

# TOURISM DEVELOPMENT IN MALAYSIA. A REVIEW ON FEDERAL GOVERNMENT POLICIES

**Azizan MARZUKI**

*School of Housing Building and Planning, Universiti Sains Malaysia  
11800 Penang, Malaysia Malaysia  
chik72@usm.my*

## **Abstract**

Tourism development in Malaysia began since 1960s. Embarking on the strategy to develop rural areas and provide diversity in national economy, tourism industry drastically become as the second most important sector after petroleum. Therefore, the aim of this article is to review the progress of tourism development in Malaysia from the period of the First Malaysian Plan (1966-1970) until the Ninth Malaysian Plan (2006-2010). This paper is also discussed several approaches related to tourism administration and policy taken by the federal government as stated in the New Economic Policy (1970) and the National Tourism Master Plan (1975). Further elaboration is then centred on the growth of tourism industry in Malaysia from 1987 to 2009.

**Keywords:** Tourism development, Malaysia Plan, international arrival, tourism growth.

## **1. INTRODUCTION**

Malaysia covers a land area of 329,758 square kilometers. The country comprises 14 states and is divided into two regions: Peninsular Malaysia which consists of 11 states - Perlis, Kedah, Penang, Perak, Pahang, Selangor, Kelantan, Trengganu, Negeri Sembilan, Malacca, Federal Territory and Johor – and East Malaysia, situated on the Island of Borneo, which consists of another two states, Sabah and Sarawak. As a tropical country, the average temperature of Malaysia is 26 degrees Celsius throughout the year, but several parts of the country have an average temperature of 18 degree Celsius up to 27 degree Celsius. Currently, Malaysia has a population of over 25 million consisting of three main ethnic groups; the Malays, the Chinese and the Indians (Langkawi Municipal Council, 2005). It also includes the indigenous people of Sabah and Sarawak, Eurasians, Arabs and Europeans. With its multi-racial societies and geographical factors with a long coastal area surrounding the country, Malaysia has a lot to offer in terms of tourist attractions. Figure 1 showed major tourist attraction areas in Peninsular Malaysia.

## **2. TOURISM DEVELOPMENT IN MALAYSIA**

Although leisure and tourism activities in Malaysia began since the colonial era, government involvement in tourism development only started in 1953 when the Cultural Department officially opened

and in 1964, the Ministry of Cultural, Sport and Youth was muted (Mohamed, 2001). Since that time, the tourism industry has grown considerably, but the tourism industry only captures one aspect of the economic diversity since economic activities are still based on the traditional sector, such as, rubber and tin (Wells, 1982).

