

**MALAYSIA TOURISM AND ECONOMIC GROWTH:  
INPUT OUTPUT ANALYSIS**

**By**

**ANUSUYA A/P RAVINDRAN**

**MASTER OF ECONOMIC  
UNIVERSITI UTARA MALAYSIA  
December 2014**

**MALAYSIA TOURISM AND ECONOMIC GROWTH:  
INPUT OUTPUT ANALYSIS**

**By  
ANUSUYA A/P RAVINDRAN**

**Thesis Submitted to  
Othman Yeop Abdullah Graduate School of Business,  
Universiti Utara Malaysia,  
In Fulfillment of the Requirement for the Master of Economic.**

## **PERMISSION TO USE**

In presenting this project paper in partial fulfilment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Dean of Othman Yeop Abdullah Graduate School of Business where I did my project paper. It is understood that any copying or publication or use of this project paper parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material in my project paper.

Request for permission to copy or to make other use of materials in this project paper in whole or in part should be addressed to:

Dean of Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

06010 UUM Sintok

Kedah Darul Aman

## **ABSTRACT**

Tourism sector is an important sector that many countries are focusing on the development of tourism sector. There are many studies show there is a significant relationship between tourism sector and economic growth. The objective of this study is to see how significant the tourism sector extension would give impact on the Malaysia GDP and other macroeconomics aspects. The method used in this study is input output analysis. Using Malaysia input output table 2010, the 124 commodities were aggregated into main sectors in Malaysia and disaggregate the tourism sector. After that, the technical coefficient were calculate to the see the direct requirement of input needed by the sector to produce outputs. Then the multiplier effect which is the output multiplier and export of tourism sector multiplier and also the backward and forward linkages between tourism and non-tourism sectors in Malaysia. The multipliers shows that the tourism sector contributes to Malaysia economic by generating output and the export of tourism sector. Besides that, the interlinkages between sectors shows that there are strong linkages between tourism sectors with other sectors. It creates the demand and supply of outputs that can stimulates the economy.

## **ABSTRAK**

Sektor pelancongan adalah penting bagi negara yang mementingkan pembangunan ekonomi. Banyak kajian menunjukkan terdapat hubungan signifikansi di antara sektor pelancongan dan pertumbuhan ekonomi. Objektif kajian ini ialah untuk melihat sejauh mana pembangunan sektor pelancongan memberi kesan terhadap pertumbuhan ekonomi dan aspek makroekonomi yang lain. Keadah kajian yang digunakan adalah analysis input output. Dengan menggunakan jadual input output 2010, 124 komoditi telah diagregatkan kepada 8 sektor di Malaysia dan sektor pelancongan dipisahkan. Kemudian kesan pengganda and hubungan antara sektor telah dikaji. Kesan pengganda menunjukkan sektor pelancongan kepada pengeluaran dan eksport sector pelancongan. Selain itu, hubungan yang kuat diantara sektor telah diperolehi dimana permintaan dan penawaran pengeluaran akan membantu dalam pertumbuhan ekonomi.

## **ACKNOWLEDGEMENT**

First and foremost, my humble gratitude and appreciation to God , for enabling me proceed with this Project Paper work until its final form.

I am greatly indebted to my supervisor, Dr Mukaramah binti Harun who has made a significant contribution until the completion of this research and deserves special thanks for her kindness, patient, generosity and guidance when supervising my work. My thanks also to my examiner, Dr ..... for his/her support in order to make this research more meaningful.

Finally, special respects and thanks to my beloved father, Mr. Ravindran Kannan who inspires me to succeed now and hereafter. My special respects and thanks also goes to my mother, Mrs. Murugasevary Raman for her unconditional love and encouragement, and for my family and friends for being supportive throughout my study at University Utara Malaysia.

Last but not least, I am grateful to God for giving me faith, will and strength to complete my study.

Thank you.

