Chapter 5

Conclusions

The study was conducted to investigate on economic factors influencing Lao PDR tourism demand including GDP per capita of the population in the origin countries (GDP), and tourism price (TP)which covered cost of living in destination country (tourism price/relative price) and cost of travelling from origin country to destination country and Price of fuel (PO). The study's main source of investigation foreign visitors covered eight ASEAN countries including Republic of Indonesia (Indonesia), Federation of Malaysia (Malaysia), Republic of Philippines (Philippines), Republic of Singapore (Singapore), The Kingdom of Thailand (Thailand), Nation of Brunei (Brunei), Socialist of Vietnam (Vietnam), and Kingdom of Cambodia (Cambodia). The method in this study used the panel ARDL approach was examined under Pooled Mean Group estimator and Mean Group estimator to explain behavior demand of foreign tourist arrivals in Lao PDR. This paper has explored the demand of foreign tourism using panel data of eight countries over the period 2005 to 2013. The following part explains the study result in summary.

5.1 The Result From Unit Root Test.

The results of the testing panel unit root test of the international tourism demand conducted by LLC(2002), Im-Peasaran-Shin (2003), ADF (2001) and PP (2003). These methods indicated that lnDt, lnGDP, lnOP and lnTP were accepted the null hypothesis shown significant levels of the unit root. In conclusion, the results of the testing of thesevariables based on these methods were shown in Table 4.2. The LLC(2002) revealed that lnDt, lnGDP and lnTP was accepted the null hypothesis shown significant levels of unit root test at 1^{st} difference I(1) and the lnPO was accepted the null hypothesis shown significant levels of the unit root test at the level order I(0). The results of Im-Peasaran-Shin (IPS) with a time trend and intercept were

done for natural logarithm of demand of tourist arrival to Lao PDR (lnDt), natural logarithm of GDP per capita of destination countries (lnGDP) and natural logarithm of tourism price (lnTP). The IPS test rejects the null hypothesis that means the panel data stationary (has unit root) at level I(1). On other hand, the null hypothesis of t-test at levels indicated nonstationarity performed by using the Augmented Dickey-Fuller (ADF) test of panel unit roots. In addition, this result indicated the critical values at the 1%, 5% and10% levels significance. For testing panel unit root with is trend and intercept, results were shown on chapter 4 including the results for natural logarithm of demand of lnDt, natural logarithm of lnGDP and natural logarithm of lnTP. The Augmented Dickey-Fuller (ADF) test rejects the null hypothesis that means stationary of the panel data (has no unit root) at level I(1). This means that the data can be adopted to make estimations because when the stationary data is significant enough to explain the model assumed to be nearly true.

5.1.1 Result from PMGE, MGE and Hausman Test

On the second part by conducting PMG, the results were shown on chapter 4 including lnGDP, lnPO and lnTP that had long-run relationship with a positive effect on the international tourism demand for Lao PDR. And the results of the long-run coefficient of lngdp, lnpo and lntp were experimented. The study found no short-run relationships the demand of tourist and determinant factors consisting lnGDP, lnPO and lnTP. The study indicated that lnGDP had the long-run relationship with lnDt. Adaptation for the long-run equilibrium (Error Correction Model) was found because $Ec_{i,t-1}$ is a significant negative relationship at – 0.78 at p-value significant (0.000). For the lnTP variable the result showed a significant positive relationship in the long-run at p-value significant (0.000).. For the case of lnPO variable, the result showed a significant positive relationship in the long-run at p-value significant (0.000).

The result of Hausman test was conducted for testing the hypothesis of the long-run to be equal across all panel data as stipulated by PMG model. Based on the calculated Hausman test conclusions can be summarized that the PMG estimator model MG estimator is appropriate more than another estimator.

5.1.2 Result from FMOLS

The results of FMOLS model were reported in the table 4.8 until table 4.12, representing the outcome of eight ASEAN countries as following:

The finding indicates that GDP per capita of each country in the ASEAN country had a significant positive impact on tourist arrivals to Lao PDR and also there were significant relationship in the long-run of GDP per capita of eight ASEAN countries on Lao PDR tourism demand. However, tourism is a well-known considered as the luxury goods as suggested by (Schiff & Becken, 2011), Phakdisoth and Kim (2007), Lim(1997), Dritsaki (2004), Choketarworn (2010), Chaitip and Chaiboonsri (2006).

Price of fuel (PO) represents namely transportation cost or price of ticket, tourist always take in to account on the travel cost from their hometown to target tourist destination. The decision making process of the tourists are usually think about the cost of travel based on their level of income. High price of transportation offered by airline is exposed to the strictly decision making process. This result indicated that price of fuel from Thailand; Cambodia, Singapore and Indonesia had a significant positive relationship at 10% level in the long-run. Moreover, for Vietnam, Malaysia, Philippine and Brunei, the price of fuel showed no effect on the tourist demand for Lao PDR. PO has a significant negative relationship in the long-run with Dt. The result can be adopted with reference to the tourism demand theory seen at the work of A.Rodriguez et al. (2012), Divisekera and Kulendran (n.a), and Song et al. (2010), Choketarworn (2010), Chaitip and Chaiboonsri (2006). Generally, tourists always take into account on the travel cost from their hometown to all targeted tourist destinations. The decision making process of the tourists are usually considered the cost of their travel bookings based on level of income. High price of transportation offered by airlines is exposed to the strictly decision making process that influenced to international tourism behavior to Lao PDR as a destination choice.

Tourism price, in case of tourism, particularly represent two main prices, namely the cost of living in destination country (tourism price/relative price) and cost of travelling from origin country of tourist arrivals to destination country (transportation cost). This empirical paper showed tourism price (TP) has long-run relationship with Lao PDR tourism demand of the numbers of tourist arrivals with a

significant negative relationship at 10% level in the long-run. But only Cambodia country had a significant positive relationship in the long-run. Tourism price is the most critical concern on its influents on decision making process of tourists visiting the destination country (Gonzalez, 1995). The tourism price is the price of bundle of goods and services bought by tourists, yet most of the countries do not have the tourism price index for goods and services purchased by tourists. Hence, consumer price index is very common adopting for experiments in many papers as a proxy, according to Asemota and Bala (2012), Song et al. (2009), Song et al. (2009), Song et al. (2003), Lee et al. (1996).

For the suggestion, firstly, the government should be focus on the tourism market promotion to attract the high income group of tourist arrivals, open-door policy concerning cooperation with foreign nation that focus on the sustainable cultural based tourism, natural based tourism and historical based tourism. The suggested tourism policy is very important to stimulate tourism industry in Lao PDR expanding the cooperation with eight ASEAN countries. Secondly, government should consider reducing transportation cost because price of ticket affected and determinants of tourism demand for major tourism market such as Thailand, Cambodia, Singapore, Indonesia and Brunei. Finally Lao PDR government should adopted tourism measures to control and to command the price of tourism, including price of living, relative price and price of traveling.

5.1.3 Recommendation for Further study

1. This research was observed at the big picture of eight ASEAN members hence the next study should be categorized countries in to various economic stakeholders, for example, in to agricultural based countries and socialist transforming countries.

2. The future research paper should focused on causality test by using Pool Mean Group (PMG) and Mean Group (MG) to estimate the relationship among those key variables.