



Relationship of Economic Growth with Tourism Sector

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Abstract

This research aims to analyze the impact of foreign tourists towards the economic growth. It was conducted from 1995 until 2012 on five ASEAN member countries: Indonesia, Malaysia, Thailand, Philippines, and Singapore. It used the quantitative method; it is one-way random effect of panel regression. The data, which is functioned as dependent variables, were taken from WDI (World Development Indicator) of the World Bank for the Gross Domestic Product (GDP). Meanwhile, the data of revenue from the foreign tourist visit (Rec), the number of foreign tourist arrival (Arr), and the exchange rate (Xrate) are functioned as the independent variables. Based on the research result, there is evidence that international tourism can increase the economic growth in those countries. The three independent variables have a positive and significant impact to the dependent variables. Based on the findings, the governments of five ASEAN member countries should be able to maintain the sustainability of tourism sector in order to be stronger and to have global market-orientation. In fact, tourism services can support the economic growth because the potential of those ASEAN countries cannot be taken lightly.

Keywords: economic growth, tourism, foreign tourists, exchange rate

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INTRODUCTION

Over the last few decades, tourism has become the topic that is lively discussed in the study of economic development. Tourism is initially defined as a phenomenon resulting from travelling and staying for a while, which is not related to the interests of obtaining income either permanently or temporarily (Vanhove, 2005). But now the definition has changed, because it is difficult to distinguish among travelling for fun, business, learning, and so forth. Tourism is defined as an activity that involves travelling, in which people is out of their homes. There are no standard rules in this regard. The researchers are expected to implement it pragmatically as needed (Vanhove, 2005). Then the label "tourist" can be embedded on visitors or people traveling for various purposes, including working or visiting another person in any place (Bram, 1995). Each tourist will spend money in places they visit, so it becomes the income for the place they visit. The tourists' spending is one focus of this research. The scope involves travel expenses and transportation to and from the destination.

The hypothesis of tourism-led growth (TLG) has a spotlight from many economists because the tourism sector is capable to contribute to the economic growth, both directly and indirectly. Directly, the tourism sector can be a contributor to the foreign exchange, with the number of foreign tourists arriving. The growing foreign exchange reserves make the development process run more smoothly. Indirectly, the tourism can create many job opportunities. A study in Spain proves that the tourists' spending affects the output increase in the local economy, and the increase in the number of jobs (Capo, 2008).

It was reported that 300 million jobs, directly and indirectly, have been produced by the opening of the tourism sector, and have contributed approximately 13% of total Gross Domestic Product in the world. Small and medium scaled industries contribute to the development of tourism. In countries that have the poor natural resources but have the blessing of amazing natural panorama, the tourism can be a heaven for the travelers. By 2022, it is predicted that the tourism sector will produce 328 million jobs, or contribute one of ten opportunities of jobs on the earth (Chou, 2013), one of which is doing sports in the wild nature. Activities that require the high competitive spirit should be very well developed as the tourism promotion.

In the era of decentralization the region is also required to improve the regional economic growth. As the output of Amanda Mastisia's research (2012), which found that the fiscal decentralization has a significant positive effect on the economic growth. The regional economic growth can be achieved through the utilization of its potential and one of them is the tourism sector. The tourism sector actually has the same function with sports: introducing the culture, lifestyling, and promoting peace in the middle of society (IOC & UNWTO, 2001). In this case, the sport tourism can be classified into active and passive tourism. The active tourism includes those directly involved as the athletes of sport events, while the passive tourism includes the audience or the sport enthusiasts and people interested in sports. The football world cup sport event held every four years, one of which aims to reduce the aggressiveness of men that is transferred on the positive things. Sports can be the object of tourist destinations, such as the World

Cup event, the Olympics, the ASEAN Games, the Asian Cup, and so forth.

But at the same time, sports can be one of the activities in the tourism objects, such as skiing, rock climbing, rafting, beach volleyball and so forth.

The improvement and development of the tourism sector can be traced after the end of the Second World War (Lickorish & Jenkins, 1997). At that time a number of European countries supported the development of the tourism sector and made it globally oriented. The idea of protectionism allegedly came from the ideology of socialist state planning. However, before the era of the 1980s, the government of the rich countries of Europe began to release its intervention slowly, and made the tourism really participate in the free market. Of course, the release was done when the tourism sector was already strong enough, and able to compete in the international markets.

Over the last six decades, there has been a significant change in the number of foreign tourist arrivals, revenues, also the travel destinations. In 1950, the number of foreign tourist arrivals was recorded as 25 million visits, then it increased to be 277 millions in 1980. It turned to be 438 millions in 1990 and then increased to be 683 millions in 2000. It turned to be 919 millions in 2008 and then decreased to be 880 million visits in 2009. The revenues from the foreign tourist arrivals were recorded as US \$ 2.1 billions in 1950. It increased to be US \$ 941 billions in 2008. However, it decreased in 2009 to be \$ 852 billions. In the 1950s, there are five countries as the excellent tourist arrivals: United States, Canada, Italy, France, and Switzerland. However, based on its report in 2009, there are three countries that

successively become the favorite regions as foreign tourist visits: the United States, Spain, and France. China ranked the fourth, followed by Italy, the UK, Turkey and Germany (UNWTO, 2011). Although the United States and other developed countries have a high level of living costs, there are some reasons that make people still visit there, among other things, because the pursuit of higher education, the expansion of business, the pleasure, the sensation of adventure, or any other benefits that cannot be assessed with the material. The cheap cost of travel makes people prefer traveling abroad.