# TABLE OF CONTENT

**CERTIFICATION OF THESIS WORK**

**PERMISSION TO USE**

**ABSTRACT**

**ABSTRAK**

**ACKNOWLEDGEMENT**

**TABLE OF CONTENTS**

**LIST OF TABLE**

**LIST OF FIGURES**

<b>1. CHAPTER 1: INTRODUCTION</b>	<b>1</b>
1.1. INTRODUCTION	1
1.1.1. HISTORY OF MALAYSIA TOURISM	3
1.1.2. CONTRIBUTION OF MALAYSIA TOURISM	5
1.2. PROBLEM STATEMENT	14
1.3. OBJECTIVE OF STUDY	17
1.3.1. GENERAL OBJECTIVE	17
1.3.2. SPESIFIC OBJECTIVES	18
1.4. SCOPE AND LIMITATION	18
1.5. SIGNIFICANT OF STUDY	19
1.6. STUDY OUTLINE	20
<b>2. CHAPTER 2: LITERATURE REVIEW</b>	<b>21</b>
2.1. INTRODUCTION	21
2.2. OVERVIEW OF INTERNATIONAL TOURISM	21
2.3. OVERVIEW OF MALAYSIA TOURISM	23
2.4. EMPIRICAL REVIEW ON RELATIONSHIP BETWEEN TOURISM AND ECONOMIC GROWTH	23
2.4.1. INPUT OUTPUT ANALYSIS	23
2.4.2. COMPUTABLE GENERAL EQUILIBRIUM (CGE)	27
2.4.3. CAUSALITY TEST	29
2.5. INPUT OUTPUT TABLE	29
2.6. MULTIPLIER EFFECT	31
2.7. FORWARD AND BACKWARD LINKAGES	32

2.8. CONCLUSION	33
<b>3. CHAPTER 3: METHODOLOGY</b>	<b>34</b>
3.1. INTRODUCTION	34
3.2. DATA RESOURCES	34
3.3. TYPE OF STUDY	35
3.4. TECHNIQUE OF DATA ANALYSIS	35
3.5. BASIC INPUT OUTPUT ANALYSIS	38
3.6. TOURISM MULTIPLIERS	41
3.6.1. OUTPUT MULTIPLIER	42
3.6.2. EXPORT OF TOURISM MULTIPLIER	43
3.7. INTERLINKAGES BETWEEN TOURISM AND NON TOURISM SECTOR	43
<b>4. CHAPTER 4 : RESULT AND DICUSSION</b>	<b>45</b>
4.1. INTRODUCTION	45
4.2. TECHNICAL COEFFICIENT	45
4.3. MULTIPLIER EFFECTS	48
4.3.1. OUTPUT MULTIPLIER	49
4.3.2. EXPORT OF TOURISM SECTOR	51
4.4 INTERLINKAGES BETWEEN TOURISM AND NON TOURISM SECTORS	53
<b>5. CHAPTER 5 : CONCLUSION AND RECOMMENDATION</b>	<b>56</b>
5.1 INTRODUCTION	56
5.2 SUMMARY OF FINDING	56
5.2.1 RESEARCH SUMMARY	56
5.2.2 FINDING SUMMARY	57
5.2.2.1 OBJECTIVE ONE	57
5.2.2.2 OBJECTIVE TWO	57
5.3 RESEARCH IMPLICATION	58
5.3.1 RESEARCHERS AND ACADEMICIANS	58
5.3.2 MINISTRY OF TOURISM	58
5.3.3 PRIVATE SECTOR, LOCAL BUSINESSES AND PEOPLE	59
5.4 RECOMMENDATION	59
5.5 CONCLUSION	61



**REFERENCE**

**63**

**APPENDIX**

**68**

## **List of Table**

Table 1.1 Tourist Arrival and Receipts in Malaysia	6
Table 1.2 Top Ten Tourist Arrival by Countries Nationality 2012	7
Table 1.3 Key of Statistic of Domestic Tourism 2012 and 2013	8
Table 1.4 National and International Tourism Expenditure	10
Table 1.5 Hotel Occupancy Rate by 2012 and 2013	12
Table 1.6 Employment in Tourism Sector 2005-2008	13
Table 1.7 Contribution of Tourism Sector to GDP	14
Table 1.8 Contribution of Tourism to Malaysia Employment	16
Table 4.1 Output Multiplier of Main Sectors in Malaysia	50
Table 4.2 Output Multiplier of Tourism Subsectors in Malaysia	51
Table 4.3 Export of Tourism Multiplier Main Sectors in Malaysia	52
Table 4.4 Export of Tourism Multiplier of Tourism Subsectors in Malaysia	53
Table 4.5 Backward And Forward Linkages Between Sectors in Malaysia.	54

## **List of Figure**

Figure 3.1 Flow of Data Analysis	37
Figure 3.2 A General Structure of Input Output Table.	38

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction**

For past six decades, international tourism have shown a huge development and also experiencing continued diversification. Experiencing continued expansion tourism is becoming one of the largest and significantly growing economic sector. International tourist arrivals grew by 5% in 2013 which is 1087 million arrival worldwide. This shows an increment from year 2012 with 1035 million arrival million (UNWTO, 2014). Tourism industry which already growing since ancient time found successful in generating income of a countries. Number of tourist destination are growing bigger and bigger. According to Khaleed (2009), tourism is one of the method to overcome macroeconomic problems. By focusing in tourism sector brings promising benefits to the country as it is one of the tool to generators of income and employment creation. Tourism based development plays a vital pivotal role in contributing to its GDP growth both in developed and developing countries.

