

# Effect of tourism on malaysia economics economics essay



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Tourism is regarded as an important sector to the Malaysia. Malaysia is a beautiful country in Southeast Asia, extending from approximately 1°N to 6°45' N latitude and 99°36'E to 104°24'E longitude consisting of thirteen states and three Federal Territories, with a total landmass of 329,845 square kilometers (127,354 sq mi). The country is divided into two parts, Peninsular Malaysia and Malaysia Borneo (also known as East Malaysia) by the South China Sea. After being continuously under the control of different foreign powers for a long time it finally gained its independence on 31st August, 1957. Surrounded by Thailand in the north, Indonesia in the south, Singapore in the south and Philippines in the north-east, Malaysia has a long coastline, specially Peninsular Malaysia. It borders the Strait of Malacca, an important international shipping crossroad, and therefore helps in the development of international trade which is integral to its economy.

Malaysia has a biodiversity range of flora and fauna, with picturesque coastal plains rising to hills and mountains. All these scenic natural beauty along with a diversity of cultures, well structured development in all the sectors has given a boost to tourism which forms increasingly important sector of the Malaysian economy.

The tourism industry has experienced rapid growth and continues to be a key foreign exchange earner, contributing to GDP (gross domestic product) growth, investment and employment as well as strengthening the services account of the balance of payments. But tourism has its negative effects also on the society as well on the ecosystem. Therefore, the study of impacts of tourism is quite important in order to understand the society and type of economy prevailing in Malaysia which is done in this paper.

Apart from this, tourism is also important for each country from the economic point of view. There are countries with a high level of tourism, especially countries with passage to sea, where visitors spend big sums of money during their holiday. This is a very positive way for the country to have large sums of money all located in its budget. And if tourists feel comfortable in the places they choose in Malaysia, then they will return there the next month or year. They will also show photos to their friends and will try to convince them about the beauties they have found in Malaysia. Consequently they all promote Malaysia to other countries about the interesting and beautiful places. So, the main point is tourism is regarded as an important sector to the Malaysia economy.

Another effect of tourism in Malaysia is to promote and introduce cultural tourism. Cultural tourism has emerged as a potential form of alternative tourism among both international tourists as well as Malaysia domestic travelers. Cultural tourism in Malaysia attracted great publicity with the increase in the number of incoming tourists annually. Malaysia has marvelous cultural tourism resources that are readily available to be explored such as multi-cultural, historical buildings, colorful lifestyles and other. So when the tourists come to Malaysia, they can discover new traditions, new customs and exotic food and drinks. Moreover, it is a great chance to meet people all over the world, make friends and enjoy at the maximum during our vacation.

Money spent by tourists in a hotel helps to create jobs directly in the hotel, but it also creates jobs indirectly where in the economy. The hotels, for example, have to buy food from the local farmers, who may spend some of

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this money on fertilizer or clothes. The demand for local products increase as tourists often buys souvenirs, which increase secondary employment.

## **STATEMENT OF THE PROBLEM**

### **What is the trend pattern in the tourism sector?**

Malaysia is greatly blessed with a rich and diverse biodiversity.

Peninsular Malaysia and East Malaysia, both just north of the equator, are subject to the same movement of air masses and have similar climates.

Temperatures and precipitation vary by elevation and proximity to the sea, but temperatures tend to be uniform year-round with annual average temperatures ranging from 23° C to 34° C, with rainfall varying from 1,300mm to 4000mm. These along with high humidity hassled to the development of a rich flora and fauna.

Furthermore, the topography of Peninsular Malaysia, Sabah, and Sarawak is picturesque with hills and mountains in the interior rising from the vast coastal plains. In addition Malaysia's long coastline and many coral-fringed islands, with Straits of Malacca to the west and South China Sea to the east have given rise to a large number of beaches and marine parks. Malaysia is also endowed with diversity of cultures, indigenous traditions of the Kadazan, Dusuns, Ibans and other ethnic communities. All these factors along with initiative of the Government of Malaysia had led to development of the tourism sector in Malaysia. In the present scenario Malaysia is one of the most sought after tourist destination in the world. Tourists from various parts of the world visit the place in large numbers every year. Its rich culture, scenic beauty attracts people from allover the world. The tourism industry

