

Tourism for Economic Development in East Coast Economic Region (ECER), Malaysia

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ABSTRACT

Tourism is seen as a fast tool for development. Tourism is promoted by a country to spread economic development and reduce inequalities in income distribution in an area. Government of each country has given support in tourism sector for its enhancing and well-recognized economic benefits. Tourism can contribute in both macro and micro level in the economy of a country. Tourism is the second largest foreign exchange earning sector in Malaysia after manufacturing. Tourism activities can be remaining vital tool for economic development of ECER in Malaysia. This paper examines the various issues of tourism in ECER for economic development. The study also analyzes the challenges and prospects of tourism activities for economic development in this region. The data for analysis is perceived from the secondary sources. The study shows that tourism resources, value for money, tourism supply chain, availability of tourist activities and limited natural disaster are potential tourism activities in ECER. Some key variables such as GDP, population, labor force and labor force participation are measureable to economic development in this region. The study reveals that contribution to GDP, ownership of tourism activities, collection of tourism revenue, employment creation and poverty alleviation are main challenges of tourism for economic development in ECER. Institutional and legislative framework, suitable development, cooperation between authorities, link with key economic variables, Public-Private Sector partnership may be tourism strategies for economic development in the region. Government policy should promote local community participation and provide the necessary financial support to local investors. Tourism activities will require local and empowerment particularly entrepreneurship and managerial skills for the economic development in this region.

Key Words: Tourism, Economic Development, ECER.

INTRODUCTION

Tourism is usually promoted by a country to spread economic development and reduce inequalities in income distribution by providing employment to people in an area (Pearce, 1988). Governments, particularly in the Third World encourage tourism investment because it will contribute to economic development of their countries (Hall, 1995). In poor countries, regions, towns and cities, tourism is seen as a fast tool for development. Governments therefore, view tourism as a catalyst for national and regional development, creating employment opportunities, exchange earnings, balance of payments advantages and important infrastructure developments benefiting locals and visitors (Glasson et al., 1999). Ahn, Lee, and Shafer (2002) state that tourism facilities are developed to create changes such as increased personal income or tax revenues to a host region. Tourism is a key element that can enable communities devastated by economic restructuring to regain and enhance their economic foothold in regional and national economies (Milne and Ateljevic, 2001). However, tourism development can also create changes in the quality of life. The most important economic feature of tourism sector is that they contribute to three high-priority goals of developing countries: the generation of income, employment and foreign-exchange earnings. In this respect, the tourism sector can play a vital role as a driving force of economic development. The impact this industry can have in different stages of economic development depends on the specific characteristics and features of each country. For many third world countries, tourism has become the most important economic activity, especially as the major earner of foreign exchange (Taleghani, M., 2010). Many less developed countries (LDC) also considered tourism as an important and integrated part of their economic development.

Government of each country has given support in tourism sector for its enhancing and well-recognized economic benefits. Tourism can contribute in both macro and micro level in the economy of a country. In macro level, tourism is engaged to foster economic growth through foreign exchange earnings and increase revenue. Community involvement, peoples well-beings, job creation, income distribution, sustainable regional development are micro level contributions of tourism. Economic dimensions of tourism also ensure its' social, ecological and environmental well-beings. It is necessary to manage the growth of the sector and formulated the policies according to the national and regional context. Therefore, tourism may be developed in any area of a country for regional development and as well as economic development. The local communities can be benefited directly by the tourism development in an area.

Tourism industry is a key foreign exchange earner for Malaysia, contributing to over 40% of the country's balance of payment (EPU, 2006). Tourism is the second largest foreign exchange earning sector for the country after manufacturing. The industry provides an important source of income, employment and economic development to the country. Tourism industry effects positively on the economy of the country by increasing in foreign exchange earnings, and employment opportunities. The Ministry of Culture, Arts and Tourism had established in 1987 and later upgraded it to the Ministry of Tourism in 2004. The government allocated significant amount of fund to tourism industry besides providing sufficient basic infrastructure (Bhuiyan and Siwar, 2011). The East Coast Economic Region (ECER) consists of three states- Kelantan, Terengganu, Pahang and District of Mersing in Johor. It covers 51% of the land area of Peninsular Malaysia and represents 14% of the national population. The region remains the least urbanized at 41.3%, compared to other regions in Peninsular Malaysia. The region is facing some development issues- low household incomes, high levels of unemployment and poverty, poor transport and logistic support, inadequate infrastructure facilities and low rate of urbanizations. These issues are main obstacles for the economic development of this region. Tourism activities can be remaining vital tool for economic development in the region. Because of the region is famous for its natural attraction- unspoilt beaches, serene, coral island and lush rainforest; Malay culture and handicrafts. All of these attractions are suitable for tourism development in this region. This paper examines the various issues of tourism in ECER for economic development. The study also analyzes the challenges and prospects of tourism activities for economic development in this region.

