

Project ID/Title: NRGS13-003-0003/Socio Economic Impact of Shari'ah Compliant Hospitality Services for Malaysia and Muslim Communities

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Abstract:

This research study consists of six studies:

1. Input-output (IO) model which is the base for CGE model that is used to measure the impact of the proposed rating tools, legal and administrative mechanism of shari'ah compliant hospitality services.
2. Gravity model measuring the number and impact of tourist from OIC countries into Malaysia.
3. Gravity model measuring the destination and economics contribution of tourists from OIC countries.
4. Performance evaluation of Malaysian states in tourism services.
5. Performance evaluation of OIC countries in tourism services
6. Contribution of medical tourism to Malaysia's economy.

Key words: Muslim Friendly Tourism, CGE, Impact of tourism, Efficiency

Introduction:

This research consist six studies span over 5 years that ultimately measure the contributions of the tourism sector, especially Muslim Friendly tourism on Malaysia economic growth.

Background:

This study is a part of the programme entitled Islamisation of Human Knowledge - Shari'ah Compliant Hospitality Services

Objectives:

- 1) To build economic models which measure the contributions (Input-Output model, Gravity model) and impact of Muslim friendly hospitality services (CGE model).
- 2) To measure the contribution and performance of hospitality sector to Malaysia and global economy especially OIC member countries.
- 3) To study unique opportunities for public and private sector development in job creation, education, financing in Muslim friendly hospitality services.
- 4) To study the distinctive challenges and gaps for growth and development of Muslim friendly hospitality services.
- 5) To measure the impact of the rating tools and legal and administrative framework in Muslim friendly hospitality services suggested in project 1 and 2.

Methodology:

Different methods have been used in the 6 studies.

Findings:

There are six studies contributing to measuring the effect of shari'ah compliant tourism services

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The output from the six studies are the input for the CGE model to measure the impact of the proposed rating tools, legal and administrative mechanism of shari'ah compliant hospitality services

Highlights of Research Findings

- Tourism-related sectors total contribution to Malaysia's GDP in 2013 was RM158.2 billion (16.1% of GDP). The rate was also higher than the world's average which is 9.5%. Its total contribution to GDP is expected to further increase by 6.8% in 2014. Tourism sector also contribute towards employment opportunities; including employment opportunities; contributing at 14.1% (1,857,500 jobs) of total employment in Malaysia.
- Tourism-related sector have strong backward linkages through high output multiplier. It reflects the high ability of tourism-related sector in generating output level as well as production process of the other sectors in the economy. The high output multiplier generated by tourism sector also reflects its high ability in earning foreign exchange through the foreign tourist's expenditure, compared to the other export-oriented foreign exchange earning sectors. The tourism sector's average income multiplier also is higher than the economy's sectoral average income multiplier. The importance of tourism sector in generating output as well as income in Malaysian economy has revealed the significance of the tourism inclusion in each of the Malaysia development plan; 9th Malaysia Plan, 10th Malaysia Plan, and NEM, to help Malaysia's economic growth and achieves its vision 2020.
- The number of tourist arrivals into Malaysia from Muslim countries is significantly smaller than the number of tourists from non-Muslim countries, however, which brings into question the rationale for Muslim-friendly tourism initiatives.

- The gravity model shows Muslim country effect is positive, where it increases the number of arrivals by about 90 percent. The low number of arrivals from Muslim countries is due to the low income of many Muslim countries; furthermore, Muslim countries with high incomes have low populations. The distance of Muslim countries from Malaysia is also a factor constraining the number of arrivals. Given the importance of tourist arrivals from non-Muslim countries, Muslim-friendly tourism initiatives have to be carefully designed so that the initiatives will not crowd out tourists from non-Muslim countries.

- Evaluation of efficiency on the 13 states in Malaysia indicates that Perlis, Pahang, Melaka and Federal Territories are the efficient states, while Selangor is the least efficient throughout the year from 2009 to 2014.

- Malaysia has over the years crafted a healthcare system that is fairly equitable and accessible almost free at the point of use for all Malaysians. The country's healthcare report card has been impressive and its health indicators are comparable to those of developed countries. Malaysia also has a strong network of hospitals and health facilities, both public and private, throughout the length and breadth of the country. It is against this setting that Malaysia is poised to reap the benefits that medical tourism has to offer.

- At the moment, private hospital fees between local and foreign patients are the same in Malaysia. But if we take into account the fact that medical tourists do not contribute through taxation to the training of physicians and other health professionals, we may argue as did NaRanong (2011), that medical tourists may be levied a tax.

- Medical tourism today takes on a different trajectory altogether from leisure tourism. The demand for expertise and the risk exposure is much higher in the service rendered. The National Heart Institute, for example, is much favoured by medical tourists for cardiac treatment and heart bypass. But the price for Malaysian healthcare is

cheaper in Malaysia than in Thailand or Singapore, although the standard of technical expertise is the same. A heart bypass in Singapore would cost USD 18500, in Thailand USD 11000, but only USD 9000 in Malaysia (Woodman, 2007). This element of value in Malaysian healthcare has attracted many medical tourists into the country year on year.