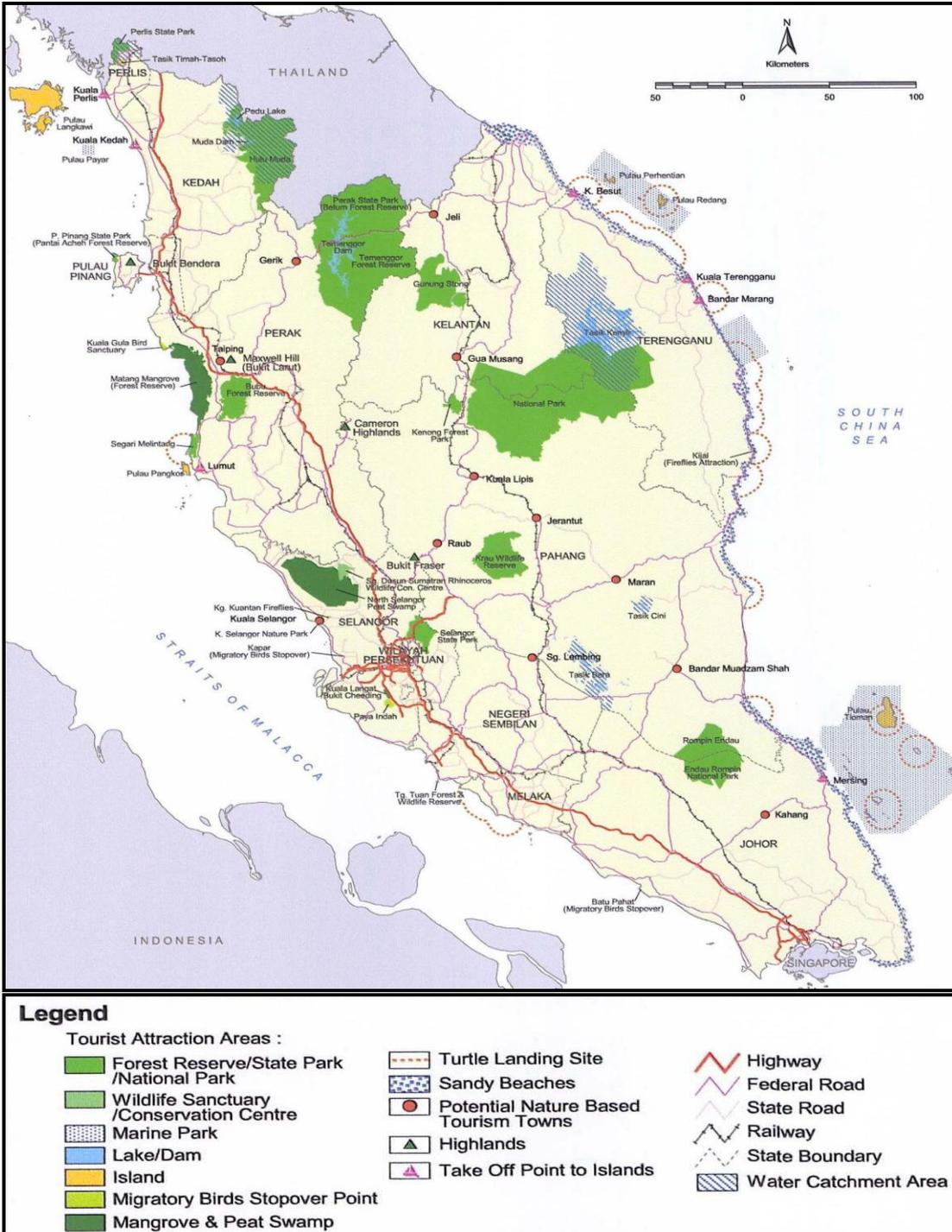


FIGURE 1: TOURISM AREA IN PENINSULAR MALAYSIA

Source: Federal Department of Town and Country Planning (2005).

The momentum for tourism development only began in the 1970s, after the 1972 Conference of the Pacific Areas Travel Association (PATA) in Kuala Lumpur. That conference was significant as it provided information to the government and people in Malaysia about opportunities in the tourism industry. Following that event, the government granted more recognition to the tourism industry by creating the Tourism Development Corporation (TDC) in 1972 and continued with the completion of the National Tourism Master Plan in 1975 (Sirat, 1993).

In the 1980's, the tourism industry received more attention from the government when a separate Ministry of Culture and Tourism was created in 1987. In 1990, the government expanded the ministry into the Ministry of Culture, Arts and Tourism (MOCAT), with an objective (Sharif, 2002: 66):

“...to expand and diversify the tourism base and to reduce country's dependency on a narrow range of activities and markets”

In achieving that objective, MOCAT was responsible for (Sharif, 2002: 66):

- assisting the states to create and promote distinctive identities so as to be more attractive to domestic tourists, and,
- encouraging states to promote their tourist attractions and destinations and assist through joint promotions and the provision of promotional expertise at the state level.

Later, the Malaysia Tourism Promotion Board (MTPB) or 'Tourism Malaysia' was created in 1992 to replace the Tourism Development Corporation (TDC) and was placed under MOCAT's wing, and it is currently under the Ministry of Tourism. MTPB has several roles and responsibilities including implementing tourism policy and promoting tourism overseas and within Malaysia (Sharif, 2002). MTPB is also involved in developing and coordinating tourism facilities and amenities. An MTPB objective is:

“to promote Malaysia as an outstanding tourist destination...,to increase awareness of Malaysia's unique wonders, attractions and cultures...to increase the number of foreign tourists...and extend the average length of their stay and,...increase Malaysia's tourism revenue...to develop domestic tourism and enhance Malaysia's share of the market for meetings, incentives, conventions and exhibitions (Malaysia Tourism Promotion Board, 1975: 4).”

