



**UNIVERSITI TEKNOLOGI MARA**

**THE IMPACT OF TOURISM INDUSTRY  
TO MALAYSIA'S ECONOMY**

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## **ABSTRACT**

The tourism industry can be defined under the export category where it represents as third largest industry after the fuels and chemical industry. The tourism industry has been vital to the economy as it is one of the world's major economic sectors and in Malaysia, the tourism industry contributes 5.9 percent to the gross domestic product (GDP) and employs close to a quarter of the total workforce. This industry profit through the services that have been done such as hotels, transportation, food, and activities, which provide most of the tourism revenue indirectly. As a result, the purpose of this research is to investigate the four internal factors that influence tourism growth in conjunction with the local economy. Samples were taken from the year 1990 to 2020 to assess the relationship between the capital investment, the number of tourist receipts, the number of international revenue receipts, and the exchange rate with the tourism growth. This insight will assist tourism agencies, especially the Ministry of Tourism, Arts and Culture Malaysia (MOTAC) to develop an appropriate policy and consequently make the best judgments possible in the future especially after the outbreak of Covid-19's pandemic.

**Keywords:** Capital Investment, Economy, Exchange rate, Tourism, Tourist Receipts

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# CHAPTER ONE

## INTRODUCTION

### 1.1 INTRODUCTION

Malaysia used to rely on mining and agriculture as its primary sources of revenue before becoming independent country. However, in the late 1970s, Malaysians began to shift their focus to the manufacturing sector, which now accounts for 40% of the country's GDP. Malaysia has one of the world's largest Islamic banking and financial sectors at the time. Apart from that, because the manufacturing sector contributes consistently to the GDP, the government began to explore other sectors such as tourism. As a result, Malaysia's tourism industry began to receive significant attention from the government beginning in 1980, as was mentioned in the *Fourth Malaysia Plan (1981–1985)* and *Fifth Malaysia Plan (1986–1990)* before officially launching the campaign in 1990 with the theme "*Fascinating Malaysia*" (Wikipedia, 2021).

However, in current global economy, the tourism industry has played a major role. In the long run, tourism's expansion translates to an increasing contribution to the economy. It boosts economic growth through accumulating foreign exchange reserves, investing in new infrastructure, and encouraging industrial expansion, among other things (Haroon Rasool *et. al.*, 2021). Furthermore, the tourism industry has played a key role in many countries as one of the primary sources of employment and income (Faiza Manzoor *et. al.*, 2019). It demonstrates that tourism benefits local community development and aids in poverty reduction.

In addition, tourism also benefited because it contributed directly to Malaysia's GDP through activities such as hotels, travel agencies, airlines, restaurants, and other tourist-oriented businesses. Despite the direct impact, tourism also has an indirect influence in the form of capital investment in assets such as transportation, accommodation, and infrastructure. The government also invests in the tourism business, focusing more on promotion, visitor services, administration, and other areas. All of these actions will