

**THE POTENTIAL OF TOURISM FOR  
ECONOMIC GROWTH IN MALAYSIA**

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## **Abstract**

Tourism has been pursued as an economic activity in Malaysia since the late 1970s, but became a strategic focus of the Malaysian government in the aftermath of the 1997 financial crisis. Tourism was seen as a new economic engine for Malaysia.

This study analyses Malaysia's main tourist markets and prospects of growth. Based on an understanding these demand factors, the study examines tourism as an economic activity in Malaysia by studying the trends within the main industries that collectively drive tourism economics. These are the hotel, retail shopping, food and beverages, entertainment, tour operators, local transport and aviation industries. The study also includes a brief review of government initiatives supporting tourism as well as the challenges and opportunities in regional tourism initiatives.

The study concludes that tourism has strong potential to spur economic growth in Malaysia, but the current strategies are too focused on short-term gains. A change in strategy is required if tourism is to remain a long-term engine for economic growth. The main recommendations are to switch from the current strategy of 'mass tourism' to develop more niche markets with premium pricing. Malaysia must also reduce the emphasis of the current strategy of promoting Malaysia as a shopping paradise, and instead focus more on developing and packaging tourist products that are based on Malaysia's cultural diversity and natural resources. It is also important to collaborate with neighboring countries to design and market regional tourism products to attract more long-haul tourists to Malaysia. Finally, it is necessary to develop a more visible and clear branding strategy for the country and Malaysian made products to increase Malaysia's capacity to compete

internationally for tourists. The global tourist market is made up of more than 100 potential destinations, and in the absence of clear brand position, the country will not be visible as a tourist destination.

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<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Abstract	ii
Acknowledgement	iv
List of Diagrams and Tables	vii
List of Abbreviations	ix
 Chapter 1 – Introduction	
1.1    Definition of tourism	1
1.2    Objective of study	2
1.3    Methodology	3
1.4    Limitation of the study	5
 Chapter 2 – Literature Review	6
 Chapter 3 – Analysis of major tourist markets for Malaysia	
3.1    Overview	20
3.2    Inbound international tourists	21
3.3    Spending by international tourists	27
3.4    Major international tourist markets	29
3.4.1    The Singapore Market	30
3.4.2    The Indonesian Market	32
3.4.3    The Thailand Market	34
3.4.4    The China Market	35
3.4.5    The Japan Market	37
3.4.6    The European Market	38
3.4.7    The Australian Market	39
3.4.8    The West Asian Market	40
 Chapter 4 – Challenges and Prospects	
4.1    Volatility in demand	41
4.2    Specific Challenges for the Malaysian Tourism Industry	44
4.3    Prospects for the Malaysian Tourism Markets	45
 Chapter 5 – Key economic sectors linked to the tourism industry	
5.1    Overview	47
5.2    Hotel Industry	49

5.3	Retail Shopping Industry	56
5.4	Food and Beverages Industry	62
5.5	Entertainment Industry	65
5.6	Tour Operators Industry	69
5.7	Local Land Transportation Industry	73
5.8	Air Travel Industry	75
5.9	Conclusion – Key Economic Sectors Linked to Tourism	77
Chapter 6 – Government initiatives to support tourism		
6.1	Institutional structure and budget	78
6.2	Weaknesses in Tourism Product Policy	80
6.3	ROI on Government Spending for tourism	81
6.4	Conclusion – Government initiatives	83
Chapter 7 – Regional Tourism Competition and Collaboration		
7.1	Key Trends for East Asia and the Pacific	84
7.2	Intra-ASEAN Tourism	86
7.3	Why the dramatic growth during 1999 - 2001?	90
7.4	Regional Collaboration Initiatives	93
7.4.1	The ESCAP initiatives	94
7.4.2	The EAGA initiatives	97
7.4.3	Aviation policies	97
7.4.4	Travel protocol and immigration requirements	100
7.5	Conclusion – Regional tourism	102
Chapter 8 – Malaysia's Tourism Macroeconomics		
8.1	Overview	103
8.2	The multiplier effect	104
8.3	International tourism receipts relative to GDP	107
8.4	Impact on the balance of payments	108
8.5	Tourism Satellite Account Economic Concepts	110
Chapter 9 – Recommendations and Conclusions		
9.1	Conclusions	126
9.2	Recommendations	128
Bibliography and Reference Web sites		130
Appendices		136