Over the past few years, there has been an increase in foreign tourist visits to a number of developing countries (UNWTO, 2011). This phenomenon is a challenge for the tourism industry in Europe and other developed countries. The main factor is the low cost, and the visit is usually intended to enjoy the exotic natural scenery. At this time the natural tourism objects, which are unspoiled by human hands, are rarely found, including in remote areas of developing countries.

Patil (2011) assessed from the viewpoint of feminist that tourism image associated with the objects of the past is a modern form of colonialism. The tourist arrivals from developed countries to India is synonymous with the future human visits, which view the past conditions. Without realizing it, the Indians have made traditions, myths, rituals and many others kept in the smell of the past the marketing objects. In fact, it is supported by the government. Tourism promotional video that is dispersed through a website Youtube for example, supports Orientalism; it is very racist and tends to emphasize sexuality through symbolization of gender

differences. In fact, according to Patil (2011) many things have changed in the condition of Indian society. So the negative stereotypes against India should be terminated. Such a view is supported also by Hitchcock (1999). Tourism is always associated with the cross-cultural relationships and the society. A number of underdeveloped countries has made the cultural heritage as the tourism commodities. The Western nations regard the inland community as the prototype of the human primordial life (Hitchcock, 1999).

However, some points of Patil's statements (2011) actually need to be clarified. Algieri & Aquino (2008) show that Italy, until when they do research, makes historical artifacts as the tourism selling value. Many historical sites in the ruins former of the Roman imperial relics remain becoming the main attraction of tourist visit, whereas, Italy is the western country with a large enough economic power in the Euro zone. Italy also ever colonized a number of countries in Africa. So it is not true that the attraction relics of the past is nothing else than the expression of modern colonialism. Instead of relics of the past, today's humans can learn to face life in the future.

Tourism itself is an economic activity that is included in the service group. Tourism that involves the foreign markets, is included in the category of export commodities. Export is one of the main components of the Gross Domestic Product (GDP). There are two ways of looking at GDP as follows: as the total income that involves everyone in the economy, and as the spending on goods and services produced (Mankiw, 2003). Thus, the greater the GDP of a country is, the more prosperous the population will be. So is the contrary; the less

the GDP of a country is, the less prosperous the population will be.

A number of countries that have amazing natural blessings make the tourism sector the main support of the economy, for example, Andorra. This small country located in the mountains of Western Europe has relied on most income on the sport-tourism of skiing. Andorra mountainous region blanketed with snow throughout the year brings enormous profits. However, because the object of tourism is very associated with the natural factors, the condition becomes dependent on the weather stability. Wittmer (2008) in a research review concluded that the weather factors greatly affect the tourism sector. This is mainly related to the difficulty of accessing transportation services in times of bad weather. The infrastructure headed to the tourist spots or tourism object conditions that sometimes are damaged buffeted by the climate change make the sector vulnerable to a catastrophe rather than gain the profit. The examples of other countries that rely largely on the tourism revenue are Monaco and Singapore. Monaco is famous with the Grand Prix fighting arena, while Singapore is often regarded as the shopping paradise in the ASEAN region. Some economists have done empirical studies in this regard.

Tiwari (2011) in his research found that the revenues from the tourism sector bring a positive impact on the economic growth in a number of countries, among them are India, China, Pakistan, and Russia. These four countries have the very big potential for their tourism sector, and the tourism is proved to be a driver of the economic activity. Hence it seems that the tourism role becomes very important and the hypothesis of tourism-led

growth is proved to be true in these countries.

In another research, the influence of tourism sector to the economic growth still seems to be the question. Chou (2013) found that the tourism sector in the three countries (Bulgaria, Romania, and Slovenia) have no influence on the economic growth. But for other countries, such as Cyprus, Latvia and Slovakia, it shows a positive effect. What makes it interesting is that in the research on Republic Czech and Poland, a negative relationship is found (Chou, 2013), while the reciprocal relationship of the economic growth and tourism are found in the case of Estonia and Hungary.

On the other hand, another research has found that the tourism sector can enhance the economic productivity through the increased utility and the public consumption. Martha et al. (2007) found a conclusion that the quality improvement of the tourism object condition in Tanjungpinang increases the welfare of its visitors. On the contrary, a decrease in the quality of the tourism object results in a decrease of visitors, because they do not feel comforted. Although the Malay cultural performances and traditional markets are considered to be unimportant for some people, but the changes in the natural environment greatly affect their welfare conditions. The visitors dominated by the Singaporeans have a tendency that a visit to Tanjungpinang is a form of optimizing utilities and a trade off of consuming other goods and services that are numeraire. As for the Malaysians and other countries' citizens, the trend is not applicable (Martha et al., 2007).

Glavas et al. (2014) concluded that the ease of entrepreneurship in tourism to enter the international market is supported by the

ease of internet access. The internet becomes one media to promote the tourist products with little cost. The tourism managers who are proactive, like the challenge, like to compete and innovative are motivated to expand their business because of the ease of online communication. An entrepreneur who has a vision and a global market orientation has the possibility to enter the market via the internet. The development of information technology helps enough the smooth of tourism industry. At present, a tourism entrepreneur needs to regulate the planning by highlighting its business target and vision. A vision is very important for an entrepreneur, and it proveably determines the success (Glavas et al., 2014).

