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Local Economic Benefit in Shopping and Transportation: A study on tourists’ expenditure in Melaka, Malaysia

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Abstract

This study investigated the tourists’ expenditure pattern in Melaka city and its contribution to the local economy. Chi-square Automatic Interaction Detection (CHAID) was chosen to model the interaction for domestic and inbound tourists in transportation and shopping sectors and subsequently identify the local economic benefits. Results revealed that the tourists exhibited low expenditure levels (RM18.50 and below) in the transportation sector, contributing less benefits to the local economy as most tourists chose to walk. The tourists also demonstrated low levels of expenditure (RM75 and below) in the shopping sector, but contributed to the local economy by shopping in Jonker Street.

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Keyword: Tourists expenditure; local economic; transportation; shopping

1. Introduction

In modern society, the tourism industry has gained prominence due to economic growth (Brida et al., 2010), and has successfully become the leading economic engine for most of the regions in the world (Brida & Risson, 2009; Tang & Tan, 2013), hence providing a major source of revenue, employment, exports and taxation (Su & Lin, 2014). The concept of sustainable development has been widely debated in most fields, especially in the tourism sector, because such development provides supply of goods for tourists (Lepp, 2007; Shretha et al., 2007; Lee, 2009), opportunities for the stakeholders (Mehmetoglu,

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2001; Gursoy et al., 2002), preservation of the physical assets of the host destination (Gursoy and Rutherford, 2004; Nunkoo and Ramkissoon, 2011), as well as improvement of the quality of life within the local community (Eagles et al., 2002; Wang et al., 2010). There have been a number of research discussing the quality of life in relation to sustainable tourism in various aspects, namely economic well-being (e.g. Weaver and Lawton, 2001; Tosun, 2002; Manyara and Jones, 2007; Simpson, 2008), social well-being (e.g. Ahmaed and Krohn, 1992; Morais, and Dowler, 2006; Lee et al., 2010), and environmental well-being (e.g. Farrell and Runyan, 1991; Andereck, 1995, Dyer et al., 2007; Simpson, 2008; Lee et al., 2010).

These researchers have identified the impact of tourism in various dimensions, through various indicators. However, to date, there has been little discussion on the local economic benefits from tourism activities in shopping and transportation sectors. Thus, the aim of the study is to explore the domestic and inbound tourists' expenditure pattern to identify the economic benefits for the local community in Melaka UNESCO World Heritage City, Malaysia. The study employed a diary record survey as a data collection tool and Chi-square Automatic Interaction Detection (CHAID) as the main analysis tool to critically examine the pattern of linkages. The paper is organized into four sections. Section 2 discusses the overview of tourist expenditure and local economy. Section 3 discusses the data collection and analysis method. Section 4 presents the discussion of the result and Section 5 concludes the study. The study contributes towards the strand of literature on tourists' expenditure and local economy.

2. Literature review

Malaysia has started to discover the opportunities in the value of tourism. The sector is now a potential area in environmental, social and economic level of government agendas, as it is an industry contributing significantly to the Malaysian economy. In addition, the Malaysian federal and state governments have taken major steps in establishing legal and institutional frameworks to introduce sustainable tourism. A study by Md. Anwar et al. (2013) explained that Malaysia has produced development plans for different durations, namely, the Tenth Malaysia Plan, Economic Transformation Program (ETP), National Tourism Policy, National Physical Plan (NPP), and Local Agenda 21 (LA 21). These development plans were introduced and implemented to promote and strengthen the concept of sustainable tourism in the country through various policies and regulations. In addition, according to the Economic Impact Report 2013 by the World Travel and Tourism Council (WTTC), the year 2012 has witnessed Malaysia generating 1,795,500 employment opportunities directly, indirectly, and induced by the tourism industry. This figure covers 6.5% of total employment in the country. In addition, the total contribution of the tourism industry was RM146.5 billion in 2012. This includes 44.6% direct contribution, 15.8% induced contribution and 39.6% indirect contribution from the industry. This figure justifies the country's effort to generate opportunities for local communities through the tourism industry. In another effort of the Malaysian government, various tourism concepts have been introduced such as eco-tourism that has been implemented in nature reserves or areas rich in natural resources, heritage tourism that has been implemented in conservation and heritage sites and shopping tourism that has been implemented in most major cities. These concepts are introduced in every tourism destination along with related products as a marketing strategy to attract the tourists. Tourism concepts have always been the main focus of discussion in many studies as it is believed to transform the image of an area, increase tourist arrival and tourist expenditure. However, the transformation, redevelopment and regeneration of an area will be more meaningful when it ensures that the local community, especially disadvantaged groups, are involved in the development of the tourism sector. In fact, it can establish equality through distribution of resources and opportunities (Ashley, Boyd and Good, 2000; Ashley & Roe, 2002; Goodwin, 2005).

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