MTPB has promoted Malaysia aggressively as a tourism destination to the overseas market. A brand of *Malaysia Truly Asia* was introduced and several overseas branches of MTPB were opened such as in London, Amsterdam and Dubai. Nevertheless, although the Ministry of Tourism controls tourism administration in Malaysia, the implementation of tourism destination planning, and infrastructure

development comes under the Federal Government. Figure 2 shows some important ministries and departments engaged with planning, maintaining and controlling tourism activities in Malaysia.

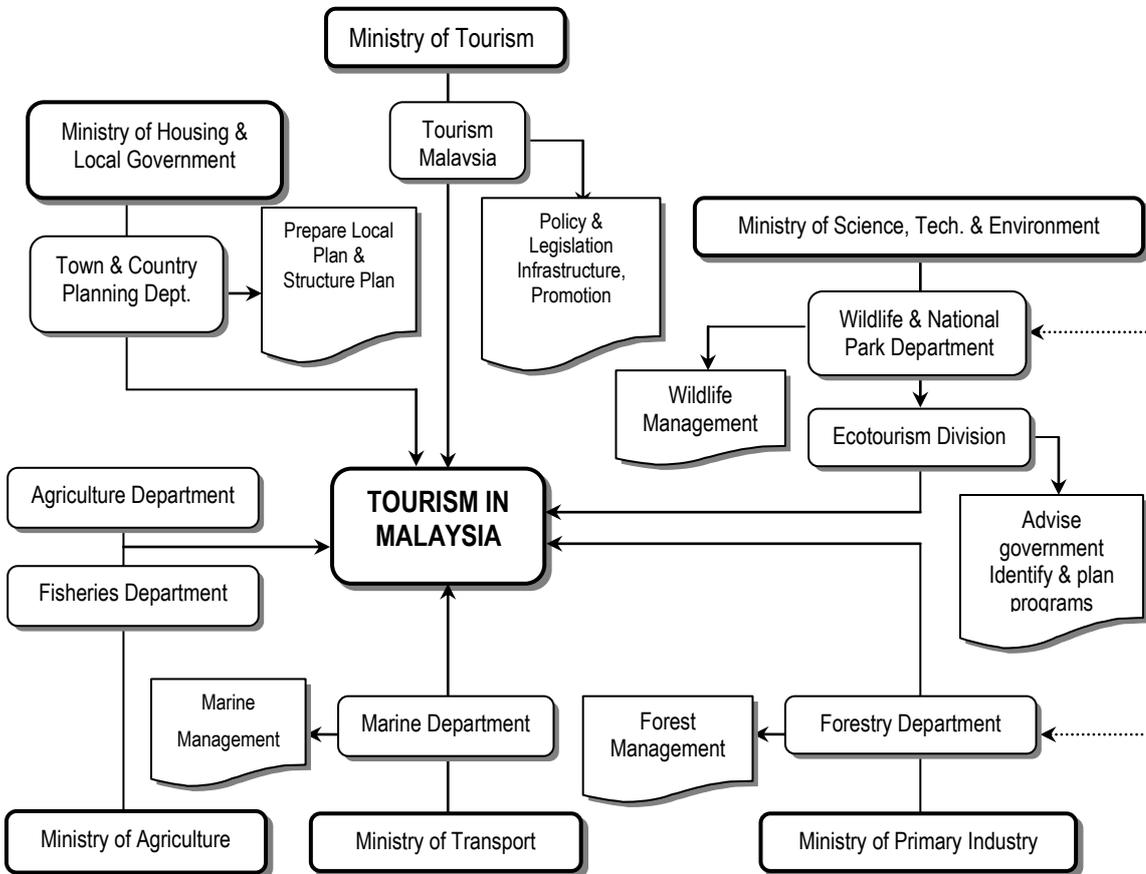


FIGURE 2: GOVERNMENT DEPARTMENTS INVOLVE TOURISM DEVELOPMENT IN MALAYSIA  
Source: Modified from Mohamed (2002).