One of the important things in the world of tourism is marketing. Friel (1999) found that many tourism companies and small lodging services become stagnant in profits due to a lack of mature marketing planning, less good promotional methods, pricing methods, and market share research. Most small companies are even very weak in terms of market research, so they are often left out of the current condition required by the community.

The tourism business as well as other business has ups and downs. Knowles & Curtis (1999) examined the rise and fall of the tourism industry in the European region that promote the beauty of the beach. Most mass tourism industry did not consider the long-term and only pursued the short-term interests. This industry did not plan proactive agenda. For them, it should approach by increasing the product, service of places, price, and continuous promotion (Knowles & Curtis, 1999). These four things must be considered by involving the consumer needs,

product cost, and how to communicate better with the consumers.

Taks et al. (2013) found that the expenditure related to a sport performance has a considerable impact in boosting the economic activity. The sport performance is also the promotion of tourism. In their research, they found the diversity of total expenditure between the various groups of communities. Athletes tend to have less expenditure than the coaches. But overall, the participants including coaches, athletes and sports officials, although few in number, spend more money than the non-local audience. The non-local audience spend their money for taking souvenirs, hiring lodging, food, drinks and transportation. The sport events are proved to be profitable for the surrounding communities. This is because they can earn money with the opening of jobs that offer services to visitors.

However, although believed to be profitable for the people around, the sport festivals still have a negative impact (Presenza & Sheehan, 2013). In their research, they found that most respondents examine that the sport events have a negative impact because a number of local residents are not involved and do not benefit economically. Smith & Hughes (1999) clarified the similar view, by finding a number of families who do not benefit from the holidays because there is no cost to celebrate. But in broad outline, Presenza & Sheehan's research (2013) confirmed Taks et al.'s findings (2013) that the sport festivals can bring benefits to the local population, especially concerning the improvement of their welfare. Even the sport events could be the selling value for the tourism destination, and also may increase the social capital among the population. Their research concluded that such

respondents' opinion is much more than the respondents' skeptical one, or those that hate the sport performance. In fact, a good planning of the local government is very needed, by involving the local people for the sake of the event's success. The better an activity is, the more increasing the number of visits will be.

The promotions and models of tourism must always innovate, along with the socio-demographic profile changes in the society, for example the gambling tourist destination. Harrill et al.'s research (2011) in Macao found that the attitude of the population on gambling activities are divided into two: group of supporters and group of opponents. The first group is mostly dominated by those with low education (pre-college and below). The second group is dominated by highly educated people. From this research, Harrill et al. (2011) concluded that the increased education and living standards influence their attitudes toward gambling. So it is a necessity if the tourism sector should be diversified.

Bram (1995) found in his research that the visit of foreign tourists could increase the economy of New York city. The majority of New York visitors come from the Southeast region. Although there are only about 15 percent of the total visitors, but the spending of foreign tourists reaches 40 percent (Bram, 1995). The exchange rate condition of a country against the US dollar is important enough in affecting the intensity of foreign tourist visits. Although relatively small when compared to other sectors, the tourism plays an important role for the economy of New York.

The tourism creates many jobs that only need low-skills, so that it absorbs a lot of workers from the poor. The tourism as an

export industry brings benefits for the local economy, especially with the indirect multiplier effect. In spite of a small proportion, but the tourism sector continues to grow. The increase in profit in the tourism industry and sectors related to tourism continues to grow significantly and affects the economy of local communities (Bram, 1995). Mazumder et al.'s research (2009) found that the tourism sector brings a number of multiplier effects, some of which are related to the increase in output, the number of jobs, incomes, additional value of various products and imports.

The expenditure of foreign tourists becomes the largest contributor to a number of the output in Malaysia (Mazumder et al., 2009). As a country having the slogan "Malaysia is a truly Asia", Malaysia has the tourism prospects that are relevant and parallel with the improvement of public welfare, which is reflected through the growth of its economy.

Scheyvens & Momsen (2008) concluded that a good planning in the field of tourism can improve the socio-economic conditions of society. The development of the tourism sector may also have an adverse effect, especially for countries that rely more heavily on the natural tourism. This phenomenon is known as Beach Disease. This condition is common in countries with a very large dependence on coastal tourism. The profit increase from coastal tourism has made a number of non-tourism industries become less competitive. There is a shift of workers from non-tourism sectors to the tourism industry. The phenomenon could be anticipated by the careful planning and the strategy in managing the tourism. Even the increase in the tourism sector that is poor can reduce the number of poor people

in a number of Caribbean island states (Scheyvens & Momsen, 2008).

Kreishan (2014) found in his research that the tourism sector in Jordan is able to encourage the economic growth significantly. It was noted that between 1990 and 2011, 11.2 percent of Jordan's GDP are contributed by the tourism industry, while the rest are contributed by other economic sectors. About 10 percent of job opportunities in the country are contributed by the tourism sector. 38 percent of total exports are contributed by the tourism industry. These findings clarify the importance of the development of the tourism sector as the basis of the economic development resilience in the future, especially to Jordan as the Middle Eastern countries in a period of development.

