

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The objective of this study is to investigate the relationship between tourism development and GDP per capita in seven selected ASEAN countries, namely Indonesia, Malaysia, Thailand, Cambodia, Philippines, Vietnam, and Singapore by using the newly developed heterogeneous panel cointegration technique for the period 1995-2014. International tourism arrivals as a proxy for tourism development and GDP per capita (constant 2010 US\$) as an indicator of economic activity.

The panel unit root tests show that all the variables are integrated of order one. The panel cointegrations tests indicate that the four variables are integrated, indicating that the variable reject the null hypothesis of no cointegration at 5% significance level. The estimation of the main model using FMOLS and DOLS methods have confirmed the long-run relationship between international tourism arrivals and GDP per capita (GDP per capita). Based on the empirical results, the presence of a positive bidirectional causality between GDP per capita and international tourism arrivals that identified by using Pairwise Dumitrescu Hurlin panel causality tests. It indicates that the improvement in both sector will benefit both. This finding confirms the bidirectional hypothesis (BiCausal).

5.2 Recommendation

Based on the analysis and discussion of the result of testing the hypothesis put forward some suggestions that may be useful for:

1. Government - as the policy makers, should allocate the tourism development and all related sectors equally. In other words, government should establish several priorities regarding to the assignment of the resources for national strategies to economic growth and tourism development. Government should focus their attention on long-run policies, since in this research found that a long-term relationship between tourism development and GDP per capita.
2. Future Researcher - as reference material for further research, could focus on other countries and tried to use another method and variable, or more variables to compare with this study. So, that the regional comparison could be done in terms of the relationship between tourism and GDP per capita.

