

## Chapter 8

# Can Educational Tourism Spur Economic Growth in Malaysia? Evidence from Neoclassical Growth Model

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### ABSTRACT

*This paper employs the neoclassical growth model to investigate empirically the role of educational tourism in Malaysia's economic growth during the period of 2002:Q1 to 2014:Q4. The present study finds that all determinants including educational tourism have a significant positive impact on economic growth in Malaysia, especially in the long-run. In terms of Granger causality, our results show that educational tourism and economic growth are Granger-cause each other in both the short- and long-run. In light of this, educational tourism can be an effective stimulator of Malaysia's economic growth. Moreover, the generalised variance decomposition analysis also affirms that educational tourism explained most of the long-run variation in economic growth compared to other determinants. Therefore, educational tourism is found to be a new and reliable source for Malaysia's economic growth. For the sake of brevity, any macroeconomic policies that heading toward promoting inbound educational tourism will probably spur the growth of the Malaysian economy, especially in the long-run.*

### 1. INTRODUCTION

Globalisation has brought significant changes in the process of economic development from growth-oriented industrial to a knowledge-based economy. In this regard, the role of education has been emphasised with aspects of life-long learning and has been highlighted in the government's policies in many countries. According to the report of the International Consultants for Education and Fairs Monitor (ICEF Moni-

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tor), international students' mobility across the globe has raised significantly from 2.1 million in 2000 to nearly 5 million in 2014 (Anonymous, 2014). The rapid growth of mobility of international students across countries will significantly contribute to the educational tourism segment that either directly or indirectly promotes the tourism market in the host country as a whole (Hsu & Sung, 1997; Huang, 2008; Rodríguez, Martínez-Roget & Pawlowska, 2012). Despite the changes in the tourism industry together with the expansion of education sector, there is little research devoted to the impact of educational tourism towards the economy of the host country as noted in Ritchie (2003) that the potential size of educational tourism is still unrecognised.

Among the Southeast Asian economies, Malaysia is eager to further develop the education tourism segment. Currently, Malaysia has been ranked at the 12th in terms of favoured destination among international students. The education tourism segment could be one of the important segments to the tourism industry with several initiatives have been taken by the government. Under the 10th Malaysia Plan, the government aims to increase about 200,000 international students' enrolment by the year 2020. This is in line with the documentation of the National Higher Education Strategic Plan (NHESP) with the aim to transform and internationalise the Malaysian Higher Education Institutions (HEIs) so that this can enhance the role of Malaysia as a hub of excellence centre (see Tham, Mahmud, & Alavi, 2013). In 2015, the government launched the *Malaysian 101 Edu tourism Packages* under the collaboration of the Ministry of Higher Education (MOHE) and the Ministry of Tourism and Culture (MOTAC) to provide opportunities for the international students undertaking their tourism activities and experience that mostly offered by the respective local higher education institutions.

Despite continuing to promote her higher education institutions to the global market, negative problems arise from some of the international students should be a concern to the policymakers and the stakeholders. The positive influence of educational tourism on economic growth is further dampened by social problems committed by the international students. For example, according to the Sidang Dewan Negara (2014) reports, there are thousands of cases were reported involving the international students for violating the immigration laws such as violating their visa and extended stays in the country without permission from the Malaysian government. Other than that, they were also cases involving the international students in several criminal activities, for instance, drug trafficking, fraud and murder, thus leads to additional economic costs to the government in handling the issues. The negative implication of educational tourism has challenged the policymakers as well as the stakeholders to seek for a greater understanding of the actual impact of educational tourism on economic growth in order to use it as a channel to promote economic growth, especially in the long-run. Therefore, we examine the role of educational tourism in Malaysia's economic growth rigorously. To make our study more reliable and theoretically sound, the Feder's (1983) growth model will be used as a theoretical framework to explain and examine the impact of educational tourism on economic growth in Malaysia. Furthermore, advanced time series econometric methods such as unit root, cointegration, Granger causality, and the generalised variance decomposition methods will be utilised to achieve the objective of this study.

The balance of this paper is organised as follows. Section 2 presents the data and methodology used in this study. Empirical results and discussion will be presented in Section 3. Finally, the conclusion and policy implications will be discussed in Section 4.

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