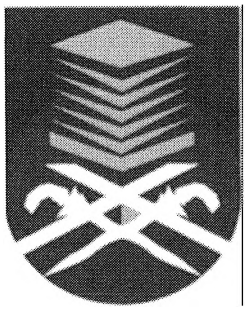

TOURISM DEVELOPMENT AND ECONOMIC GROWTH IN ASIAN COUNTRIES: 1995-2012

NUR IZYANI BINTI ISMAIL
2011150453

BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA

JULY 2014

ACKNOWLEDGEMENT

In the name of Allah S.W.T., the most gracious and the most merciful. Alhamdulillah, finally, I am able to complete this study.

Foremost, I would like to give my sincere gratitude to my advisor Prof. Dr. Wan Mansor Bin Wan Mahmood for the continuous support of my Bachelor study and research, for his patience, motivation, enthusiasm and immense knowledge. His guidance helped me in all the time of doing this research. I also would like to express my deepest appreciation to my second examiner, Dr. Norhayati Binti Yusof Ali. In order to accomplish this study, my family gives me full support, encouragement and useful advice whenever I feel down for the time being.

My special thanks also goes to my friends for sharing their ideas and thoughts to complete this study within the time frame. Last but not least, I also would like to acknowledge much appreciation to Universiti Teknologi Mara for granting me the opportunity to pursue my study in Bachelor of Business Administration (Hons.) Finance. I appreciate for all helps and supports.

Thank you.

ABSTRACT

Tourism development is one of the important roles that influence the economic growth and stability. Tourism can be either domestic or international. International tourism has both upcoming and outgoing impacts on a country's balance of payments. Today, tourism is one of the major sources of income for many countries in the world and affects the economy of both the source and host countries. Therefore, this study attempts to ascertain the relationship between the international tourist arrivals with selected macroeconomic variables namely GDP per capita, real interest rate and inflation rate. The panel data is used instead of time series data. In conducting this study, ten Asian countries with the period of eighteen years ranging from 1995 to 2012 has been used as the sample. This study employs regression model in order to investigate the relationship between the explanatory variables towards tourist arrivals. Findings showed that GDP per capita has a positive significant relationship whereas inflation rate has a negative significant relationship. But, real interest rate is not significant towards tourism development (number of international tourist arrivals). In addition, for future researchers, it is recommended to increase the number of in order to get an accurate result as the scope is small. Plus, it is suggested to add more independent variables such as real effective exchange rate, trade openness and foreign direct investment to get a valid and reliable result. Similar studies can be done by using different analysis instead of panel data approach.

Keywords: Tourism Development, Economic Growth, Economic Indicator and Panel Data Analysis.

TABLE OF CONTENT

CONTENT	PAGES
Acknowledgement	iv
List of Table	v
List of Figure	vi
Abstract	vii
CHAPTER 1- INTRODUCTION	
1.0 INTRODUCTION	1-2
1.1 BACKGROUND OF THE STUDY	3
1.2 PROBLEM STATEMENT	4
1.3 RESEARCH OBJECTIVE	5
1.4 SCOPE OF THE STUDY	5
1.5 SIGNIFICANCE OF THE STUDY	5-6
1.6 LIMITATION OF THE STUDY	6-7
1.7 OPERATIONAL DEFINITION	8-9
CHAPTER 2- LITERATURE REVIEW	
2.1 TOURISM DEVELOPMENT	10-13
2.2 ECONOMIC GROWTH	13-16
CHAPTER 3- METHODOLOGY	
3.1 RESEARCH DESIGN	17-18
3.2 THEORETICAL FRAMEWORK	18-19
3.3 HYPOTHESIS	19-20
3.4 DATA ANALYSIS	20-26

CHAPTER 4 –ANALYSIS AND FINDINGS

4.1 RESULTS

4.1.1 DESCRIPTIVE STATISTIC 27-28

4.1.2 SPEARMAN'S CORRELATION COEFFICIENT 29

4.1.3 OLS REGRESSION TEST 30

4.1.4 BREUSCH AND PAGAN LAGRANGIAN 31

4.1.5 HAUSMAN FIXED TEST 32

4.1.6 RANDOM-EFFECT GLS REGRESSION 33-34

4.2 DISCUSSION

4.2.1 GROSS DOMESTIC PRODUCT 34-35

4.2.2 REAL INTEREST RATE 36

4.2.3 INFLATION RATE 36

CHAPTER 5-CONCLUSION AND RECOMMENDATION

5.1 CONCLUSION 37

5.2 RECOMMENDATION 38

References 39-41

Appendix