### 3. GOVERNMENT INVOLVEMENT IN TOURISM DEVELOPMENT

Although the First Malaysia Plan (1966-1970) has not provide any significant policy towards tourism industry, major impact on the tourism industry happened during the Second Malaysia Plan (1971-1974), especially after the Pacific Asian Travel Associations (PATA) conference in 1972. The Malaysia Airline Company was set up by the government to provide direct communication within the ASEAN region and other countries to attract international visitors. The federal government proposed four strategies to encourage tourism development as follows (Government of Malaysia, 1971):

- To propose more destinations and tourism infrastructure in every state to encourage more interstate tourists.

- To develop more tourist destinations and tourism infrastructures along the main road for domestic and foreign tourists.
- The development for tourist destinations and infrastructures will focus on the Northern and Southern Peninsular Malaysia.
- Air transport development for Sabah and Sarawak.

Moreover, tourism development policies were also set out in the 1970 New Economic Policy (NEP). The NEP was developed by the Federal Government to provide economic equity and to foster national unity amongst all races in the country. It's also aimed to encourage *Bumiputera* (Malay community) involvement in the tourism sector through economic and business activities (Din, 1982), and was realised by the Malaysia Tourism Promotion Board (MTPB). Significantly, *Bumiputeras'* involvement in the tourism sector reached 30% during the Third Malaysia Plan (1976-1980) (Din, 1982), and about 14,800 were employed in the hotel industry by the time of the Forth Malaysia Plan (1981-1985) (Sharif, 2002). The progress was continued by the completion of the National Tourism Master Plan (NTMP) in 1975 with objectives that included (MTPB, 1975: 4):

- to outline the programme of tourism development that will fully utilise the natural attraction, potential and social attributes of Malaysia as they relate to the requirements of domestic, regional and international tourism.
- to provide a basis upon which Malaysia may develop tourist potential in an orderly and balanced manner within the framework of the national development plan and the new economic policy.
- to provide income and employment potential for the principal areas selected.

The NTMP suggested the development of eight integrated tourist regions in county involving Peninsular Malaysia, Sabah and Sarawak (Figure 3 and 4).

Tourist regions were aimed to spread tourism development within rural areas to provide diversity for international tourists, and as a strategy to distribute the economic benefits from tourism development to the whole country. The NTMP suggested a development programme as follows:

*"...as a basis by the government and Tourist Development Corporation in determining the areas for potential Bumiputera participation in line with the government's policy of increasing the involvement of Bumiputera in commerce and industry as well as the restructuring of society." (MTPB, 1975: 5)*

