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# Factors Impacting Tourism Demand: An Analysis of 10 ASEAN Countries

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## Abstract

This study investigates the effect of infrastructure, economic sectors and its status, foreign direct investment and private investment, as well as the role of political stability in enhancing the tourism demand in the ASEAN region. The research collected the secondary data from the World Bank database and the UNWTO website of 10 ASEAN countries over 17 years from 2000 to 2016. Applying the generalized method of moments, this research found that, “private investment”, “economic sectors”, “exchange rate and infrastructure measured by “using of the internet” can increase the tourism demand of a country in the ASEAN region. This research provided evidence indicating that the “foreign direct investment” and “inflation” are two detrimental factors for tourist attraction. The major finding confirmed the positive role of “political stability” in increasing tourist arrivals. First, attracting tourists to a country always poses many challenges to its government. It has been observed in the past decades that though there were many documents, which confirmed that industry can help in promoting tourism, very few studies investigated the role of both agriculture and manufacturing sectors in tourism promotion. Secondly, there are only a few studies which verifies the stability of the political system to the tourism demand in the ASEAN region and that this variable (political stability) has the strongest impact.

**Keywords:** Tourism, ASEAN, GMM Model

**JEL Classification Code:** Z30, R00, C23

## 1. Introduction

To define the impact factors on tourism demand plays an important part in the promotion of its economic outcome owing to the following reasons: Firstly, tourism is an industry that can support poverty reduction in the developing countries and bring opportunities for enhancing the image of the country (World Bank, 2006). Secondly, tourism can generate a higher benefit than trade in developing countries (Culiuc, 2014). UNWTO (2019) reports tourism contributes 29 per cent of the global service export in 2019. Furthermore, Ribeiro and Wang, (2020) confirm that tourism is an engine

that leads the economic growth, thus this topic attracts researchers around the world.

We know that tourism is a crucial sector for developing countries, which enhances their economic outcome (see Figure 1). Abel and Roux (2017) argue that tourism could help government expand business opportunities, maintain stable employment, and provide a better condition of communication with their residents. Most of the previous researchers have investigated how tourism affects an economy; only a few studies show the ways to increase tourism capacity. At that moment, the determinants of tourism demand were a big challenge for researchers. Furthermore, forecasting is essential for all industries, including the tourism industry. For developing economic policies, governments require information related to determinants of tourism demand (Li et al., 2020). Tourism is a complex industry that relates to different industries (Foris, 2014). As there is little literature available which explore the factors that leads to an increase in tourism demand in ASEAN countries since 2000s, this paper aims to investigate the factors that contribute to tourists attraction in ASEAN countries. Unlike the previous papers, this study determines the tourism demand depends on variables of macroeconomic factors and political stability.

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