8	5.3
Benefits only a minority	5.1	4.2	5.3	5.0	4.6
Local tourists to be encouraged	3.9	4.2	5.0	3.8	3.7

Source: Field survey, June 1994.

built, thus giving rise to a higher mean score of 5.8 among residents living in the distance zone of 4.5 to 6.0 kilometres. Mean responses to the other two statements on tourism's economic impact are generally higher among residents staying nearer to the tourism zone compared to those more than six kilometres away, indicating a higher level of awareness.

Similarly, it has also been postulated that the longer the length of stay of residents in the area, the more frequent the contact between tourists and hosts and the more intense the positive or negative feelings of residents towards tourism impacts. Residents with long length of stay will have experienced increasing economic effects of tourism with time. However, the statistical test did not reveal any significant difference in any of the mean scores of perceptions by different lengths of residence.

Perceptions of Economic Impact and Economic Dependence on Tourism

Economic dependence on tourism may be an important factor in shaping perceptions towards tourism as residents with a commercial interest in tourism are more likely to be favourably disposed to the tourists and tourism's impacts than other residents. Residents who own, operate or work in tourist-related businesses have been found to be more likely to have prominent and positive attitudes towards tourism than those who have no direct involvement or perceive that they derive no benefit from tourists (Pizam 1978; Pizam and Pokela 1985). It has been suggested that one of the reasons why local residents generally place a lower value on tourism, when compared with other groups such as businessmen and local administrators, is that they are often unaware of the extent

of the economic advantage of tourism to their community. The general public are apathetic because they perceive that they derive only marginal economic benefit from the industry, because it seems to have no direct bearing on their lives, or because they see no way of reversing the process (Butler 1980). Murphy (1985) cites the British Tourist Authority's report that the general public was largely ill-informed regarding tourism's contribution both to the local and the national economies. The British Tourist Authority concluded that this is a common problem, demonstrating a general weakness in the industry's public relations, when it fails to explain the role of the industry in maintaining and increasing the standard of living for the people of the local community, whose co-operation and goodwill are seen as essential.

In this study, residents who were involved economically in the tourist industry scored higher on almost every economic impact item or statement. These residents either support vigorously the role of tourism in economic development or are less supportive of any suggestion to curtail its expansion. On the economic role of tourism, residents involved in the tourism industry scored 6.9 in response to the statement on tourism's economic potential, 6.8 to the suggestion that tourism attracts investments and 6.4 to the statement that more incentives should be offered to promote tourism development (Table 6.12). These scores are exceptionally high relative to the maximum score of 7.0 and indicate the strong support of those involved in tourism on its potential. Thus, according to residents in tourism-related activities, tourism has been largely responsible for the improvement in the road system. While both groups indicated their agreement with tourism's positive impact on the road system, the mean for residents in tourism employment was 6.1 while that for other residents was 5.7.

Table 6.12. Differences in Perceived Economic Impact Scores between Tourism and Non-tourism Dependent Residents

Impact Item/Statement	Tourism Employees		Non-tourism employees	
	Mean	Std. Dev.	Mean	Std. Dev.
Development of local agriculture	4.3	2.1	4.0	1.9
Rising cost of land and land speculation	4.9	2.2	4.9	2.3
Rising cost of housing	5.1	2.3	4.9	2.3
Rising cost of foodstuff	5.0	2.4	4.7	2.4
Improved economic condition of local artisans	5.9	1.3	5.8	1.5
Increased job opportunities	6.4	0.9	6.3	1.2
Improvement in road system	6.1	1.4	5.7	1.8
Improvement in the standard of living	5.6	1.7	5.5	1.6
Recent economic development of the area	6.0	1.6	5.9	1.5
Future economic evolution of area	5.9	1.6	5.8	1.6
Tourism has the most potential as an economic resource in Melaka.	6.9	0.5	6.4	1.2
Tourism attracts more investments and spending in the state's economy.	6.8	0.7	6.3	1.2
Greater economic incentives should be offered by the government for tourism development.	6.4	1.5	5.9	1.5
Construction of hotels with greater foreign than local ownership should be discouraged.	4.3	2.4	4.1	2.3
The construction of medium cost hotels to cater to domestic and budget tourists should be encouraged.	6.5	1.3	6.3	1.3
The economic benefits from tourism accrue only to a minority of the population.	4.0	2.3	4.5	2.0
More efforts should be made to attract local rather than foreign tourists.	4.1	2.2	4.1	2.3
A government tax should be levied on tourist	2.7	2.3	2.5	1.9

expenditures, for example, tourists should be charged higher entrance fees to tourist sites and hotel tax.				
The carrying capacity, i.e. the maximum number of visitors should be determined and enforced by the government in all tourist sites.	3.6	2.6	4.4	2.3

Source: Field Survey, June 1994.

