

CHAPTER 6

CONCLUDING REMARKS

6.1 Main Findings

Over the years, growth in tourism sector has made a remarkable impact on the Malaysian economy despite the occurrence of several episodes of economic slowdown, both domestically and abroad. Recognizing its contributions to the national economy and its potential as a catalyst for future economic growth, the Malaysian government has earmarked tourism as one of the major contributors of growth in its medium- and long-term plans. Nevertheless, the arguments in favor of promoting tourism more extensively and allocating more resources to the tourism industry with the objective of obtaining increasing levels of income have not been based on the existence of empirical analyses. The scarce empirical studies on tourism in Malaysia have deprived the government and the industry from information on the possible effects of tourism on the Malaysian economic growth in the long run.

In this study, the link between tourism and economic growth are examined for Malaysia utilizing the technique of cointegration and error-correction modeling. The resulting Johansen cointegration test and the estimation of the ECM model confirm that there exists a long-run equilibrium relationship between tourism and economic growth in Malaysia. Meanwhile, the results of the Granger-causality

test shows that while there is strong evidence of tourism receipts and the real effective exchange rate Granger causing GDP in the case of Malaysia, there exists no significant evidence of reserve causality. In other words, tourism receipts and the real effective exchange rate unidirectionally affect Malaysian economic growth in the long run, thus providing support for tourism-led growth hypothesis.

6.2 Limitations of the Study

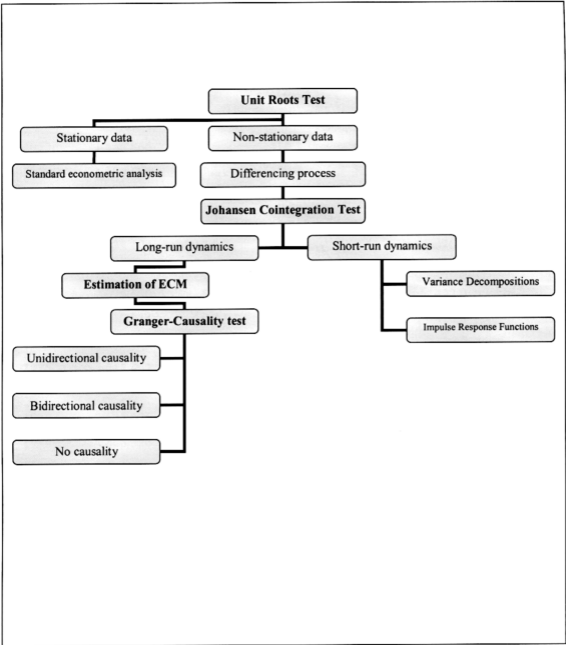
It is recognized that the quality of Malaysian tourism data are pale in comparison with our neighbouring countries (WTTC, 2002). In this regard, analysis of the results of this study should be viewed with caution. As the data quality improves, more robust results can be obtained from this study. Furthermore, this study is not exhaustive and there are many possibilities for extensions and further research for this industry.

Limited Malaysian tourism research data is another limitation. The analysis of this study has been based on aggregate data rather than on micro data. The aggregate approach can only provide a general overview of the relationship between tourism and economic growth, but more meaningful results can be obtained from micro data analysis. For instance, disaggregation of foreign tourism receipts into business, leisure or other tourism would throw light on the question of whether leisure or business or other tourism is the subsector driving the growth. Nevertheless, the ongoing effort in establishing of the Tourism Satellite Account (TSA) would strengthen the Malaysian tourism database.

6.3 Conclusion

Overall, the study sheds light on the relationship between tourism and economic growth in Malaysia, establishing the presence of a long-run equilibrium between the variables and that tourism-led growth hypothesis is valid for Malaysia.

Appendix I: Flow Chart on Cointegration and Causality Tests Procedures



Appendix II: Profile of Tourism in Malaysia, 1974-2002

Year	Arrivals (no.)	(%)	Receipts (RMm)	(%)	Per capita expenditure (RM)	Average length of stay (nights)
1974	1,165,270	7.5	353.9	n.a.	304.0	4.2
1975	1,461,603	25.4	389.5	10.1	266.0	4.2
1976	1,451,441	-0.7	275.2	-29.3	190.0	4.2
1977	1,546,866	6.6	414.3	50.5	268.0	4.6
1978	1,880,646	21.6	450.0	8.6	239.0	4.5
1979	2,039,154	8.4	495.0	10.0	243.0	4.7
1980	2,250,509	10.4	713.1	44.1	299.0	4.8
1981	2,533,104	12.6	1,000.9	40.4	370.0	4.6
1982	2,774,698	9.5	1,131.5	13.0	394.0	4.7
1983	2,926,550	5.5	1,329.3	17.5	442.0	4.5
1984	2,947,314	0.7	1,426.1	7.3	470.0	4.5
1985	3,109,106	5.5	1,543.1	8.2	496.3	4.5
1986	3,217,462	3.5	1,669.2	8.2	518.8	4.5
1987	3,358,983	4.4	1,795.1	7.5	534.4	4.5
1988	3,623,636	7.9	2,011.7	12.1	555.2	4.5
1989	4,846,320	33.7	2,802.7	39.3	578.3	4.6
1990	7,445,908	53.6	4,500.5	60.6	604.4	4.6
1991	5,847,213	-21.5	4,282.6	-4.8	732.4	4.6
1992	6,016,209	2.9	4,595.4	7.3	763.8	4.8
1993	6,503,860	8.1	5,065.8	10.2	778.9	4.7
1994	7,197,229	10.7	8,298.3	63.8	1,153.0	4.8
1995	7,468,749	3.8	9,174.9	10.6	1,228.4	4.8
1996	7,138,452	-4.4	10,354.1	12.9	1,443.9	5.4
1997	6,210,921	-13.0	9,699.6	-6.3	1,561.7	5.3
1998	5,550,748	-10.6	8,580.4	-11.5	1,545.8	5.5
1999	7,931,149	42.9	12,321.3	43.6	1,553.5	5.5
2000	10,221,582	28.9	17,335.4	40.7	1,696.0	5.8
2001	12,775,073	25.0	24,221.5	39.7	1,896.0	6.1
2002	13,292,010	4.0	25,781.1	6.4	1,939.6	7.8

Source: Ministry of Tourism, Malaysia