Chapter 6

Conclusion

6.1   Summary of the Study and policy implication

Thailand had been ranked among the twenty most popular tourist destinations in the world.   The income received from international tourists has accounted for 6.23% of the GDP. The major international tourists in Thailand are Bangkok, Chiang Mai, Chonburi (Pattaya), and Phuket. Investigation was made on the relationships between the international tourism demand to Thailand and such probable determining factors are: real per capita national income, travel costs, relative prices, and nominal exchange rates. The panel data or longitudinal observations on cross sectional units from ten major tourists generating countries were used for this research. . Annual data for 1981 – 2007 periods is analyzed and dependent variables are: the numbers of foreign visitors to Thailand and the numbers of visitors to Thailand from the ten major countries traveling for holiday purpose and for business purpose. The Monthly data from January 1992 to December 2006 were used for the other dependent variable: from each of the ten major countries that traveled to four important tourism destinations in Thailand namely Bangkok, Chiang Mai, Cholburi(Pattaya), and Phuket. The long run international tourism demand was modeled by estimation of the fixed effects and random effects in the panel data sets. Meanwhile, the short – run relationship was estimated by using dynamic panel data.

The multidimensional estimators using panel data revealed most of explanatory variables were statistically significant in determining the international tourism demand to Thailand particularly the income variable with the estimated value of elasticity of greater than one; implying that the economic conditions in the tourist sending country will affect much for foreign tourist arrivals to Thailand. Moreover, tourism to Thailand is more sensitive to relative prices than nominal exchange rates and transport costs. The estimators of the lagged dependent variable in dynamic panel data for short – run relationship is the significant for every model (1.105. 0.980, 0.860, 0.096), which may be interpreted as a minor word-of-mouth effect on the consumer decision, in favor of the destination. Furthermore to DOLS-estimator; on the basis of statistical significance, imply that nominal exchange rate in the short run still be so strong to positive effect (to increase   number of international tourist arrivals to Thailand) but negative effect in relative price and total cost.

The estimated OLS estimators in panel cointegration suggest that the economic conditions of tourists visiting Thailand are very important factor in determining tourism demand in Thailand in some of countries as in China (1.27), Singapore (1.05), USA (1.27), and Malaysia (0.75), contrary which is in the opposite direction and has less effect in Australia (-0.07), United Kingdom (-0.31), and Japan (-0.96). The estimated values of the cost effect with long distance countries from Thailand such as Germany (1.06), Australia (0.85), USA (0.84)) found more positive direction than short distance countries from Thailand (China (0.36), Singapore (0.42), Taiwan (0.49)), and get a negative direction in a border country like Malaysia. The later happenings may be due to two reasons: firstly, this study account only number of tourist by airplane and, secondly; when oil jet price gone up; then tourists might come

by car instead of by airplane. Additionally, the incremental relative price level led to decrease in number of tourists arrivals from Japan (-3.47), Singapore (-2.21), Australia (-1.11), and UK (0.85). Moreover, nominal exchange rates of origin leads to a decrease in total number of tourist arrivals to Thailand from China (-8.17), Japan (-4.11), and Australia (-2.21).

Between the two categories of visitors for holiday and business purposes, the study reveals that the demand for tourism relationship fundamentally similar. Considering business purpose in the long run, the estimated value of the positive income elasticity (2.36) suggest that the economic conditions of tourists who visit Thailand are a very important factor to determine the tourism demand and consider tourism as a luxury good and with similar result from the perspective of holiday pleasure, with the estimated value of the income elasticity 2.19. However, the result shows little effect in nominal exchange rate (0.29) on business purpose while as much more effect in nominal exchange rate (1.06) for holiday pleasure. Moreover, random effect estimator revealed that relative price have positive effect (0.66) in business purposes but more negative effect in relative price (-2.22).Both holiday and business purposes estimated value of total cost and slightly negative effect in total cost (-0.06.-0.05) in number of tourist arrivals to Thailand.

With dynamic panel GMM estimator considering top ten countries for tourists visited to business and holiday purpose to Thailand in the short run found that total number of tourist arrivals from top ten countries to Thailand from the past, leads to an increase in total number of tourist arrivals to Thailand in present (0.24 and 0.28).

With monthly data from January 1992 to December 2006, the findings on the demand factors of visitors from various countries for different tourism destinations

varied statistically significant in type and place. While considering total number of tourist arrivals in original top ten countries effecting tourist demand to major tourist provinces to Bangkok are from Malaysia (4.51%), Japan (11.19%), South Korea (7.20%). U.K. (12.16%), U.S.A. (11.84%), Germany (10.84%), Taiwan (9.66%), Australia (8.40%), Singapore (12.86%), and Hong Kong (11.34%). The estimated result from panel data in the long run with fixed effect and random effect and fixed effect and in random effect after seasonal adjustment found that the coefficient value of real per capita income is low(0.38,0.36) but positive (income) elasticity of demand for visitors from the pertinent country to spend the visits, while the relative price factor had inverse and highly elastic on the visits(-2.35, 1.40, - 2.34). There are still rather high negative effects at the nominal exchange rate (-0.85, -0.25), which means an increase in nominal exchange rate in the ten countries has rather high effects to reduce numbers of international tourist arrivals to Bangkok. However, an increase in the total cost leads to positive but low effect to increase numbers of international tourist arrivals (0.32, 0.38, 0.33, 0.40) to Bangkok.

