Exploring Economic Valuation and Impact of Rural Tourism

Nitanan Koshy Matthew¹, Ahmad Shuib¹, Sridar Ramachandran¹
Syamsul Herman¹ and Vikneswaran Nair²
¹Universiti Putra Malaysia, Malaysia
²Taylor’s University, Malaysia

Economic valuation studies can be used to determine conservation values of resources to consumers. Since rural tourism development depends greatly on the availability of natural resources, an economic valuation of natural resources can be used to gauge sustainability of rural tourism in the future. In addition, economic impact studies on rural tourism development will convey the effect of the development on employment, business and government revenue in the region. The findings from these studies could be beneficial to policy makers in terms of making appropriate decisions on the conservation of natural resources and rural tourism development in Malaysia. There are various methods used by researchers for economic valuation and economic impact studies. Hence this paper intends to bring to light the function of these studies in the development of rural tourism. Besides, the paper also highlights the usefulness of these studies for policy makers, state governments and park managers in terms of making appropriate plans for the development of tourism particularly in rural areas. Finally, it intends to explore various methods used in these studies by researchers.

Keywords: Benefit, economic valuation, economic impact, sustainability, rural tourism

Introduction

According to World Travel and Tourism Council (2011), tourism is one of the world’s largest economic sectors. It contributes trillions of dollars annually to the world Gross Domestic Product (GDP) and consequently enhances job opportunities and wealth, increases exports and boosts tax and capital investment. It is claimed that Travel and Tourism provides jobs to around 260 million people. Furthermore, it estimated that the industry contributed almost USD6 trillion or 9% of the Gross Domestic Product in 2011.

Email: mad.shuib@gmail.com
Rural Tourism in Malaysia

The Rural Tourism Master Plan (RTMP) describes rural tourism as “Tourism that provides opportunities to visitors to visit rural areas and rural attractions, and to experience the culture and heritage of Malaysia, thereby providing socio-economic benefits for local communities… It encompasses tourism within the core rural area, that is, in the rural space between urban areas and hinterland. It may include fishing villages and other villages located outside the core area, where traditional lifestyles are still preserved. The proximity of many of these rural areas to the hinterland of jungle and rainforest also offers visitors an opportunity to extend their holidays and enjoy those unique natural resources.” (MOCAT 2001)

Economic Valuation Techniques/Methods

Economic valuation of tourism can be done at two levels — the macro level and micro level. At the macro level, studies will focus on economic impacts of tourism development in terms of employment creation, income effects, business opportunities etc. Analyses focusing on the micro effects will determine the values or satisfaction of the tourists when visiting and using the resources at the destination.

The main purpose of economic valuation at a micro level is to determine the benefit gained by the tourist to alert the communities on the importance of conservation of resources. With the willingness to pay for conservation, the resource would be used at a sustainable level. The failure to conserve the natural resources will lead to depletion and with depletion of resources, rural tourism may not be attractive to the tourists as the benefit gained will be reduced.

On the other hand, at a macro level, the economic impact study is used to measure the economic benefits of rural tourism development to a country or region. The economic impact of rural tourism development to a region is measured in terms of income, employment, business, tax revenue, etc. The impact can be positive or negative. The expenditure by tourists on rural tourism is used to determine the economic impact or benefit of rural tourism development to a region (Yacob et al. 2007).

Similarly, direct revenue from tourists’ expenditure and indirect revenue created for the local economy through spending of the tourists expenditure for tourism are used in the assessment of economic impact (Lee 2011). For this study, the economic impact will be measured by gauging the economic benefits of rural tourism development to the local and rural tourism operators in a region.

Table 1 shows several past studies carried out to estimate visitors’ satisfaction using two popular techniques, the Travel Cost Method (TCM) and the Contingent Valuation Method (CVM). Lee and Han (2002), Samdin (2008) and Shuib (2009) used the CVM, while other studies employed the TCM.