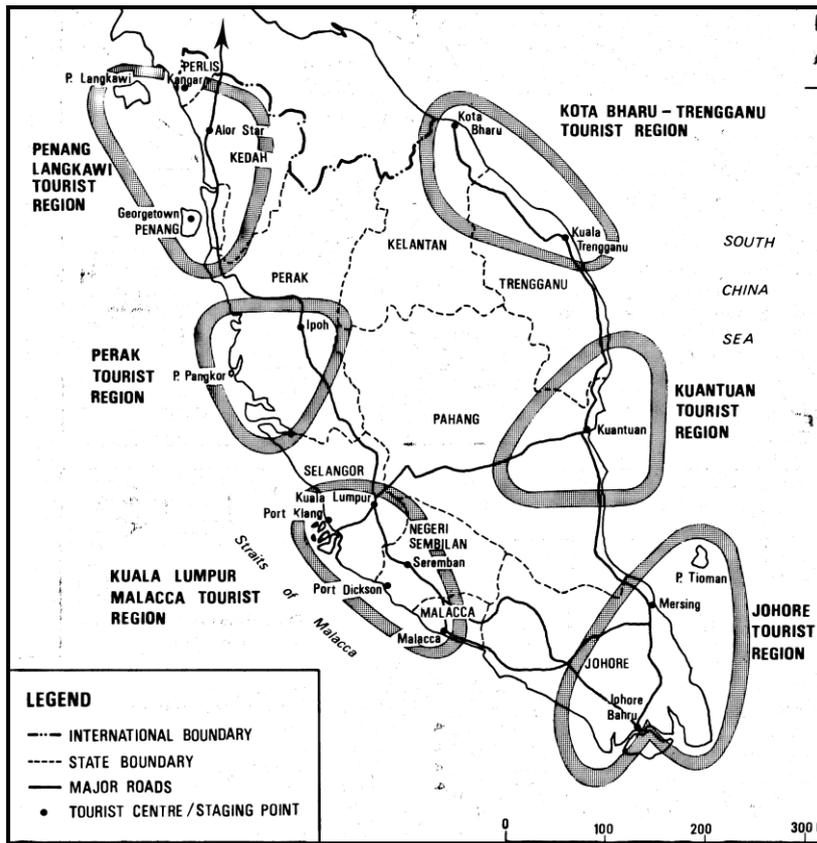


FIGURE 3: MALAYSIA TOURISM MASTER PLAN: PENINSULAR MALAYSIA  
Source: Malaysia Tourism Promotion Board (1975: 183).

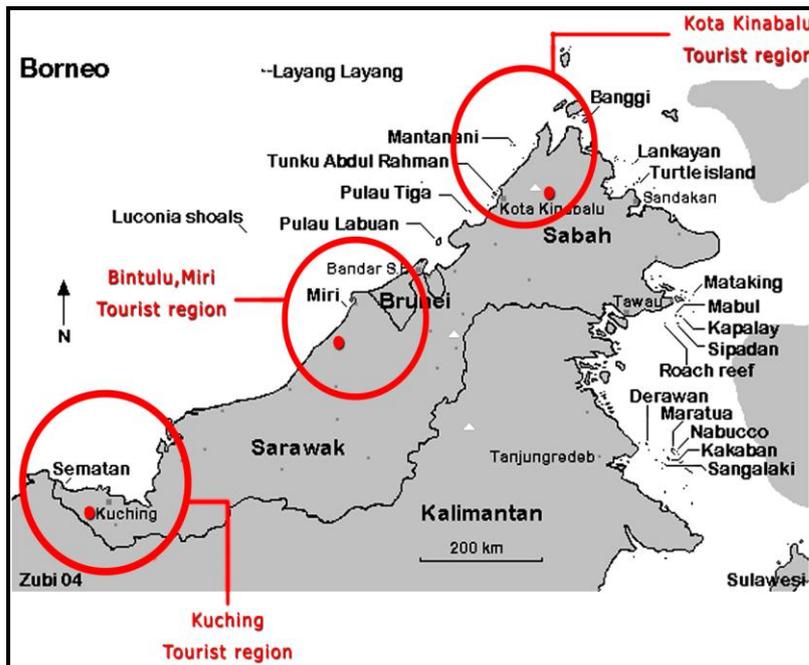


FIGURE 4: TOURISM MASTER PLAN: SABAH AND SARAWAK  
Source: Malaysia Tourism Promotion Board (1975: 184).

However, based on his study on international tourists flow in Malaysia, Opperman (1992) claimed that until 1990, after 15 years of implementation of the Tourism Master Plan, tourism development was still unequally distributed amongst the region as suggested by the plan. More rapid development occurred on the West Coast of Peninsular Malaysia than on the East Coast. Sabah and Sarawak however were far behind Peninsular Malaysia in attracting tourists (King, 1993). Leong (1997) claimed that the disparity of tourism development among tourist regions was caused by lack of promotion. Din (1982) also noted that the plan only has a small reference to the NEP in terms of suggesting how the government agencies can play their role to encourage *Bumiputeras*' involvement in the tourism industry.

In a response to the criticism, federal government launched the National Development Policy (NDP) in 1990. The first phase of NDP implementation was included in the Sixth Malaysia Plan (1991-1995) and continued in the Seventh Malaysia Plan (1996-2000). The NDP also stressed the importance of nationally integrated development. Those strategies were brought from the NEP objectives to eradicate poverty and restructure national society, and are outlined as follows (Government of Malaysia, 1991: 5):

- Promoting and strengthening national integration by reducing the wide disparities in economic development between states, rural and urban areas.
- Developing a progressive society in which all citizens enjoy greater material welfare, while simultaneously imbued with positive social and spiritual values, and an increased sense of national pride and consciousness.

