

UNIVERSITI TEKNOLOGI MARA

**INTERNATIONAL TOURISM
DEMAND IN MALAYSIA:
EVIDENCE FROM PANEL DATA
ANALYSIS**

ASWAD BIN KUSNI

Thesis submitted in fulfilment
of the requirements for the degree of
Master of Science

Faculty of Business Management

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CONFIRMATION BY PANEL OF EXAMINERS

I certify that a Panel Examiners has met on 23rd May 2014 to conduct the final examination of Aswad Bin Kusni on his Master of Science thesis entitled “International Tourism Demand in Malaysia: Evidence from Panel Data Analysis” in accordance with Universiti Teknologi MARA Act 1976 (Akta 173). The Panel of Examiners recommends that the student be awarded the relevant degree. The Panel of Examiners was as follows:

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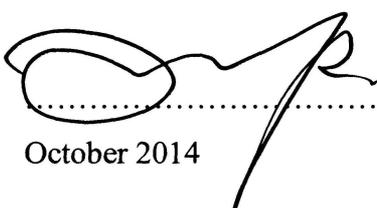
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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

Most of the researchers agree that tourism is an economic activity generated in the most of the countries around the globe; including Malaysia. Yet, measuring tourism activity in Malaysia is not an easy task, particularly at local and international level. The study on tourism demand is restricted due to limited access of data (times series or panel data), and methodology that varies across the philosophies and academic background of the researchers. However, most tourism demand studies focus to investigate the crucial factors that determine number of international tourist. The purpose of this study is to investigate the significance influence of selected economic and non-economic factors in determining international tourist arrivals from ASEAN and OECD countries to Malaysia. The sample period for this study ranges from 1995 to 2009. The data are analysed by using the panel data econometric technique; the fixed-/random effects model. The results of the study indicate that the income, substitute price of tourism in Singapore and exchange rate are statistically significant in determining international tourist arrivals from ASEAN and OECD countries to Malaysia. In addition, the words-of-mouth effect is found to be significant in influencing future tourists. The results of the study have determined several policy implications; firstly, the policy makers need to monitor and understand the price aspect closely to make sure that the price of tourism in Malaysia is competitive. Secondly, income is found to be an important factor in determining tourism demand; therefore, it is important for the policy makers and tourism agencies to deliver quality goods and services in attracting and attaining more tourists from ASEAN and OECD countries. Thirdly, it is recommended that the policy makers to promote domestic tourism products. Fourthly, the establishment of smart partnership program and alliance between the competing destinations needs to be implemented for the future economic development. Fifthly, the external effect needs to be considered in tourism study as history of several incidents which caused tremendous fall in the international tourist arrivals show how important the external effect towards tourism. Lastly, the development of tourism demand must be taken into consideration by the policy makers in achieving their target. Therefore, large portion of budget and attention must be given to the tourism sectors in order that the crucial determinants of tourism demands in Malaysia are addressed effectively by the academicians and researchers.

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