RESEARCH METHODS

This research aims to find the influence of the tourism sector to the economic growth of five ASEAN countries: Indonesia, Malaysia, Philippines, Singapore, and Thailand. The research was conducted from 1995 to 2012. The variables used are the revenues from the tourism and travel industry, the number of foreign tourist arrivals, and the currency exchange rate as the independent variables, while the dependent variable is GDP of each country. The data used is a secondary data from WDI (World Development Indicator), World Bank. All data is made in the form of natural logarithms in order to facilitate the analysis.

The method of research applies the regression panel. The panel method involves the data combination of the time series and the cross-section. Given the number of time series variables with the cross-section

variables is the same, then the model in this research is called the balanced panel.

The panel method has several advantages (Baltagi, 2005), among other things are as follows: 1) The panel method can control heterogeneity, while the models of pure cross-section or time-series cannot, so it has a vulnerability that produces the biased estimator; 2) The panel method is able to provide data that is informative, more diverse, with a little collinearity. The panel regression is also capable to produce greater, more efficient or appropriate degrees of freedom; 3) The panel method is also better in studying the dynamic adjustment; 4) The panel data is capable to identify the effect more accurately or precisely; 5) The construction of panel data is more complicated than the other two models; 6) The bias resulting from the aggregation can be reduced or even eliminated; 7) In the macro scale analysis, the time series variables become more numerous, so that the unit root problem that often occurs in the time series analysis cannot be applied to a panel regression. The standard test of unit root in the panel regression generally indicates the result of asymptotic distribution. However, the panel regression is not a panacea in econometrics, so it is not able to solve all the problems that often occur in the analysis of time series or cross section (Baltagi, 2005). The equation model is as follows:

$$\ln GDP_{it} = \beta_0 + \beta_1 \ln Xrate_{it} + \beta_2 \ln Arr_{it} + \beta_3 \ln Rec_{it} + e_{it} \quad (1)$$

Information:

$\ln GDP_{it}$ = Gross Domestic Product, the i unit in period t , in percent.

$\ln Arr_{it}$ = A Number of Foreign Tourist Arrivals, the i unit in period t , in percent

$\ln Rec_{it}$ = Revenue from Foreign Tourists (involving travel expenses and passenger transport), the i unit in period t , in percent

$\ln Xrate_{it}$ = US Dollar Exchange Rates, the i unit in period t , in percent

$\beta_1, \beta_2, \beta_3$ = Coefficient

β_0 = Constante, e_{it} = error term

The composition of the hypothesis is as follows:

$H_0 =$

1. The foreign tourist arrivals do not affect the economic growth.
2. The revenue of foreign tourists do not affect the economic growth.
3. The currency exchange rate do not affect the economic growth

$H_a =$

1. The foreign tourist arrivals affect the economic growth.
2. The revenue of foreign tourists affect the economic growth.
3. The currency exchange rate affect the economic growth

Before ascertained whether it is feasible or not to use the common effect, fixed effect or random effect, several tests are conducted.

First, distinguishing between the common effect with the fixed effect. After that a Hausmann test is conducted. The tests aim at finding the accuracy, which one the most appropriate is, whether the fixed effect or the random effect.

The panel method with common effect does not indicate the slope difference between the variables and the across time. The panel model with fixed effect indicates certain characteristics between the time span and the cross-section. The panel model with random effect can distinguish the constant influence of the across time or among

individual characteristics. In the fixed effect and random effect, there are two ways of analyzing, the one way and two way effects. The first way traces the cross-section characteristic only, while in the second one, the characteristics of the time-series and the cross-section can be shown.

A series of tests must be carried out, one of which is the F-statistic test or known as the Chow-test (Baltagi, 2005). This test is conducted to distinguish the two regressions, whether using common effect is better than fixed effect, or just the opposite. A simple calculation involves the restricted residual sums of squares (RRSS) OLS on the model pool, and the unrestricted residual sums of squares (URSS) LSDV (Least Squares Dummy Variables). The equation is as follows:

$$F = \frac{\frac{RRSS - URSS}{N-1}}{\frac{URSS}{NT - N - K}} \sim F_{N-1, N(T-1)-K} \quad (2)$$

The hypothesis is:

$$H_0: \mu_1 = \mu_2 = \dots = \mu_{N-1} = 0$$

or (F count < F table)

$$H_a: \mu_1 = \mu_2 = \dots = \mu_{N-1} \neq 0$$

or (F count > F table)

The test results found that the F-statistic is 19.334823. This value is greater than the F-table on the degree of 1 percent and 5 percent respectively of 3.65 and 2:53. Thus, it can be concluded that the use of fixed effect is more precise than the common effect. Afterwards, a Hausman test is conducted. The model is:

$$y_{it} = \beta x_{it} + \gamma z_{it} + \mu_i + v_{it} \quad (3)$$

From the simple equation above, x and z are divided into two: x_1, z_1 and x_2, z_2 . The first group are the exogenous variables that are not associated with v_{it} and μ_i -- something that does not exist in observation, but it affects each individual. While the second group is related to the endogenous variables μ_i , but not with v_{it} . Then it conducts the transformation to eliminate μ_i , eliminating the bias and z_i variables in equation (3).

In essence, the Hausman test is intended to determine whether the equation model is more feasible in using the fixed effect or just the random effect. In the fixed effect, many degrees of freedom are missing. It is different from the random effect, because μ_i is random. The basic assumption emphasized in Hausman test is there are some error terms associated with one of the independent variables. If it is proved that there is no error terms associated with one of the independent variables, a feasible test used is the random effect (Baltagi, 2005). This test involves the statistical distribution of chi-square value. H_0 : the random effect method is accepted. H_a : the fixed effect method is accepted.