has shown a constant rise in the number of visitors visiting Malaysia over the years. The available data shows that from 2000 to 2008 there has been a sharp increase in the number of visitors visiting Malaysia with a temporary decline during 2003 due to the effect of 9/11 bombing in USA and Bali bombing in 2002 and Gulf War in 2003. From 2000 to 2008 the number of visitors increased by more than 53% which is more than half. The composition of the tourists is also variable. Those tourists which come from the countries forming ASEAN are known as intra-ASEAN and those from the rest of the world are known as extra-ASEAN. The percentage of intra-ASEAN visitors is always much higher than the extra-ASEAN visitors. This may be possibly due to easy and cheaper access to Malaysia from these countries. Malaysia recorded 22, 052, 488 arrivals in 2008, an increase of 5. 1% from 2007, a testimony that the marketing and promotional efforts by Tourism Malaysia have been successful in attracting tourists to Malaysia.

As the graph shows , the general trend was followed by the number of visitors during the year 2008 also. ASEAN countries had the largest number of visitors to Malaysia, followed by Asia.

An important thing was noticed in the tourist arrivals to Malaysia apart from the ASEAN

Countries . China had the largest number of visitors to Malaysia, followed by India. This was again mainly due to the various promotional measures taken by the Tourism board of Malaysia in order to promote tourism. The increase in number of tourists was contributed significantly by the intensification of promotions in countries like Brunei, Indonesia, the Philippines, China, India

and the Middle East. Although there was a decline in the number of arrivals from Brunei and Thailand, ASEAN market remained as an important market for Malaysia. The graph above shows the top ten countries from which highest number of visitors has come to Malaysia. Among the ASEAN countries Singapore continues to be the major country of residence for tourist arrivals, contributing about more than half the number of tourists (52%), followed by other ASEAN countries of Indonesia (21%), Thailand (7%) and Brunei (5%). Thus, the tourism sector in Malaysia have constantly shown a upward rising trend throughout the years except for a brief lull in 2003.

## **What is the effect of tourism industry on the economy of Malaysia?**

The significant role played by the tourist industry in Malaysia can be traced from its earliest developments. This is because in comparison with other South-East Asian states such as Indonesia and Thailand for instance, Malaysia was less developed in the tourist industry sector. Today it has become the country's second biggest source of foreign exchange and the third largest economy sector. Over the years the industry is significantly contributing to GDP (gross domestic product) growth, investment and employment as well as strengthening the services account of the balance of payments. The related service industries like accommodation, food, transportation, entertainment and other small sized industries have also received a bang in their growth as a result of the rapid increase in the tourism

Tourism also provides employment to a substantial part of the economy.

For example, according to the Ninth Malaysia Plan 2006-2010, tourism-related activities provided 492, 000 jobs for employees in 2006, representing 4. 4 per cent of the total workforce. This is an increase of 26 per cent compared to 390, 600 jobs in 2000, accounting for 4. 2 per cent of the total workforce. As stated earlier the tourism industry leads to the growth of other related industries also which further generates more income. In addition it also helps the local low-income group in tourist places to improve their condition by engaging in tourism related programmes like acting as guides, rejuvenating handicrafts industry etc.

### **What is the social impact of the tourism industry?**

Tourism has a great impact on the host societies in everywhere in the world.

It can be both a source of international amity, peace and understanding and a destroyer and corrupter of indigenous cultures, a source of ecological destruction, an assault of people's privacy, dignity, and authenticity

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Malaysia is also not an exception. The steady growth of the tourism industry in Malaysia has taken its toll on the social environment. While it has led to rapid economic development of the country on one hand it has also lead to deterioration of the society on various aspects on the other hand. It has cause rapid damage to the ecosystem of the tourist places. Reports on tourist-activities related damages at popular destinations are abundant. The decreasing number of visitors to once popular Lake of Kenyir was reported to linked to the fact that overdevelopment around the lake had created eyesores and eventually pushed them away. In 1999, Kenyir received 114,

782 visitors, while by the year 2005, the number had decreased to around 15, 000. The concentration of mega infrastructure and resorts along the coast has caused major destruction to the mangroves, beaches, and lagoons through sand mining and direct discharge of sewage from the development. Destruction of the ecological environment can also be the result of the creation of extensive infrastructure like jetty's, resorts and airports. This draws the attention to create a more sustainable development in order to develop the sector without causing harm to the ecosystem.