In case of Chiang Mai, considering the ten major countries sending international tourists are: U.S.A. (16.91%), France (15.02%), Japan (13.28%), Germany (13.11%), U.K. (12.72%), Netherlands (7.41%), Malaysia (4.44%), Singapore (6.29%), Taiwan (6.53%), and Australia (4.29%). The analysis shows that there is both income and relative price conditions at home faced by foreign visitors were found to be associated in the same direction in the number of the pertinent visitors but the effect was high from the income factor (3.70, 2.54, 3.76, 2.67) compared to low from price (0.69, 0.61). The result suggest the economic conditions of the ten major international countries sending tourists to Chiang Mai are highly

affected in determining tourism demand in Chiang Mai and tourism in Chiang Mai is still a luxury goods. For Pattaya (Cholburi) destination, the ten major countries sending visitors to Pattaya are: Taiwan (11.22%), U.K. (11.52%), Hong Kong (10.89%), Japan (6.01%), South Korea (11.20%), U.S.A. (5.36%), Singapore (3.38%), Malaysia (3.01%), Germany (13.60%), and France (23.82%). The finding reveals that, the income variable had small elasticity (0.30, 0.26) and tourism in Pattaya is a normal goods and was positively related to the number of arrivals. Likewise, similar results is found in case of travel costs variable (0.23, 0.24, 0.26). On the other hand the exchange rate factor was found to have pronounced negative impact (-0.86, -0.53, -0.83) on tourism demand.

Similarly, the ten major countries for international tourism demand to Phuket are : Germany (14.93%), Taiwan (18.04%), U.K. (12.96%), Sweden (9.58%), Japan (11.14%), Switzerland (6.99%), Italy (7.41%), South Korea (6.97%), Hong Kong (6.88%), and France (5.12%). Our analysis explore that the elasticity values for both income (2.04, 1.70, 1.93, 1.64) and price variables (0.72, 0.85, 0.79, 0.89) had very large and positive effect on the tourist arrivals, whereas the travel costs (-0.31, -0.27,-0.29,-0.25) and nominal exchange rate (-0.04, -0.03,) factors are with very low elasticity and there is negative impact on the tourism demand.

In general, The result from lagged dependent variable in dynamic panel data for every model encourage to the government agencies , TAT, and the private sector should be monitored more carefully for every condition related to tourism which may cause a negative image to tourists during their travel in Thailand. Promotional activities during the low season should be focused and tailored to the targeted groups of international visitors.This includes study of international consumer (tourists)

behavior considering facilities and services that can be offered by the provinces based on the peculiarities of the destination. The other avenue that can increase revenue from the tourism industry is, need to link the tourism industry with other sectors of entire economy, for example agricultural sector by creating value added agricultural products. There is a need to support tourism education and public awareness of the social and economic benefits from this industry and, the negative impacts from tourism in Thailand, as well. Thailand should be more proactive in anticipating the demand, and more aggressive in taking actions. Co-operation with surrounding tourism destinations in Thailand and neighboring countries would also be beneficial.

The findings on the difference in demand factors and impact magnitude concerning international tourist arrivals to various destinations in Thailand would be the useful information for policy-makers to design appropriate tourism promotion strategies at provincial level. Therefore, it is important for policymakers to closely monitor the economic cycles in the origin countries that sending tourists to Chiang Mai and Phuket. It would also be very advisable to diversify risks by trying to capture potential international tourists from other markets. The ten major source countries to Bangkok are very sensitive to prices, thus, suppliers must be careful with prices in order to maintain the competitiveness of their products. Moreover, for Pattaya (Cholburi) destination, the ten major countries to Bangkok and Pattaya are also very sensitive to nominal exchange rate. As we know, Thailand is adopting a floating exchange rate; it would also be wise to look to diversify risks by trying promotional activities that encourage tourists from source countries to Bangkok and Pattaya. Attempts to increase revenue from the tourism industry in the provincial level should not only come from the number of visitors, but there is a need to reposition the

provinces as quality destinations by diversifying the market, quality improvement of the tourism products, and lengthening of the tourist season.

6.2 Future research

From the study, the conclusion drawn is that elasticities over time, change with changes in incomes, prices, total cost and nominal exchange rate. The tourism demand models assume that constant elasticities are misspecified, so that elasticities need to be updated regularly because outdated elasticities may mislead policy and marketing decision-makers.

The panel data model has to be further studied in international tourist demand effect to other main tourists' provinces in Thailand. The tourism demand equation might put other relevant variables such as infrastructure or political issue. Futures data need to be test from total number of international tourist arrival to Thailand from daily data if data can be available.