Hausman test results found that the chi-square value is calculated at 1.091764. This value is smaller than the value of chi-square table at 5 degrees and 10 percent, respectively of 7.81 and 6:25. Thus, the hypothesis of no error terms associated with the independent variable is accepted. It can be concluded that the most appropriate model is the random effect. The estimation results can be found in Appendix 2.

RESULTS AND DISCUSSION

Here are the results of the panel regression estimation:

$$\ln GDP_{it} = 15.07206 + 0.131278 \ln Xrate_{it} + 0.26745 \ln Arr_{it} + 0.263944 \ln Rec_{it} + e_{it}$$

s.e.	(0.641075)	(0.026353)	(0.094188)	(0.069196)
t-stat	[23.51060]	[4.981451]	[2.839592]	[3.814419]

R-squared: 0.774608
Adj.R-Squared: 0.766746

Based on the calculations, it is known that the three independent variables have significant positive effects on the dependent variable. The coefficient of determination equals to 0.774608, indicating that variation in the dependent variable can be explained by the independent variables as 77 percent. While the rest are explained by other things outside the model. Constants in the above calculation can be ignored. Conditions of each country can be seen through the intercept value and the value of the common constants. It can be concluded from the estimation that if all the independent variables are assumed to be constant, the intercept of each state is as follows:

Country	Intercept
_INO—C	0.033946
_MLY—C	-0.062316
_THA—C	-0.217884
_PHI—C	0.078779
_SGP—C	0.167474

Source: The Writer's Count

The value of 15.07206 indicates the value of the common intercept. Each country in the random effect analysis has different intercept. The greatest is Singapore, while the smallest is Thailand.

The table estimation in details can be seen in Appendix 3.

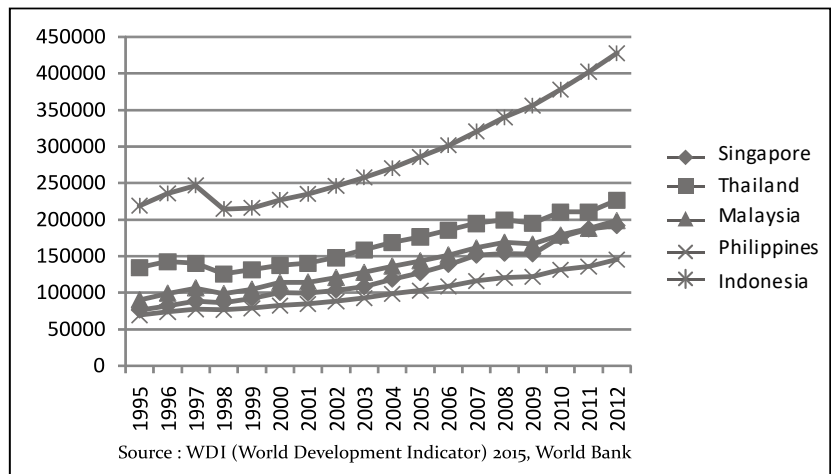
The estimation results found a positive influence of the number of foreign tourist

visits on the economic growth. When there is 1 percent increase in foreign tourist arrivals, the economic growth in the five ASEAN countries will increase by 0.26 percent. The t-count value in the estimation is 2.839592. This value is greater than t-table, on the degree of 5 percent and 10 percent, which respectively is 2000 and 1671. The value indicates that the null hypothesis is rejected, and the alternative hypothesis is accepted. The foreign tourist arrival is in parallel with the local economic revenue.

It is believed that the foreign tourist arrival can increase the economic growth through the increased economic activity. It means that foreign tourist travel can increase the welfare of local residents. In order to know the phenomenon of real GDP of the five countries, see in graph 1.

From the graph 1, it is known that the real data of GDP data in all countries moved down from 1997 to 1998. This is because the ASEAN countries were affected by the financial crisis that originated from Thailand. The contagion effect caused the countries having many similarities in terms of their economic power were paralyzed for a while.

In Indonesia, even the crisis that was originally only an economic issue ventured into the broader realm, including the political, social and confident issues. The fall of New Order regime was coincided with the momentum of the crisis. But the process of



Graph 1. Real Gross Domestic Product of 5 ASEAN Countries (1995-2012)
(Data Scale 1.000.000 USD)

improvement and stabilization was carried out so soon that in subsequent years the GDP growth tend to be positive.

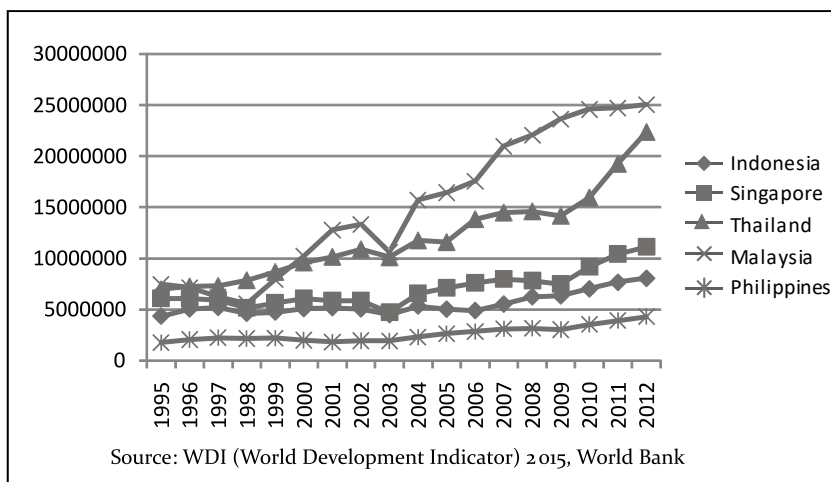
Until 2012, the largest of GDP comes to Indonesia, followed by Thailand, Malaysia, Singapore and Philippines. The five countries in graph 1 is the ones that get big enough visit of foreign tourists. Their arrival become a tremendous economic blessing. Below is a graph 2 illustrating the amount.