Malaysia has been a pot pours of different cultures since time immemorial. Cultural mixing is a very common phenomenon in the country. The development of the tourism industry has further led to the enhancement of its rich and diverse culture. People from all over the world come here and has interactions leading to enrichment of its culture. The culture and traditions in Malaysia are undergoing is undergoing steady but slow changes. But the most serious social impact of tourism in Malaysia is the growing industry of human trafficking. Seventy-nine percent of all global trafficking is for sexual exploitation. Sex tourism is a very lucrative industry that spans the globe and has its grasp in Malaysia too.

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In 1998, the International Labor Organization reported its calculations that 2-14% of the gross domestic product of Malaysia, derives from sex tourism. In the sex tourism industry majority are children below the age of 18.



Exploitation is driven by poverty, uneven development, official corruption, gender discrimination, harmful traditional and cultural practices, civil unrest, natural disasters and lack of political will to end it.

Malaysian children and women are trafficked to Singapore, Hong Kong, Taiwan, Japan, Canada, USA, Europe and Australia for prostitution. Likewise, women and children from Cambodia, China, Colombia, Ecuador, India, Indonesia, Laos, Myanmar, the Philippines, Russia, Thailand, Uzbekistan and Vietnam are trafficked to Malaysia for commercial sexual exploitation and forced labor. Girls from indigenous groups and rural areas in Malaysia are also internally trafficked for the same purposes.

Malaysia acts as a source, transit and destination country for trafficking of women and children. There is a huge demand created for the children mainly by the tourists who travel for cheaper sex.

In Malaysia, transnational organized crime groups are believed to be involved in the trafficking of Malaysian children to other countries and arranging illegal entry into Malaysia. Thus, increasing number of tourists had led to further worsening of the situation.

While the Government of Malaysia has anti-trafficking legislation in place and has developed support services for trafficked victims, it needs to fully implement and enforce the law to tackle multi-dimensional aspects of trafficking by discreetly distinguishing trafficked victims from migrant workers and people arrested for prostitution. The Government must increase efforts to prosecute and convict state officials who receive benefits from or

are involved in trafficking and/or exploit potential victims. Thus, increasing number of tourists had led to further worsening of the situation.

This shows that tourism industry in Malaysia though has a positive effect in some parts of the society but to large extent it has deteriorated the quality of the society prevailing in Malaysia.

### **What are the opportunities in Malaysia tourism industry?**

Malaysian tourism industry continues to grow rapidly, thanks to increasing promotional activities, growing MICE industry and rising level of personal disposable income that are fuelling growth into the country's tourism industry. Also, being a preferred medical tourism destination and politically stable, the country has become a more profitable tourism industry. The report provides an in-depth analysis of the present and future prospects of the Malaysian tourism industry. It focuses on different tourism parameters, like inbound & outbound tourism, expenditure by inbound & outbound tourists, accommodation & transportation facilities and medical tourism. The report will help clients to evaluate the opportunities and factors critical to the success of tourism industry in Malaysia.

Key Findings Singapore, Thailand and Indonesia are important sources of visitors for Malaysia. Beyond ASEAN, tourist arrivals from China and India will remain an important influence throughout the forecast period (2008-2012) as the majority of Chinese tend to weigh their spending towards consumer purchases as opposed to luxury hotel accommodation. The promotion of Education Tourism will continue to be expanded to expedite the development of Malaysia as a preferred destination for international students. The projected foreign exchange earnings from this potential source

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of growth are estimated at RM 900 Million by 2010. It is expected that expenditure by international tourists in Malaysia will increase at a CAGR of 6.63% during the forecasted period. Increasing disposable income in Malaysia will open the opportunities for both outbound and domestic tourism. It is expected that per head disposable income in the country will increase at a CAGR of 5.06% during 2008-2012. It is expected that MICE (Meetings, Incentives, Conventions & Exhibitions) industry will be one of the major contributors to the Malaysian tourism industry.