METHODOLOGY

The study is conducted in University Kebangsaan Malaysia, Bangi. The data for analysis is perceived from the secondary sources. The secondary data as well as the necessary documents, acts, regulation, and policies will be collected from the relevant departments and ministries of the government of Malaysia. Published materials such as relevant research reports, articles, books, annual reports will also be reviewed in order to accumulate secondary data.

FINDINGS

The East Coast Economic Region (ECER) as a whole has lagged behind the more developed states on the west coast of the peninsula. The low level of foreign and private sector investment in the region and lack of awareness and priority for sustainable development are main reasons for this less development. Some major economic scenarios of ECER are discussed as below.

Table-1 and Table-2 reveals the population and AAGR of ECER. The population is highest in Terengganu and AAGR is high in Pahang among the three states of ECER.

Table-3 shows that the labor force and employment rate in ECER. The highest labor force and employment rate in Pahang. Table-4 shows that GDP in Pahang, Terengganu and Kelantan was 9.50%, 7.64% and 6.00% respectively in 2005. The projected growth rate for Pahang, Terengganu and Kelantan are 5.9%, 5.7% and 5.3% respectively.

Unemployment: The labor force in rural areas was 746,800, i.e. 55.2% of the total labor force. The unemployment rate in rural areas was 4.4% higher than the rate in urban areas which stood at 3.4%. The unemployment rate among males was 3.5%, while among females it was 4.2%. The rate was highest among those without formal education (52.3%). Unemployment among primary, secondary and tertiary levels was 5.4%, 28.6% and 13.7% respectively (ECER Master Plan, 2007).

Table-5 presents data on foreign hotel guests in the ECER. Pahang recorded the highest number of foreign guests at 2.5 millions in 2006 at a growth rate of 10.3%. Terengganu recorded a growth rate of 6.1% and Kelantan 7.9% in the same time. Table-6 presents data on domestic hotel guests in the ECER. The AAGR of domestic hotel guests in Kelantan, Terengganu and Pahang is 12.6, 16.6 and 10.5 respectively.

DISCUSSION

Potential tourism activities in ECER

The ECER has huge natural diversity for suitable tourism development. The resources can contribute to the economic development of this region. The tourism potentialities of this region are discussed below:

- **Tourism resources:** The ECER full of various tourism resources. These are mainland coastal beaches and islands, highlands, hills, mountains, lakes and waterfalls, parks, forest reserves, arts, crafts, culture and heritage.
- **Value for money:** The ECER in particular is perceived by the tourist sector to offer good value for money spent.
- **Tourism supply chain:** There is an effective tourism supply chain is remaining in the ECER. The main actors in the supply chain include; tour operators, travel and tour agencies, accommodation suppliers, food and beverage personnel and training and educational institutions for providing skill personnel in tourism sector.
- **Availability of tourist activities:** Tourism activities such as; sites for trekking, island trips, bicycling, diving, spa treatments are available in this region. These activities can offer the local people a means for self-employment and enhance the tourism experience.
- **Limited natural disasters:** Without flooding problems in the ECER has free from largely natural disasters. This situation is suitable for tourism development in this region.

The key variables for economic development in ECER:

The benchmarks for generating development scenarios for the ECER are the growth rates and projected values of the variables as derived from various official documents (ECER Master Plan, 2007).

- **Total GDP:** Total GDP growth rate of 6.0% per annum up to the year 2010 and it is expected to accelerate to 6.5% per annum until the year 2020.
- **Total population:** An average population growth rate of about 1.7% up to the year 2020. The government policy is reducing the number of foreign workers, especially in the unskilled workforce.
- **Labor force:** The average growth rate of 1.7% between 2005 and 2020 adopted here follows that a fairly stable absolute number of foreign workers over the 15-year period, although the proportion of the skilled and professional workers among the non-citizen workforce is expected to increase to fill in the gaps in critical skills.
- **Labor force participation:** The labor force participation rate for Malaysia is projected to grow from 65.7% to 67.3% in the year 2010 and may grow further by the year 2020. These figures have been raised by the large number of foreign workers.

Challenges of tourism for economic development in ECER:

Tourism has been considered as a major contributing sector for economic development in ECER. Because of tourism has huge prospect in this region in spite of some challenges.

