The determinants of inbound tourism demand in Malaysia: another visit with non-stationary panel data approach

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ABSTRACT
The purpose of this study is to estimate an inbound tourism demand model for Malaysia by incorporating new control variables – environmental pollution and crime rate. We found that tourism demand is sensitive to income, price of tourism in Malaysia, price of alternative tourism destinations, pollution, and to the crime rate in Malaysia. We also found that the September 2001 terrorist attack incident and the health epidemic diseases, such as the severe acute respiratory syndrome and avian flu, had a negative impact on tourism demand in Malaysia. Thus, apart from economic factors, tourists' decisions of where to go are also dependent on environmental quality, security, and health factors.

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KEYWORDS
Crime; Malaysia; pollution; tourism demand

Introduction
Tourism is one of the potential growth industries in the world and many empirical studies have confirmed that it is an important source of economic growth (e.g. Balaguer & Cantavella-Jordá, 2002; Hye & Khan, 2013; Lean & Tang, 2010; Nissan, Galindo, & Méndez, 2010; Tang & Abosedra, 2014; Tang & Tan, 2015). Given its importance as a catalyst for growth, it is thus imperative to investigate the factors that influence the demand for tourism. Such an analysis can provide policy-makers with invaluable lessons for the design of tourism-related policies that could attract tourist arrivals (Song, Witt, & Li, 2009). An informed policy formulation could enhance the optimization of available resources. The need for tourism demand modelling has motivated numerous studies on this topic (Crouch, 1994a, 1994b; Johnson & Ashworth, 1990; Lim, 1997). However, these earlier studies have largely concentrated on tourism demands in the West, while those related to developing countries such as Malaysia are limited.

Malaysia is a popular tourism destination in Asia. In 2005, Malaysia was ranked the second most visited destination in Asia (Zain, 2005). It continued to be the second top-most visited destination in Asia, with 24.6 million international tourist arrivals in 2010. Tourism has also been the second largest foreign exchange earner for Malaysia since 2000. As such, Malaysia could constitute an important case study. Several studies have investigated inbound tourism demand in Malaysia (e.g. Habibi, Rahim, Ramachandran, & Lee, 2009; Hanafiah & Harun, 2010; Kadir, Abdullah, & Nayan, 2008; Kadir & Karim, 2009; Salleh, Law, Ramachandran, Shuib, & Noor, 2008; Salleh, Othman, Noor, & Hasim, 2010; Salleh, Othman, & Ramachandran, 2007). However, none of them have considered the impact of crime and

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