

CHAPTER I

INTRODUCTION

1.1 Background

Tourism is one sector of the economy with the potential to be developed to contribute to economic growth. Tourism can boost economic growth both directly and indirectly, by encouraging the growth of other sectors and by increasing domestic revenues and effective demand. Tourism is also one of the sectors with the most potential to bring in the foreign exchange and easiest to create jobs. Tourism activities create demand, both consumption, and investment, which in turn will lead to the production of goods and services. In other words, it was widely seen as a tourism that has multiple dimensions of the circuit a development process.

In recent times, international tourism has experienced sustained growth into one of the economic sectors of the fastest growing in the world (Suresh & Senthilnathan, 2014). Economists consider that international tourism is an important contributor to economic growth, such as human and physical capital and export (Fayissa, Nsiah, & Tadasse, 2009). Tourism development concerning aspects of social, cultural, economic and political (Spillane, 1994).

Tourism showed in Goals 8, 12, 14 among the 17 Sustainable Development Goals (SDGs) and 169 associated target that endorsed by the United Nations, for the capacity to promote sustainable consumption and production, boost economic growth

and decent work for all, and advance conservation and sustainable development of aquatic resources. 2017 was declared by the United Nation in December 2015 as the International Year of Sustainable Tourism for Development. The tourism sector is the largest sector in the world in terms of revenue and employment creation. In 2015, tourism is an important contributor to creating a job, environmental protection, multi-cultural peace, poverty eradication and continued to be the main driver of global economic recovery (UNWTO, 2016).

For developing countries, tourism can play an important role in achieving economic growth. Tourism has the potential to promote economic growth and become the engine of growth in both the short and long term. This common view is known in several kinds of literature as the tourism-led-growth hypothesis, that exists in developing countries (Jimenez, Pulina, Prunera, & Artis, 2009). The tourism sector is also expected to be one of a tool for poverty alleviation in developing countries, where high levels of poverty exist.

So, in this case, it can be concluded that the tourism will be the focus on a global and national priority because the tourism plays an important role in advancing economic growth. In this research, the writer tries to investigate the relationship between tourism development and GDP per capita. It will take the case for seven selected ASEAN countries, namely Indonesia, Malaysia, Thailand, Cambodia, Philippines, Vietnam, and Singapore for the period of 1995-2014. Is there a long-run relationship and causal relationship between tourism development and GDP per capita

for those countries? So, based on the research problem above, the writer is interested in analyzing a research with a title:

“Investigating the Relationship Between Tourism Development and GDP Per Capita in Seven ASEAN Countries”.

1.2 Research Problem

The Association of Southeast Asian Nations (ASEAN), tourism accounted for 12.4% of ASEAN's GDP in 2015, compared to an average of 8.5% in Asia-Pacific, and 9.8% globally (WDI, 2016). This is indicated that the tourism has an important role to contribute to economic growth for ASEAN countries. The ASEAN also has a strategic plan to boost the tourism sector, called the ASEAN Tourism Strategic Plan 2016-2025 and is targeted to grow to 15% by 2025 (DBS, 2016). Among the observed countries, Malaysia dominated as the most popular destination for international tourism in 2014 with a number of arrivals was 27,437,000 and Cambodia are the last countries with a number of arrivals was 4,503,000. But, if compared in term of the international tourism receipts, the highest country was Thailand with receipt was \$42,063,000, and the lowest country was Cambodia with receipt was \$3,220,000 (WDI, 2016). So, the research problem in this research is trying to investigate empirically the long-run relationship and causal relationship between tourism development and GDP per capita.

1.3 Research Objectives

Objectives for this research are:

- To investigate empirically the long-run relationship between tourism development (ITA) and GDP per capita.
- To examines the causal relationship between tourism development (ITA) and GDP per capita.

1.4 Research Advantages

In this research, it can be seen the relationship between the tourism development and GDP per capita, then this research will give advantages to:

1. In theoretical terms
 - a. Promote the development and knowledge, particularly in tourism development and GDP per capita.
 - b. As an additional literature, that relates to the study of tourism development and GDP per capita.
2. In practical terms
 - a. For the author - improve the ability of research and writing scientific papers.
 - b. For the government - the results of this research are expected to be useful as an input to the government in formulating the policy regarding tourism development and GDP per capita.



- c. For other researchers - can be used as consideration, the reference, information and stimulus them to conduct further research.

1.5 Limitation of the Study

Although this research has reached its aims, there were some of the limitations. First, this research only took seven ASEAN countries were selected, namely Indonesia, Malaysia, Thailand, Cambodia, Philippines, Vietnam, and Singapore. Second, the researched period is 1995 - 2014 considering the availability of data.

1.6 Hypothesis

Based on the formulation of issues and empirical studies have been done before, the hypothesis to be tested in this research are:

1. There is a long-run relationship between tourism development (ITA) and GDP per capita.
2. Tourism development leads to GDP per capita (One-way causality: the tourism-led growth).