The National Tourism Policy was developed in 1991 to create a unique image of Malaysia with its diversity of culture and natural resources. The policies aimed to have an international infrastructure and tourism product and several strategies were created as follows (Langkawi Municipal Council, 2005):

- Diversify tourism products and services in order to fulfil tourists' needs.
- Promote and identify national and international markets.
- Private sector involvement in innovative tourism products through investment.
- Local community involvement especially to develop their perception through tourism activities and promotions.
- Development of communication systems for local and foreign tourist arrivals.

The 1991 National Tourism Policy stressed on product development and investment, and aimed for support from local residents. To assist the government in attaining broad objectives through the adoption and establishment of tourism objectives, policy guidelines aimed to:

- Establish a political, economic and social environment conducive to the development of the tourism industry.
- Identify and designate tourism development areas and establish detailed controls for these areas.
- Establish development priorities with respect to location, type, scale and timing of investment.

The domestic and international private sectors received an extension of investment incentives for development in designated tourism zones. Related policies are created to generate a compatible tourism product, increase citizens awareness of tourism and employment opportunities (Langkawi Municipal Council, 2005). During the Sixth Malaysia Plan (1991-1995), and partly due to large outflows from Malaysians travelling abroad, the plan proposed a two-pronged strategy of tourism development to increase foreign tourist inflows, and to promote domestic tourism to reduce foreign exchange outflows on account of foreign travel by Malaysians. Those strategies were continued further during the Seventh Malaysia Plan (1996-2000) by focusing more on domestic tourism through local residents' involvement in entrepreneurship in product development and services. By the Eighth Malaysia Plan (2001-2005), basic strategies and policies of tourism development aimed to achieve sustainable growth, and to realise potential income at national, state and local levels. Sustainable tourism strategies were used to protect a balance between environment, economy, social and cultural issues in all tourism activities, and planning and was structured as follows:

- Priority on sustainable tourism development.
- Focus on holistic approach for tourism development.
- Promote Malaysia as an attractive destination with events and carnivals.
- Improve human resource development.
- Prepare and upgrade communication network.
- Improve strategic agreement and international cooperation.
- Improve tourist hospitality and safety.
- Develop strategic alliances and international cooperation.

Subsequently, the Ninth Malaysia Plan (2006-2010) also stressed the importance of sustainable tourism development. The plan suggested product development, human resources improvement, and develops domestic tourism through marketing and promotion activities. The national tourism committee will act as coordinator between the private and public sectors. State tourism and cultural authorities will be created in every state for an effective strategy for tourism development. A focus will be given to eco-tourism development through agriculture and rural product development.

#### 4. TOURISM GROWTH

The tourism industry received an allocation of MYR\$ 8.59 million for destination development in the Second Malaysia Plan (1971-1975), compared with no allocation during the First Malaysia Plan (1965-1970) (Table 1). The Second Malaysia Plan (1971-1975) also estimated about 170,000 international tourists would visit Malaysia by 1975, which was an increase of about 17 % a year in the period 1971-1975, compared to 13.7 % a year increase in the First Malaysia Plan (1966-1970) (Government of Malaysia, 1971). Accommodation rooms rose from 1,900 in 1965 to 6,000 in 1970, and workers in the hotel industry also increased from 2,700 to 8,000 during that period.

TABLE 1 - GOVERNMENT ALLOCATION FOR TOURISM DEVELOPMENT

Five years plan	Allocation (MYR million)
1 <sup>st</sup> Malaysia Plan (1965- 1970)	No allocation
2 <sup>nd</sup> Malaysia Plan (1971-1975)	8.59
3 <sup>rd</sup> Malaysia Plan (1976-1980)	27.19
4 <sup>th</sup> Malaysia Plan (1981-1985)	40.00
5 <sup>th</sup> Malaysia Plan (1981-1985)	140.50
6 <sup>th</sup> Malaysia Plan (1986-1990)	533.90
7 <sup>th</sup> Malaysia Plan (1996-2000)	605.50
8 <sup>th</sup> Malaysia Plan (2001-2005)	1009.00
9 <sup>th</sup> Malaysia Plan (2005-2010)	1847.90

Source: Tan (1991), Government of Malaysia (2001, 2006).