Based on graph 2, it can be found that the most of foreign tourists visit is to Malaysia, despite fluctuating. The Malaysian Promotions in attracting a large number of foreign tourists seem inseparable from the

performance of their tourism agencies. The slogan "Malaysia is truly Asia" is apparently successful to hook the interest of people from different countries to visit.

Meanwhile, Thailand occupies the second position. This white elephant country actually has tourism potentials that are not less good than the other members of ASEAN. But it seems that a number of foreign tourists are more interested in coming to Malaysia. Certainly as a neighboring countries, they have to compete hard by improving services to satisfy the tourists to feel at home and to visit more frequently.

The third position is occupied by



Graph 2. The Number of Foreign Tourist Arrivals in 5 ASEAN Countries (1995-2012)

Singapore. A small country in an island is famous for its shopping paradise in ASEAN. Without adequate resources, the government certainly relies entirely on care and services.

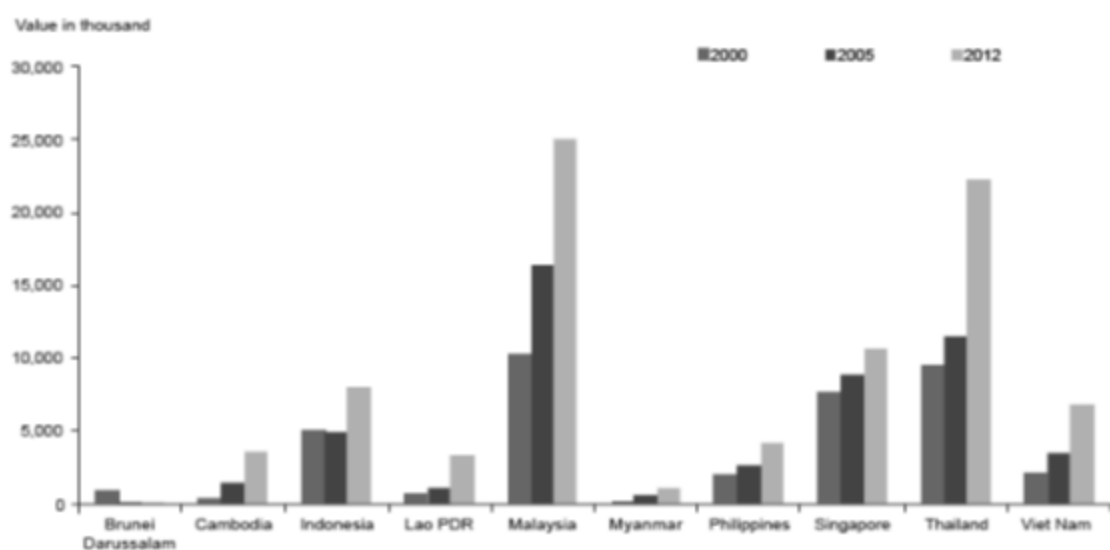
That commitment is evidenced by concrete action in the form of hard-hitting regulations related to the violations of the public facility, including, for example, spitting anywhere could be sentenced.

Indonesia ranks the fourth as the country most visited by tourists. In 2003, the position of Indonesia is equal to Singapore. But lately, the condition shifts. Actually, among the five countries, Indonesia should deserve the most visit in terms of its natural resources, the potential of productive age population, and a strategic geographical locatio. Indonesia may become the entrance of people from all different continents entering other area in the world. Of course, the capacity of tourism service providers should be improved, so that the great potential of Indonesia can be empowered well.

Based on graph 2, the lowest position among the five countries is Philippines. Its position did not move from 1995 to 2012.

In fact, glimpsed from its potential as the colony former of the United States, its capacity is not less than the other ASEAN members. The need for strengthening the services and the active promotion is the key to attract as many foreign tourists as possible.

The phenomenon of ASEAN countries tends to be similar. In 1998, a year after the crisis' hit, the number of foreign tourist arrivals decreased. In 2003, due to the terrorist bombings in Bali the previous year, the number of foreign tourists decreased. The snowball effect needs to be observed carefully in assessing the economic characteristics of ASEAN, along with a number of issues that are interconnected. Viewed from the comparison in general among the ASEAN countries, Malaysia always leads. Graph 3 below explains it.



Graph 3. Comparison of Foreign Tourist Visits in ASEAN

The five ASEAN countries have the tourism potential that can be continuously empowered. ASEAN Tourism Strategic Plan (ATSP) is an ASEAN regional strategy that can be conducted to increase the tourism profits. One example of the potential is the archaeological tour. However, some cases such as the disappearance of the archaeological objects, the damaged relics due to the eaten age or the disaster, and so on, indicate the lack of concern in preserving the historical values. It is very regrettable. It needs serious efforts from each country to improve the preservation of their cultural heritage. At least there are 10 countries or regions which population travel a lot to the ASEAN region, as shown in table 1.