- Given the demand for Malaysian healthcare and coupled with the medical expertise that the country has, Malaysia should be in a right position to price its medical service higher for its medical tourists, while keeping the fee affordable for its own nationals. A differentiated fee structure will see the country getting more benefits from medical tourism, the revenue which can be ploughed back into its healthcare system for the good of Malaysians at large. Thailand and Singapore are already taking steps in this direction.

Conclusion:

As a summary the studies show that:

1. CGE Model of The Malaysia's Economy that include Shari'ah Compliant Hospitality Sector
2. Muslim country effect varies by countries. Positive for a few countries. Not significant for many countries. the effect is negative for some countries
3. Muslim tourists prefer to visit Europe and America. Only Malaysia and Turkey are on the list of preferred country.
4. Non-Muslim countries are attracting Muslim visitors by getting Halal certification.

Output:

Journal

1. Ghani, G. M. (2019). Tourist Arrivals to Muslim Countries: Pre-and Post-September 11. *Journal of Economic Cooperation & Development*, 40(3).
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3. Ruslan, S. M. M., Ghani, G. M., & Khalid, H., Mokhtar, K. (2019) Transportation Dynamic Behaviour of Structural Break and Consumer Price Index. *International Journal of Recent Technology and Engineering (IJRTE)*, 283-290.
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5. Muhammad Hanif Othman, Noorihsan Mohamad, Gairuzazmi Mat Ghani and Muhammad Irwan Ariffin (2018) "Malaysia's Tourism Demand: A Gravity Model Approach." *Journal of Business and Social Development*, 6, 39-50.
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7. Muhammad Hanif Othman, Noorihsan Mohamad, Gairuzazmi Mat Ghani and Muhammad Irwan Ariffin (Forthcoming) "Efficiency Evaluation: The Case of Tourism Industry in Malaysia" *International Journal of Business and Society*.
8. Muhammad Hanif Othman, Noorihsan Mohamad, Gairuzazmi Mat Ghani and Muhammad Irwan Ariffin (Forthcoming) "Evolution of Rural Communities through Homestay Programs: A Case Study of Banghuris Homestay" *International Journal of Economics and Management*.
9. Siti Marsila Ruslan, Gairuzazmi Mat Ghani. "Examining Price Convergence Behaviour between Peninsular Malaysia and Sabah & Sarawak: Evidence for Market Integration" (PERKEM 2016 Conference)
10. Noor Hazilah Abd Manaf. Medical tourism: miracle or mirage? CONFERENCE: 18th QMOD-ICQSS & KSQM International Joint Conference on Quality and Service Sciences (ICQSS 2015), Seoul, Korea Page: 1-16.
11. Siti Marsila Ruslan, Gairuzazmi Mat Ghani "Price Disparity between East and West Malaysia: Issue of Cabotage Policy using Stakeholder Analysis" (1st International Research Conference on Engineering, Science and Humanities 2016 (IRCESH))
12. Siti Marsila Ruslan, Gairuzazmi Mat Ghani Price co-movement for major group of goods and services: a time-series assessment. *International Conference on Advanced Research in Business and Social Sciences 2016*.
13. Muhammad Hanif Othman, Noorihsan Mohamad, Gairuzazmi Mat Ghani and Muhammad Irwan Ariffin "Efficiency Evaluation: The Case of Tourism Industry in Malaysia" *International Business and Economic Conference 2018*, on 1-2 March 2018.

14. Muhammad Hanif Othman, Noorihsan Mohamad, Gairuzazmi Mat Ghani and Muhammad Irwan Ariffin "Evolution of Rural Communities through Homestay Programs: A Case Study of Banghuris Homestay" International Conference on Rural Development and Entrepreneurship (ICORE2017).
15. Muhammad Hanif Othman, Noorihsan Mohamad, Gairuzazmi Mat Ghani and Muhammad Irwan Ariffin "Malaysia's Tourism Demand" Global Tourism Conference, Tourism Development & Innovation: A Catalyst for Sustainable Environment & Livelihood

PhD Thesis

16. Muhammad Hanif Othman "Assessing Demand, Efficiency and Impact of Tourism Industry in Malaysia"
17. Siti Marsila Ruslan "Factors Affecting the Co-Movement of Prices Between Peninsular Malaysia and Sabah: A Focus On Cabotage Policy"

Master Thesis

18. Zouhair Bin Mohd Rosli "Contributions of Hospitality and Services Sector to Malaysian Economy"
19. Ismaalena Binti Ismail "Determinants of Tourist Arrivals on OIC Countries: A Gravity Model Approach"
20. Mohammad Rezoanul Hoque "The Economic Efficiency of Tourism Industry: A Global Comparison"
21. Robiatul Adawiyah Binti Safruddin "The Contribution of Tourism; Especially Muslim Friendly Tourism in Malaysia"

1. Intellectual Property Rights (*Patent, Industrial Design, Trademark, Copyright, etc.*)

2. Human Capital Development (*PhD, Masters, Research staff with specialty, etc.*)

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Future Plan of the research:

To complete book on contribution of tourism to Malaysia's economy.