The government hoped that the incentives would encourage the private sector to invest more in accommodation sector, especially for international hotels. However, according to Mohd Saad (1998) the progress of tourism development in Malaysia during the 1970s was still considered moderate until the end of the 1980s, when the government began to promote tourism aggressively overseas. The allocation for tourism development in the five years plan was raised from MYR\$ 27.19 million in the Third Malaysia Plan (1976-1980), to MYR\$ 40 million in the Forth Malaysia Plan (1981-1985).

A cabinet committee for tourism development was set up in 1985, and was headed by the Deputy Prime Minister, before it was transferred to the Ministry of Culture, Arts and Tourism in 1987. The committee was responsible to monitor all aspects of tourism development in the country (Tan, 1991). By 1989, about 24% from Malaysia's GDP (Gross Domestic Product) came from the tourism industry and tourism was the second largest contributor to the country's service account (Sirat, 1993). Statistical data in the Fifth Malaysia Plan (1981-1985) and the Sixth Malaysia Plan (1986-1990) reported that tourist arrivals rose from 22.5 million to 33.5 million. Income grew to MYR\$ 31.2 billion from 1986 to 1990, up from MYR\$ 12.8 billion from 1980 to 1985 (Malaysia Tourism Promotion Board, 1999).

In addition, during the Sixth Malaysia Plan, more funds were allocated to the tourism sector compared with the Fifth Malaysia Plan (from MYR\$ 140.5 million to MYR\$ 533.9 million). According to Walton

(1993), federal government initiative was urged by the success of neighbouring countries, Singapore, Thailand and Indonesia. For example, Singapore received MYR\$ 3.9 billion from the tourism industry in 1980, and this figure tripled to MYR\$ 11.55 billion in 1990, but Thailand was the biggest earner in the ASEAN region, receiving MYR\$ 12.1 billion in 1990 compared to MYR\$ 2.38 billion in 1980. Indonesia however, achieved the highest increase from MYR\$ 795 million in 1980 to MYR\$ 5.12 billion in 1990.

Malaysia's aggressive initiatives paid off when the number of overseas visitors increased dramatically from 2.2 million in 1980 to 7.4 million in 1990 (Figure 5). Although Malaysia's revenues increased to MYR\$ 4.18 billion in 1990 compared to MYR\$ 729 million in 1980, the total receipt from tourists' expenditure was still lower than Thailand, Singapore and Indonesia (Walton, 1993). This may have been because the majority of foreign travellers into Malaysia were from Singapore, and most of these were day trippers or weekend travellers who spent their time staying with friends or relatives (Mohd Saad, 1998). In 1995, however, Malaysia recorded total tourist receipts of MYR\$ 9.9 billion from the arrival of 7.5 million tourists (Sadi and Bartels, 1997). Interestingly, in 1995, it was the Singaporeans, who became the biggest spenders in Malaysia with a total of MYR\$ 4.68 billion. That amount was more than what was spent by travellers from Japan, Taiwan and Thailand (Sadi and Bartels, 1997).

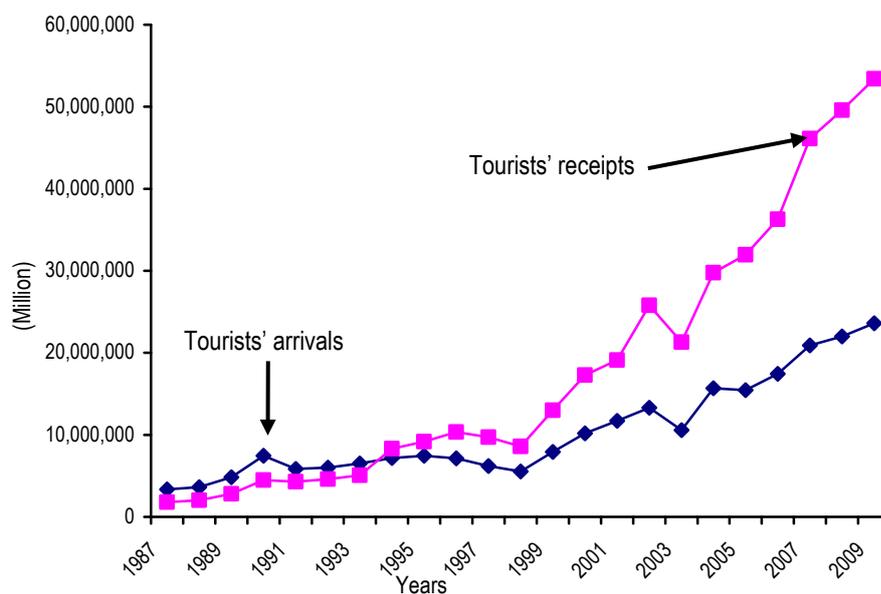


FIGURE 5: MALAYSIA'S INTERNATIONAL TOURIST ARRIVALS AND RECEIPTS (1987-2009)  
Source: Sharif (2002), Government of Malaysia (2001, 2006).

