CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

The main objective of this research is to investigate the relationship between tourism development, trade openness, financial development, and exchange rate to GDP per capita in six selected ASEAN countries which is Indonesia, Malaysia, Singapore, Thailand, Vietnam and Philippines. In order to generate the result by using developed heterogeneous panel co-integration technique for the period 1995-2016. International Tourism Receipts (ITR) as a representative for tourism development, financial development index and the ratio of broad money over GDP as a proxy of financial development, real effective exchange rate, and GDP per capita (current US$) as indicator of economic growth.

According to panel unit root test using Im Pesaran Shin (IPS), all of variables are stationary in first order condition. Panel co-integration test indicate that tourism, trade openness, financial development and exchange rate are co-integrated to GDP per capita at 5% level of significant. These results implied that between tourism, trade openness, financial development, and exchange rate had long run relationship to GDP per capita. The estimation of the result using main model PDOLS (Panel Dynamic Ordinary Least Square) method,

1. It shows the coefficient estimate in long run panel between tourism development and GDP per capita were positive and insignificant relationship as much as 0.3029%. The relationship between trade openness and GDP per capita in long run shows positive and significant affect as much as 0.0051%. Between financial development and GDP per capita have positive and significant relationship in long run as much as 3.6874%. The long run relationship between exchange rate and GDP per capita have positive and not significant impact its indicate the long run relationship among real effective exchange rate and economic growth is blurred or ambiguous.

2. If we change the value of variable control the empirical result also change, in this study the author compare the proxy of financial development, using financial development index and the ratio of broad money over GDP. The coefficient estimate in long run panel between tourism development and GDP per capita after changing in the proxy of financial development shows positive and significant relationship as much as 1.1297%. The relationship between trade openness and GDP per capita in long run shows positive and significant affect as much as 2.0753%. Between financial development and GDP per capita have negative and insignificant relationship in long run as much as -0.0199%. The long run relationship between exchange rate and GDP per capita have positive and not significant impact as much as 2.7441% its indicate the long run relationship among real effective exchange rate and economic growth is blurred or ambiguous.

3. Comparing the proxy of financial development will change the empirical result, using financial development index as a proxy of financial development shows there is no significant impact between tourism development and economic growth in the long run, while we use the ratio of broad money over GDP as a proxy of financial development, its shows positive and significant relationship between tourism and GDP per capita in the long run.

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 maker, 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 boosting economic growth. According to the finding of this research, there are different result if we compare the proxy of financial development, the relationship among tourism development and economic growth in long run shows insignificant and significant impact. If we use the ratio of broad money over GDP as a proxy of financial development the result imply that long term policies in tourism development affect the economic growth positively. So, the government should making new strategies to arouse international tourism receipts especially in long term. Trade openness, financial development should be sustain by the government as long as there is long run relationship between both to economic growth. Financial development as the key driver of economic growth should be well maintained by the government, in this case increasing of money growth will affect the economic growth negatively. Therefore, government should channeling financial sector to increase potential sector that have big contribution to GDP. Government should focus their attention on long-run policies, since in this research found there is a long-term relationship between tourism, trade openness, and financial development to economic growth.

2. Future Researcher - as references 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 development, trade openness, financial development and exchange rate to GDP per capita.