According to Chen et al. (2004), TCM is an indirect method of estimating benefits gained by visitors upon visiting recreational sites. The model employs the travel expenditure incurred to a site to represent the price paid for a site visit. Such expenditure comprises round trip cost from origin, on-site expenditure and value of time. The study found that the value of the recreational benefits of the beach was USD53.5 million or USD16.9 per visit consumer surplus.

Meanwhile, CVM employs a direct approach. It relies on the stated intentions of an individual’s willingness-to-pay (WTP) (Walsh 1986 in Lee and Han 2002). Samdin (2008) in a study on WTP in Taman Negara found that the mean WTP for the entrance permit was RM13.06 per person.

Table 2 shows several past studies on the economic impact of tourism. The most common model used to study impacts was the Input-Output model. For instance, Shuib (2009) used a
Simplified Money Generation Model which was based on the Input – Output model to determine the effects of visitor spending at a tourism event on the economy of a region. According to Lee (2011) the main aim of the Input- Output (I-O) model is to determine the proportion of sale revenues used by each tourism sector, for instance food, accommodation, entertainment and various sectors, to purchase primary inputs. In addition, I-O multipliers are computed to gauge the indirect effects for instance, generation of employment, income and sales. The effects will be influenced by leakages due to imports of goods from outside the region.

**Conclusion**

In a nutshell, it is crucial to know the economic value and impact from rural tourism development. These studies would provide sufficient information to policy makers on the economic value and impact of rural tourism particularly of a rural region. This in turn, will help them arrive at appropriate decisions on resource planning and rural tourism development in the rural areas. Additionally, such studies should also be useful to public administrators and politicians in realizing that it is worth spending on the development of rural tourism or perhaps it is more beneficial to promote tourism in a particular area than other alternative models of development.

**Table 1: Economic Valuation Study for Responsible Rural Tourism**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Ahmad 1994)</td>
<td>Determine the demand and value of outdoor recreation in Langkawi by domestic visitors</td>
</tr>
<tr>
<td>(Lee and Han 2002)</td>
<td>Estimate the conservation value of natural and cultural resources in five distinctive national parks in Korea</td>
</tr>
<tr>
<td>(Shrestha et al. 2002)</td>
<td>Measure the recreational fishing value of the Brazilian Pantanal</td>
</tr>
<tr>
<td>(Chen et al. 2004)</td>
<td>Determine the recreational benefits of a beach along the eastern coast of Xiamen Island in China</td>
</tr>
<tr>
<td>(Samdin 2008)</td>
<td>Determine the willingness to pay in Taman Negara</td>
</tr>
<tr>
<td>(Shuib 2009)</td>
<td>Determine recreational value of the mangrove forest in Larut Matang, Perak</td>
</tr>
<tr>
<td>(Herman 2010)</td>
<td>Determine the value of recreational benefits of Perlis State Park</td>
</tr>
</tbody>
</table>

**Table 2: Economic Impact Study for Responsible Rural Tourism**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Var and Quayson 1985)</td>
<td>Measure the economic impact of tourism to the Okanagan Region, in Canada</td>
</tr>
<tr>
<td>(Archer and Fletcher 1996)</td>
<td>Analyze the economic impact of tourism in Seychelles</td>
</tr>
<tr>
<td>(Hjerpe and Kim 2007)</td>
<td>Regional economic impacts of Grand Canyon river runners</td>
</tr>
<tr>
<td>(Shuib et al. 2011)</td>
<td>Measure direct effects of visitors spending at the rainforest world festival music</td>
</tr>
<tr>
<td>(Lee 2011)</td>
<td>Determine regional economic impact of tourism in Penang</td>
</tr>
</tbody>
</table>
Acknowledgement

This work / research was partially funded by the Ministry of Higher Education’s (Malaysia) Long Term Research Grant Scheme (LRGS) Programme [Reference No.: JPT.S (BPKI) 2000/09/01/015JId.4 (67)].

References


