

## **Chapter 6: Summary of Findings**

From the previous chapter, we have incorporated the use of some economic tools such as supply and demand analysis, elasticity, as well the multiplier highlight to some aspects of travelers behaviour and factors which influences travelers inflow and outflow. The aim was to formulate possible suggestions to increase inflow, of travelers and to decrease travelers outflow, by increasing domestic traveling (local tourism) in order to assist the services sector. As pointed out earlier the services sector account comprises several components and the focus of this study is the travel account. The travel account is further divided into 4 basic components namely traveling for education, leisure (holidays), business as well as pilgrimage.

### **6.1 Summary of Conclusion and Suggestions**

The findings from chapter 1 to 4 of certain behaviour and relationship of the supply and demand factors as well as elasticity of price and income, expenditure-receipts ratio and multiplier effects leads to the following conclusion.

- 1) Possible ways to assist the services account deficit through the travel account is to increase inflow of travelers or decrease outflow of travelers or apply both methods simultaneously.

Factors which influence inflows of travelers includes location and attraction in a country, currency exchange, accommodation, business, conventions and international events, education, Tourism Malaysia. facilities to assist foreign pilgrims, policies incentives and facilities provided by the Ministry of Arts, Cultural and Tourism as well as the Ministry of Education and government bodies, as well as political, social and economic stability.

Factors which influence outflows of travelers includes visit friends and relatives, currency exchange, business, leisure and popularity, pilgrimage, education, role of travel agent, political and social factors as well as an increase in income.

There are 5 main supply factors, which contribute to a sustainable travel industry in the long run namely, accommodation, places of attraction, business and conventions, tourism, education and international pilgrimage facilities. These supplies create demand. These areas must be given utmost priority to ensure continuous inflows of travelers into the country and indirectly to assist the services account deficit.

Where tourism packages are of neighbouring countries are closely related and substitutably the demand for the domestic packages may have high price

elasticity. Therefore, there is a need to design a more competitive packages from the standpoint of prices.

- 6) The travel industry can be divided into several market segmentations such as business, convention and events, tourism, education and pilgrimage. Each of this segmentation reflects different degree of importance/priority. Pilgrimage activities, business and conventions events have a less degree of elasticity of demand with respect to income in comparison to education and tourism. In other words, policy makers can utilise this behaviour to strategically plan out targeted markets for promotion events throughout the year especially for education, business and convention purposes and seasonal promotion for tourism vacation packages.
- 7) With respect to price elasticity of demand for accommodation, the demand for hotel is expected to be inelastic for foreign travelers and more elastic for local travelers. Therefore price discrimination is advised to increase the profits of hotel operators.
- 8) To increase the travelers multiplier effect, promotions for inflows of foreign travelers and domestic travelers needs to be increased to increase marginal propensity to consume and to widen the multiplier effect. This will indirectly decrease outflow of money. National income would multiply in a higher rate with larger marginal propensity to consume.

## **6.2 Future Prospect of the Tourism Industry in Assisting the Services Sector and Country's Economy**

The travel industry is currently the third major contributor to the country's GDP after manufacturing and crude oil. Its astonishing performance in setting a surplus record in the travel account during Visit Malaysia Year 1990 further support the fact that the travel industry has bright prospects in generating continuous surplus with further support from the government as well as other private institution in relation to that.

The increasing inflow of travelers and travelers receipts (exceptional for 1998 due to the aftermath of the currency crisis) to the country would suggest a positive trend of attracting frequent travelers. Frequent travelers returning for their second time or more is vital in ensuring a sustainable travel industry besides attracting first time travelers.

The government's vision in making Malaysia an Asian hub for education purposes further enhances the prospect of the travel industry. Inflow of foreign students would generate inflow of money into the country. Other than that, foreign students would also encourage their parents to visit the country. This is again another advantage to the travel account and indirectly the services account. Further more, the growth and development of tertiary education facilities in

Malaysia may hopefully cut down the large funds outflow as increasingly more local student make use of these instead of going abroad.

Business and international conventions and events held in Malaysia offer good prospects of expanding travel receipts. Malaysia should continue to bid to host international sporting events given the international standards of the sporting facilities built to cater for the recent Commonwealth Games and Formula One Race.

The slight decrease of tourist inflow and receipts in 1998 is just a temporary effect. With the on-going promotional efforts and support from the government, the tourism sector can be expected to develop further in the near future. In addition, continuous support to encourage local tourism such as declaring the first Saturday of the month as a holiday in the 1999 budget as well as the third Saturday in the 2000 budget is a good move to portray to the public the governments' seriousness in finding possible ways to decrease the alarming number of local tourists going abroad.

In conclusion all these measures will help to increase inflow of travelers and decrease the outflows travelers to assist the travel account as well as the services account and indirectly the current account deficit.