Most tourists visiting ASEAN come from the ASEAN region alone, the rest are from the other countries around the world.

The more often the tourists visit, the more income the local community economic

will increase.

The tropical climate of the ASEAN region is still the main attraction for the foreign tourists to go shopping and travelling for holidays.

The number of visiting tourists will affect the visited countries' revenues.

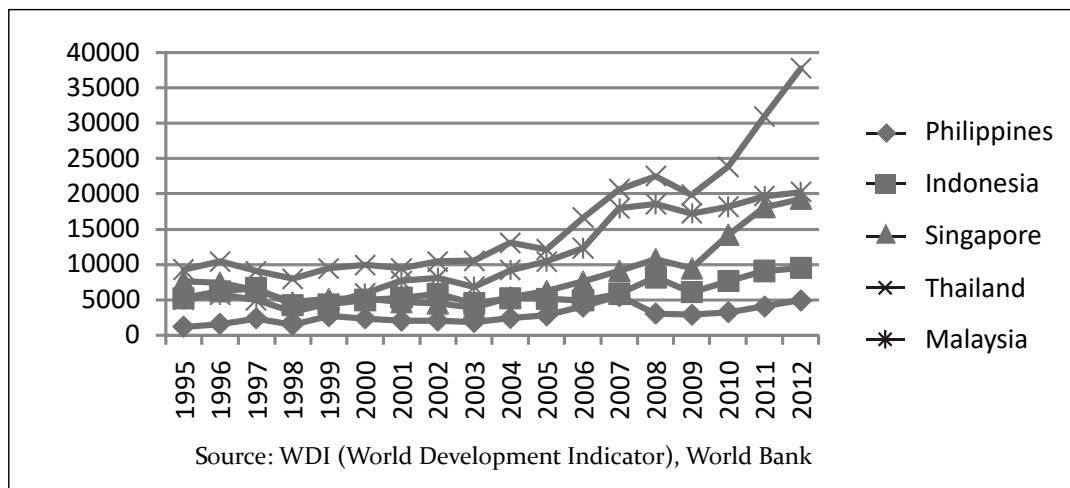
But what makes it interesting is that the large number of tourists who visit are not always the same as the income received by these countries.

Based on graph 4, the facts on the field indicate that the country with the highest revenue from foreign tourists is Thailand. Malaysia perhaps could excel in attracting the foreign tourists. But surprisingly the expenditure of visiting in these two countries does not conform with the intensity of tourism. One reason is that Thailand has more entertainment arena that drain the tourists' pockets rather than Malaysia. While from 1995 to 2000, Malaysia, Indonesia and

Table 1. A Number of Tourist Visits to the ASEAN region (2010-2011)

Countries/Regions	2010		2011	
	A Number of Tourists (Scale 1000)	Total of Percentage	A Number of Tourists (Scale 1000)	Total of Percentage
ASEAN	3 482.0	47.2	37 732.9	46.5
The European Union	7 000.9	9.5	7 355.4	9.1
China	5 415.9	7.3	7 315.6	9
Australia	3 464.9	4.7	3 926.3	4.8
Japan	3 350.9	4.5	3 862.0	4.8
South Korea	3 286.1	4.5	3 664.4	4.5
USA	2 680.5	3.6	2 838.0	3.5
India	2 478.0	3.4	2 711.3	3.3
Taiwan, ROC	1 549.8	2.1	1 808.1	2.2
Hong Kong, SAR	905.7	1.2	---	---
Russian Federation	---	---	1 299.1	1.6
Total 10	64 952.6	88.1	72 513.1	89.3
Other regions	8 800.1	11.9	8 715.9	10.7
Total of Tourists	73 752.7	100	81 229.0	100

Source : ASEAN Statistics, 2014



Graph 4. Revenues from Foreign Tourists of 5 ASEAN Countries (1995-2012)
(Data Scale 1.000.000 USD)

Singapore were competing in their earnings over the foreign tourist' expenditure. Only after passing through that period, Malaysia went ahead of its both competitors. This is consistent with an increase in the number of foreign tourists because Malaysia is more intense in advertising.

As for Philippines, it still occupies the lowest position, the same as the low intensity of the number of foreign tourists who visit to the country.

From the graph below it seems clearly that the erratic economic fluctuation also affects the amount of revenue from the foreign tourists. For example, the impact of the economic crisis in 1997 is quite clear in 1998. The terrorism that burst in 2002 results in a decrease in the tourism sector in 2003. Then the price of world crude oil materials increased and led to the lower revenue in 2005.

Afterwards, the subprime mortgage crisis in 2008 in the United States affected the amount of revenue in 2009. All the countries were experiencing the same thing. The estimation results also found a significant positive relationship between the economic

growth and the exchange rate. 1 percent increase in the exchange rate against the US dollar has affected the economic growth of 0.13 percent.