This significant achievement in tourism development in Malaysia during the 1990s can be attributed to the government's involvement in developing the industry. In the 1990s, the Ministry of Culture, Arts and Tourism (MOCAT) was set up and the first international 'Visit Malaysia Year' campaign was launched in

1990. This successful campaign for the tourism industry was followed by another 'Visit Malaysia Year' campaign in 1994. The 1994 campaign included the added initiative to encourage the growth of domestic tourism (Mohd Saad, 1998). During the 1996 national budget, the government provided MYR\$ 294.5 million worth of incentives in the form of investment tax allowances (Sadi and Bartels, 1997).

However, the economic recession in 1990s delayed tourism development. International arrivals had decreased for the two years from 1997 until 1998. Despite the set back, the statistical data for the seventh Malaysia Plan (1996-2000) showed that tourist arrivals increased from 7.5 million in 1995 to 10.2 million in 2000. Income from the tourism industry also almost doubled from MYR\$ 9.175 billion in 1995 to MYR\$ 17.3 billion. Hotel rooms increased dramatically from 76,373 rooms to 124,413 rooms, but the room occupancy decreased from 65% to 55%, because of the economic recession. The budget for the tourism sector in the Seventh Malaysia Plan (1996-2000) was increased to MYR\$ 605.5 million, with most of the allocation going to infrastructure and destination development.

The Eighth Malaysia Plan (2001-2005) provided a MYR\$1 billion allocation, with the priority on environment protection and infrastructure development, conservation and national monument protection (Government of Malaysia, 2001). Numbers of hotel rooms increased from 124,413 rooms in 2000 to 155,356 rooms in 2005. The government also allocated another MYR\$ 2.4 billion for tourism infrastructure and development fund. Most of the allocations went to tourist destination development and Pangkor, Redang, Tioman and Langkawi Islands received the priority.

Rapid progress of tourism development in Malaysia has encouraged the federal government to provide MYR\$1.9 billion of allocation in the Ninth Malaysia Plan (2006-2010) to improve tourism infrastructure and facilities and environmental conservation in tourist destinations. By the end of 2009, there are 2,373 hotels in Malaysia provided about 168,844 rooms, most of the hotels centered in major cities such Kuala Lumpur, Johor Baharu and Penang. Tourist arrivals in 2009 also increase to 23.6 million contributing to MYR\$52.4 billion of income compared to MYR\$ 32 billion in 2005.

## 5. CONCLUSIONS

Since the 1970s, tourism development in Malaysia had steadily grown from an alternative sector to become a major component in the national economic structure. It was undeniable that the driving factor for the success of tourism industry was caused by its contribution to the local economy and therefore, the tourism industry became an agent for development especially to local tourist destination. In fact, an example from the 1970s shows how the potential of the tourism industry had influenced the government's decision to create the Malaysian Airline to provide means of access for foreign visitors.

This was support by several actions taken by the government to strengthen the administration of tourism planning in Malaysia.

In fact, the Malaysian government has defined the policy for tourism development to stimulate the domestic economy by generating foreign exchange, employment opportunities and encouraging equitable economic and social development. Almost all policies support the government strategies to use the tourism industry as a catalyst for economic and social development. The government also wanted to use tourism to develop rural areas by promoting rural enterprise and accelerating rural-urban integration and cultural exchange. Nevertheless, the progress of the tourism industry in Malaysia shows the important of government role in developing the industry. Looking back to 1970s, when the first initiative was taken for tourism development, the aim was to foster national unity and develop the nation. However, with an effective strategy, those aims has turned tourism to become as one of the biggest sector in the country which far above than earlier aims and expectations.

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