- **Contribution to GDP:** The primary concern of tourism in destination areas is its ability to have strong linkages with the domestic economy. The maximum contribution of tourism to GDP and to the local economy is in part of tourism development in this region.
- **Ownership of tourism facilities:** Ownership of tourism facilities is a major challenge for tourism activities in ECER. Government give emphasize the private sectors as providing tourism facilities in the region. Local people always try to dominate in the development activities of tourism. So it is necessary to maintain the balance of ownership in tourism facilities.
- **Collection of tourism revenue:** Tourism is a vitally important source of income and employment in many developing countries, but the subject of taxation of tourism has been neglected in very often. Again tourism companies also try to pay minimum taxation for their business. Revenue collection from various tourism related sources are important in this regard.
- **Employment creation:** Local participation in tourism is primarily employment in the tourism business in any areas. Local people in the tourism sector are mainly unskilled and attract low salaries. These jobs include manual labor and drivers, maids, cleaners, night watchmen, gatekeepers, and cooks. It is necessary to create opportunities for the local people in all types' tourism activities.
- **Poverty alleviation:** Most of the people of ECER are living in rural areas. Poverty in rural areas is higher than urban areas. So the aims of tourism may be alleviating rural poverty and advance conservation by strengthening rural economies and empowering communities to manage resources for their long-term well-being.

Tourism strategies for economic development in ECER:

The ECER will be recognized as an important economic region in Malaysia in a very short period. Tourism can be play vital role for this development. Various tourism strategies for economic development in this region are as follows:

- **Institutional and legislative framework:** Institutional and legislative framework is very important for effective tourism development in an area. The Malaysia govt. takes proper policy and initiative for tourism development in ECER.
- **Sustainable development:** Sustainable development is remaining in ECER for tourism development. This approach will be managed to minimize environmental degradation, adverse economic impact and maximize socioeconomic benefits.
- **Cooperation between authorities:** Cooperation and coordination among state governments and relevant official agencies are necessary for tourism development in ECER. This cooperation will facilitate progress towards meeting objectives of tourism.
- **Link with key economic sector:** Tourism in one area stimulate new business opportunities for the other sectors. Tourism can benefit local industries such as agriculture, food processing and construction as a result of rising direct and indirect demand.
- **Public- Private Sector partnership:** Public and private levels entrepreneurship are necessary for suitable tourism development in ECER. Government authorities must be prepared to work closely with private enterprise in long-term partnership for economic development.

CONCLUSION

Tourism activities have been popular in ECER for economic development in day by day. The growth of tourism in the region depends on development of infrastructure and facilities such as hotels, lodges and camps, airport and airstrips. There is need for a long-term tourism framework for ECER that allows for equal treatment of domestic and international tourism. Domestic tourism allows the economic development of the local people by enhance social sustainability and contributes to a more balanced regional

development. On the other hand, international tourism ensures foreign exchange earnings and investment in this region. Government policy should promote local community participation and provide the necessary financial support to local investors. Tourism activities will require local and empowerment particularly entrepreneurship and managerial skills for the economic development in this region.

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TABLE 1: Population of the ECER

	1991	2000	2005	2010
ECER	3,097,388	3,500,215	3,949,000	4,360,000
Kelantan	1,207,648	1,313,014	1,505,500	1,670,000
Terengganu	808,556	898,825	1,016,500	1,120,000
Pahang	1,081,148	1,288,376	1,427,000	1,570,000

Source: Ninth Malaysian Plan

TABLE 2: Average Annual Growth Rate (AAGR) of Population in ECER

	1991-2000	2000-2005	1991-2005
ECER	1.4	2.5	1.8
Kelantan	0.9	2.8	1.6
Terengganu	1.2	2.5	1.6
Pahang	2.0	2.1	2.0

Source: Ninth Malaysian Plan

TABLE 3: Labor Force and Employment for ECER

	Labor Force	Employment Rate
Kelantan	458,000	34.9%
Pahang	542,000	39.2%
Terengganu	354,000	25.9%

Source: Ninth Malaysian Plan

TABLE 4: GDP in the ECER and Malaysia, 2005-2010

	GDP in 2005 RM(billion)	GDP in 2010 RM(billion)	GDP growth rate (%) 2005-2010
Malaysia	262.00	351.16	6.0
Terengganu	7.64	10.10	5.7
Pahang	9.50	12.68	5.9
Kelantan	6.00	7.75	5.3
ECER	23.14	30.54	5.7

Source: ECER Master Plan, 2007.

TABLE 5: Foreign Hotel Guests in ECER

Year	Kelantan	Terengganu	Pahang
2000	50,618	97,839	1,401,302
2001	27,792	109,199	1,299,965
2002	34,173	112,674	1,478,456
2003	30,712	80,256	1,347,854
2004	73,190	113,996	1,814,939
2005	74,981	129,326	2,323,723
2006	79,886	139,442	2,521,562
Growth Rate	7.9%	6.1%	10.3%

Source: Tourism Malaysia

TABLE 6: Domestic Hotel Guests in ECER

Year	Kelantan	Terengganu	Pahang
2000	339,312	409,364	1,976,206
2001	312,786	581,159	2,137,230
2002	357,210	582,598	2,074,782
2003	368,638	676,700	2,470,972
2004	551,873	697,172	3,037,190
2005	614,539	820,941	3,371,705
2006	690,178	1,028,265	3,607,340
AAGR (%)	12.6	16.6	10.5

Source: Tourism Malaysia