The t-count value of the estimation result of 4.981451 is greater than the t-table on the degree of 5 percent and 10 percent, which respectively is 2000 and 1671. The exchange rate is actually functioning as a control variable. The rise and fall of the exchange rate is associated with the performance of the economy of a country. The stable economic growth can increase the currency exchange rate of the country. On the contrary, in condition of recession, its value tends to decrease or depreciate. It is understood that a stable economy is assembled closely to the exchange rate that tends to strengthen. Moreover, the five ASEAN countries have an almost similar pattern although not fully similar. For example, when the economic crisis occurs in Thailand, the impact spread to several neighboring countries.

CONCLUSION

From the estimation it can be concluded that the hypothesis of tourism-led growth (TLG) is proved for five ASEAN countries. Besides bringing in the foreign exchange, the tourism sector can be a driver of a number of economic activities, both formal and informal, in order to improve the welfare of local residents. Such conditions cannot be separated from the role of tourism development in each country that continues to rise. Several things related to the environmental conditions of society in each country continue to improve. Despite a series of threats of terrorism has ever occurred and its impact is very devastating the tourism industry, but in recent years the foreign tourist visits do not decrease. The interest of visitors remains large and the ASEAN region remains attractive to be visited.

The establishment of AEC (ASEAN Economic Community) that has been enacted since the beginning of 2016 is a hard challenge for the tourism industry. Indeed, the flow of information has become fast and cheap and the capital accumulation of the ASEAN community becomes more integrated. But for countries that have no powerful device in empowering the available resources, it becomes a disaster.

The enhancement and improvement of services in the tourism industry needs to involve a variety of elements. Both the role of government and private should be equally coordinated to promote tourism. Temporarily, the tourism sector really needs to be supported by the government. This support is needed especially for a number of tourism objects that have been just opened and are still in the trial and error phase. Because these tourism objects have not yet gained their fixed market share, the

government should be dominantly encouraging and continuously improving them. But as time goes by, the intervention must be removed gradually. The independence of an industry can be seen from its ability to adapt to face various conditions, including the competition barriers between each other. The orientation of tourism finally is to participate into the international market and to compete with similar industries abroad, thus it requires an optimal thrust in order to survive long.

The increased tourism industry needs to involve various ways: *first*, improving the capability and skills of management of the tourism services. The tourism industry is an industry that emphasizes hospitality because the journey of industry depends on the number of guests or visitors. Then those who manage tourism industry should be highly educated and have a good managerial skills.

Second, opening land of tourism objects that does not only rely on natural phenomena. Currently the promoted tourism objects must rely on continuous creativity and innovation. Creativity must be continuously created to meet the challenges of more complex modern life. The natural tourism objects tend to be resistant to the weather conditions and climate change, so that the travel diversification is very important.

Third, the increase in the tourism sector needs to be balanced by the synergy of various sectors of economy. This is to make the long-term stability gained from the tourism development continues to be felt, and the phenomena of beach disease can be avoided.

Fourth, the increase in capital and investment. All this time a gap often appears in a number of areas of poor facilities and do

not attract the investors. Consequently, many strategic locations or brilliant ideas that have a sale value of tourism crash out in the middle of the road. In such a situation, the role of government is very important in bridging the gap that occurs.

Fifth, the development of tourism needs to prioritize the elements of local culture and the active participation of the local community. In some cases, there are often complaints from foreign tourists about the inhospitality of the local communities. This is because the local community are not involved in maintaining and improving the tourism areas. They only become the spectators who are initially friendly, but turn out to be impolite when the economic gap is displayed clearly in front of them.

Sixth, the increase in stability and comfort of visitors. A case of terrorist bombings in the Indonesian tourism area in 2002 that claimed the lives of 202 people has made the tourism business disrupted. From graph 2 it can be seen that in 2003 the foreign tourist travel to five ASEAN countries declined. This is due to a bomb threat that is very terrifying for the visitors. How a very detrimental situation it is.

Seventh, the active promotion. The role of media mass is needed in terms of promoting a product to the public. Moreover, currently the world of information is becoming more sophisticated. Through advertising and news spread on the internet, the tourists can find any strategic locations interesting to visit, perhaps even the inland areas.

Eighth, the government provides adequate infrastructure to tourism areas. A visit is often canceled because of heavy and difficult transportation to the desired location. That is why, preparing the

transportation infrastructure and also the ease traffic are the important elements of fluency in the tourism activities.

On the other side, the tourism growth is closely related to the stable macroeconomic conditions. One important indicator is the stabilization of the exchange rate. If the exchange rate is too high, the tourists will be reluctant to visit and the tourism business will be silent. This becomes a problem for the country that promotes tourism services as a pillar of the economic growth. Maintaining the resilience of the economy to be stable in the long term is along with the sustainability of the tourism sector vitality.

By the opening of a tourism object, an economic activity will develop. Many jobs could be created, either formal or informal employment. For example, lodging, tour guide, hotel, restaurant, supermarket, souvenir shop, also parking officers and porters. Travel service sector, for example, gets a lot of benefits and determines the rate of motion of the tourism sector activity. It will be difficult for the tourism to find its market share without the good and fast transport service. The tourists will be reluctant to visit a place that is difficult to achieve with the uncomfortable vehicle.

The trading activities and services that are well managed will greatly satisfy the tourists. Their satisfaction will be seen from the intensity of repetitive visits and their verbal marketing. The foreign tourist visits will directly increase the foreign exchange. The local residents and communities around the tourism objects will earn income by opening any service that provide various needs. Thus, it is clear that the visit and the revenue from the foreign tourists can boost the welfare of local communities.

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