It is also significant that those who were most supportive of tourism also agreed that tourism development does cause certain negative effects. Residents in tourism related occupations showed slightly higher scores in their perceptions of the rising cost of housing and foodstuff as a result of tourism development. However, these scores are very much lower that those given in response to the positive effects of tourism such as increased job opportunities.

Significantly too, while residents in tourism-related activities acknowledge the negative effects of tourism development, they were also more tolerant of these effects. For example, despite admitting that tourism may only benefit a minority of the population, the mean score is a neutral 4.0 as compared to 4.5 for those residents in non-tourist related employment. Similarly, tourism employees and entrepreneurs are less supportive ($\bar{x} = 3.6$) of the suggestion that tourist numbers should be curbed while other residents showed a higher agreement score. In spite of the fact that residents in tourism activities show a general tendency to score higher on the variables discussed earlier, a t-test between residents in tourism related occupations and those who are not yielded significant differences on only five of the impact items or statements (Table 6.13). The perceptions

are only significantly different in the statements discussed earlier, namely, that tourism has the most economic potential (t value of 5.03), tourism attracts more investments (t-value of 4.14), tourism benefits only a minority (t-value of 3.00), more economic incentives to attract tourist investments (t value 2.18), and limits on tourist numbers (t-value of 2.12).

CONCLUSION

Despite the perception of some serious negative aspects, the overall perceptions on the economic impacts of tourism on the economic evolution among residents of Melaka are generally positive and indicates local residents are supportive of tourism development. The existence of a dualism about the perceived economic benefit of tourism is identical to that in Bakewell where 70 per cent of the residents agreed that tourism was good for the economy though the negative components were also recognised (Ryan and Montgomery 1994).

However, comparison of these mean responses to variables such as age groups, occupation, length of stay and distance yielded mixed results . It would appear that the most important demographic variable influencing responses is age followed closely by ethnicity and participation in tourist related activities. However, residents are also generally aware of the negative effects of tourism and the lack of linkages to other local economic sectors.

Table 6.13. T-test of Economic Impact Perception Scores of Tourism and Non-Tourism Dependent Residents

Impact Item	T value	Difference in means	Significance level
Development of local agriculture	-0.96	0.2956 TE>NTE	p = 0.307
Rising cost of land and land speculation	0.40	0.0131 TE<NTE	p = 0.329
Rising cost of housing	-0.50	0.1914 TE>NTE	p = 0.338
Rising cost of foodstuff	-0.84	0.2914 TE>NTE	p = 0.345
Improved economic condition of local artisans	-0.56	0.1072 TE>NTE	p = 0.193
Increased job opportunities	-0.61	0.0889 TE>NTE	p = 0.542
Improvement in road system	-1.94	0.4059 TE>NTE	p = 0.056
Improvement in the standard of living	-0.76	0.1883 TE>NTE	p = 0.248
Recent economic development of the area	-0.17	0.0377 TE>NTE	p = 0.227
Future economic evolution of area	-0.56	0.1306 TE>NTE	p = 0.235
Tourism's economic potential	-5.03	0.4729 TE>NTE	p = 0.000
Attracts more investments	-4.14	0.4637 TE>NTE	p = 0.000
Economic incentives to be offered	-2.18	0.4923 TE>NTE	p = 0.033
Local hotel ownership to be encouraged	-0.62	0.2172 TE>NTE	p = 0.535
Medium cost hotels to be built	-0.83	0.1622 TE>NTE	p = 0.195
Tourism benefits only minority	3.00	0.9940 TE<NTE	p = 0.004
Local tourists to be encouraged	0.03	0.0112 TE<NTE	p = 0.975
Government tax to be imposed	-0.55	0.1829 TE>NTE	p = 0.581
Carrying capacity to be imposed	2.12	0.8045 TE<NTE	p = 0.037

Source: Field Survey, June 1994.

The acceptance of tourism from an economic point of view is a response to the realisation that Melaka has very limited alternatives in its endeavour for economic

development. It may also be a function of the incipient stage of tourism development in the state where tourist numbers have yet to equal or exceed the host population, giving rise to feelings of irritation and apathy. In contrast, strong anti-tourism, anti-growth attitudes were held by residents in the developed tourist destination of Florida, U.S.A where it has even been suggested that tourism promotion efforts should emphasise the enlightenment of residents regarding the positive multiplier effects of tourism (Davis *et al.* 1988).