Nowadays many countries focusing on tourism sector as a tool to develop their countries in term of many facets. Countries mainly developing countries are promoting and sustaining a world class tourism to generate economic growth. Developing countries are trying to enact policies to improve their tourism industry as a tool to develop their foreign exchange earnings. Malaysia are never left out in promoting their tourism in many ways. According to Elsadig and Abdur (2011) said that Malaysia is becoming of the leading tourist destination competing with other

The contents of  
the thesis is for  
internal user  
only

## Reference

Malaysia Input Output Table 2010 (2014)

Weaver, D., & Oppermann, M. (2000). *Tourism management*. Brisbane: John Wiley & Sons Australia, Ltd.

The Economist Intelligence Unit (1994) *Malaysia* (EIU International Tourism Reports No.2).The Economic Intelligence Unit Limited.

Horvath, E., and Frechtling, D. C. (1999). *Estimating the Multiplier Effects of Tourism Expenditures on a Local Economy through a Regional Input-Output Model*, Journal of Travel Research, Vol. 37 (4), pp. 324-332.

Mazumder, M. N. H., Ahmed, E. M., and Al-Amin, A. Q. (2009). *Does Tourism Contribute Significantly to the Malaysian Economy? Multiplier Analysis Using I-O Technique*, International Journal of Business and Management , Vol. 4 (7), pp. 146-159.

Dritsakis, N. (2004). *Tourism as a Long-Run Economic Growth Factor: An Empirical Investigation for Greece Using Causality Analysis*, Tourism Economics, Vol. 10 (3), pp. 305-316.

Khan, M. M. A. (2013). *Tourism Development in Malaysia: A Review on Government Plans And Policies*.

Liu, A., & Wall, G. (2006). *Planning tourism employment: a developing country perspective*. *Tourism Management*, 27, 159-170.  
<http://dx.doi.org/10.1016/j.tourman.2004.08.004>

10th Malaysia plan

Rashid, Z. A., Rahman, A. A. A., Othman, M. S., & Suib, A. (1993). Tourism impact analysis—an inter-sectoral analysis of the Malaysian economy. *Jurnal Ekonomi Malaysia*, 27, 99-119.

World Tourism Organization (WTO). (2010). UNWTO Tourism Highlights 2010 Edition. Retrieved on 25 April 2011. Retrieved from [www.UNWTO.org/facts](http://www.UNWTO.org/facts)

UNWTO, E. (2014). UNWTO Tourism Highlights 2014 Edition.

Performance Management & Delivery Unit (Pemandu) (2010a). Chapter 1: *New Economic Model of Malaysia*, viewed on 1 April 2011.

SURUGIU, Camelia. (2009). *The Economic Impact of Tourism. An Input-Output Analysis.*

Oh, C. O. (2005). *The contribution of tourism development to economic growth in the Korean economy.* *Tourism Management*, 26(1), 39-44.

Surugiu, C., Frent, C., & Surugiu, M. (2009). *Tourism and its impact upon the Romanian economy: an input-output approach.* *Analele Științifice ale Universității „Alexandru Ioan Cuza” din Iași*, 50, 355-376.

Miller, R. E., & Blair, P. D. (2009). *Input-output analysis: foundations and extensions.* Cambridge University Press.

Archer, B. (1995). Importance of tourism for the economy of Bermuda. *Annals of Tourism Research*, 22(4), 918-930.

Cai, J., Leung, P., & Mak, J. (2006). *Tourism's forward and backward linkages.* *Journal of Travel Research*, 45(1), 36-52.

Bhuiyan, M. A. H., Siwar, C., & Ismail, S. M. (2013). *Tourism Development in Malaysia from the Perspective of Development Plans.* *Asian Social Science*, 9(9), p11.



Hanafiah, M. H. M., Harun, M. F., & Jamaluddin, M. R. (2011, January). *Trade and Tourism Demand: A Case of Malaysia. In International Conference on Business and Economic Research. Malaysia.*

Dritsakis, N. (2004). Tourism as a long-run economic growth factor: an empirical investigation for Greece using causality analysis. *Tourism Economics*, 10(3), 305-316.

Khaleed, O. A. (2009). *Analysis of Tourism Developmet in Libya.* Studies Colege of Busines , 1- 92.

Mohammad, N. H., Elsadig, M. A., & Md. Abdur, R. (201). *Estimating total contribution of tourism to Malaysian economy.* International Journal of Busines, Management and Social Sciences, 29-34.

Badarudin, M., Ahmad, P. M., & Jamil, J. (n.d). *Island Tourism In Malaysia: The Not So Good News.* Schol of Housing, Building & Planing , 1-8.

Adams, P. D., & Parmenter, B. R. (1995). An applied general equilibrium analysis of the economic effects of tourism in a quite small, quite open economy. *Applied Economics*, 27(10), 985-994.

Blake, A. (2000). *The economic effects of tourism in Spain*. Christel DeHaan  
Tourism and Travel Research Institute.