## List of Diagrams and Tables

### DIAGRAMS

Number	Description	Page
Diagram 2.1	Dynamic Tourism Demand Trends	8
Diagram 2.2	International stay over arrivals 1950 – 1999	10
Diagram 2.3	Assessing Local Economic Effects of Tourism	13
Diagram 2.4	Multi Disciplinary Approach to Tourism Studies	18
Diagram 3.1	Tourist arrivals to Malaysia 1992 - 2002	21
Diagram 3.2	International tourist receipts RM Bil 1992 - 2002	22
Diagram 3.3	Tourist receipt per tourist 1992 – 2002	23
Diagram 3.4	Top tourists to Malaysia 1992 – 2002	23
Diagram 3.5	a) Inbound tourist - Purpose of visit b) Purpose of Visit – In-bound Tourist 2002	25
Diagram 3.6	Popular purchases by tourists in 2002	26
Diagram 3.7	Distribution of tourist expenditure 2002	27
Diagram 3.8	a) International Inbound Tourist by Occupational Group 2001 b) International Inbound Tourist by Age Group 2001	28
Diagram 4.1	International arrivals to Malaysia 1996 – 2003 (by month)	41
Diagram 5.1	a) Distribution of tourist spending 2002 b) Distribution of tourist spending 1992	48
Diagram 5.2	Number of hotels in Malaysia	49
Diagram 5.3	Number of hotel rooms in Malaysia	49
Diagram 5.4	Malaysian hotel industry Structure 2002	51
Diagram 5.5	Salaried employees in hotel industry	52
Diagram 5.6	Salaries and wages in hotel industry	53
Diagram 5.7	Amount spent by international tourist on shopping	56
Diagram 5.8	Average shopping spending per tourist	58
Diagram 5.9	International tourist spending on food & beverages	62
Diagram 5.10	International tourist spending for entertainment	65

<b>Number</b>	<b>Description</b>	<b>Page</b>
Diagram 5.11	Entertainment spending per tourist	66
Diagram 5.12	International tourist spending on organized tours	69
Diagram 5.13	Employment by Travel & Tour Agencies	70
Diagram 5.14	Local Transportation and Airfares	73
Diagram 7.1	Tourist Arrivals in East Asia Pacific	84
Diagram 7.2	Tourist Receipt in East Asia and Pacific	85
Diagram 7.3	Expenditure per Capita in East Asia And Pacific	85
Diagram 7.4	Intra-ASEAN Tourist Arrivals 1999 – 2001	86
Diagram 7.5	Intra-ASEAN Tourist Arrivals 1999 – 2001 Excluding Singaporeans	87
Diagram 7.6	European Tourists to ASEAN 1999 – 2001	88
Diagram 7.7	Australian Tourists to ASEAN 1999 – 2001	89
Diagram 7.8	Middle-East Tourists to ASEAN 1999 – 2001	90
Diagram 7.9	Trend in Singapore Tourist Arrivals Jan 1996 – March 2003	92

## **TABLES**

<b>Table</b>	<b>Description</b>	<b>Page</b>
Table 6.1	Development Allocation for Tourism, 1996 – 2005 (RM million)	78
Table 6.2	Return on Investment for Government Expenditure	82
Table 7.1	The Exchange Rate Advantage	91
Table 8.1	Multiplier Effect: How Tourism Spending Flows into the Economy	104
Table 8.2	Tourist Receipts as Percentage of GDP	106
Table 8.3	Balance of Current Account 1992 – 1998	107
Table 8.4	Balance of Current Account 1999 - 2002	108
Table 8.5	WTTC-Malaysia Tourism Satellite Account 2001	112
Table 8.6	Travel & Tourism Economy 2001	113
Table 8.7	Major Economic Sector for Malaysia	123

## List of Abbreviations

AAPA	Association of Asia Pacific Airlines
AFTA	Asian Free Trade Area
APEC	Asia Pacific Economic Cooperation
APETIT	Asia Pacific Education and Training Institute in Tourism
EAGA	East Asian Growth Area
EAP	East Asia and Pacific
ESCAP	Economic and Social Commission for Asia and the Pacific
GDP	Gross Domestic Product
IATA	International Air Transport Association
ILO	International Labor Organization
IMF	International Monetary Fund
KLCC	Kuala Lumpur City Center
KLIA	Kuala Lumpur International Airport
KTM	Keretapi Tanah Melayu
LHDN	Lembaga Hasil Dalam Negeri
LRT	Light Rail Transit
MAHB	Malaysian Airports Holding Berhad
MATTA	Malaysian Association of Tour and Travel Agents
MHA	Malaysian Hoteliers Association
MIER	Malaysian Institute of Economic Research
MITF	MATTA International Travel Fair
MOCAT	Ministry of Culture, Arts and Tourism
MTB	Malaysian Tourism Board
MTGC	Malaysian Tourist Guides' Council
MTPN	State Tourism Action Council
NOSS	National Occupational Skills Standards
NTHRDC	National Tourism Human Resource Development Council
NVTC	National Vocational Training Council
OEF	Oxford Economic Forecasting
ROI	Return on Investment
SARS	Severe Acute Respiratory Syndrome

SIC	Standard Industrial Classification
TDC	Tourism Development Center
TSA	Tourism Satellite Account
UFTAA	Universal Federation of Travel Agents Association
UNEP	United Nations Environment Program
VER	Visit Friends and Relatives
WHO	World Health Organization
WTO	World Tourism Organization
WTTC	World Tourism and Travel Council