

## **THE LOCAL COMMUNITY PERCEPTION OF THE IMPACTS OF TOURISM ON THE ECONOMY IN PANGKOR ISLAND, MALAYSIA**

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### **ABSTRACT**

This paper aims to identify the perceptions of local communities living within the boundaries of Pangkor Island, Perak Malaysia towards tourism development. Pangkor is a tourism island and has been involved in developing this industry since the 1970s. A survey was used to collect data from 126 residents of Pangkor regarding the residents' economic impacts on tourism development. The research was conducted in several tourist attractions and villages. Statistical approaches such as descriptive and crosstabulation were used to quantify the perception of the impacts of the local community on the economy. In conclusion, business type, job, and age were the factors affecting the mixed perception of tourism impacts on the economy of local Pangkor residents. The main findings showed that the locals perceived or felt the increase in daily expenses and the rising cost of living that affects the local community through the tourism activities. The study was carried out pre-pandemic, issues of the reduction of the visitors and economic values during and post-pandemic are not considered in this study. However, this paper is a benchmark on how the local people's perception of the economy of Pangkor initially before the Covid-19 pandemic in Malaysia.

**Keywords:** *Resident perceptions, tourism impacts, island community, tourist-resident interaction.*

### **INTRODUCTION**

'Tourism' is a term that describes a multidisciplinary concept such as geography, economy, business and marketing, sociology, anthropology, history, environment, and others (Williams, 1998). Tourism is integrated into the functional unit of the economy and is not only limited to activities in the common sectors like accommodation and hospitality, transportation, and entertainment (Simoni & Mihai, 2012). Tourism and its management are connected to all primary functions, processes, and procedures practised in various areas related to tourism as a system. Tourism can be studied using quantitative and qualitative approaches depending on the primary intention of the

research. Quantitative methods usually involve statistical analyses to support a decision quickly and convincingly. Meanwhile, qualitative methods typically allow researchers to consider the different stakeholders' perspectives (Frochot & Batat, 2013).

The tourism industry can significantly contribute to a region's economic growth via the labour market. This includes the occupation opportunities directly and indirectly through the supply of goods and the necessary services for tourist activities. Economic growth from tourism may also occur through foreign exchange and the increase of income of people in a tourist destination. Tourism products and services can be a tool for a country's progress in economy and growth of a goal (Dahles & Bras, 1999), and this industry has become more critical in recent years with its increasing contribution to Gross Domestic Product (GDP) (United Nations World Tourism Organization [UNWTO], 2011).

Like other countries, Malaysia's tourism industry was dramatically impacted by the COVID-19, where intercountry travel was restricted and international borders were closed. Malaysia showed a large significant reduction in the arrival of tourists, from 4.33 million in 2020 to only 134 728 in 2021 (Ministry of Tourism Malaysia, 2022). However, this industry showed a quick recovery when it reached 1 million tourists arrival after just two months after the borders reopened after just two months of the boundaries reopening. This showed that Malaysia has continued to become one of the internationally recognised tourist destinations.

In 2019, Malaysia recorded a higher number of visitors compared to 2018, with 239.1 million visitors. Domestic visitors spent an increase of 8.1% and a total of RM103.2 billion with an annual growth rate of 11.5 per cent. However, domestic tourism performance in Malaysia declined significantly in 2020 ,in visitor arrivals at – 44.9% and total expenditure at -60.8 %, respectively. The severe decline is due to the implementation of the COVID-19 lockdown in Malaysia and globally. Tourism is the fifth-largest industry in Malaysia and one of the main contributors to Malaysia's economy (Mapjabil & Yusoh, 2014). In the Ninth Malaysia Plan (2006-2010), the tourism industry has a good prospect for the Malaysian economy as this industry continues to be the main contributor to foreign exchange earners with income up to USD 18 billion in 2014 compared to USD 13.1 billion in 2010. The tourism industry is also seen to encourage the economy's growth, investment, and employment in this country. Based on Malaysia's Budget 2016, tourism is seen as the most potential sector to trigger the economic activities in this slow current global economic growth. The Malaysian government has allocated USD 0.3 billion to the Ministry of Tourism and Culture for the nation's tourism development, targeting to contribute USD25.7 billion to Malaysia's economy from 30.5 million tourists.

While gaining maximum economic benefits through tourism, issues on sustainable development of this industry appeared. Sustainability concerns the specification of a set of actions to be taken by the present people in an area that will not diminish the prospects of the future persons to enjoy the levels of consumption, wealth, utility, or welfare comparable to those enjoyed by present persons (Daniel, 2008). Sustainability is also interconnected with economics through the social outcomes of economic activities. Sustainability of economics represents a broad interpretation of ecological economics where the environmental and ecological variables and issues are essential but part of a multidimensional perspective. Social, cultural, health-related, and monetary/financial aspects must also be considered to assess economic sustainability (United Nations World Commission on Environment and Development [UNWCED], 1987). Sustainable tourism

development requires the involvement of the local community in decision-making and policy. Failure to do so would cause difficulty in implementing sustainable tourism (Ioannides, 1995).

Residents' or hosts' attitudes towards an island's tourism industry may influence the tourism industry's economic sustainability, sometimes viewed as the 'backbone' of sustainability by several researchers (Ismail & Turner, 2008; Mola, 2014). In that sense, the perception of hosts or local community towards an aspect of tourism activities in their area would very much affect their responses towards tourism development in a holiday destination. Therefore, understanding host perception is essential so that the existing action plans can be reviewed and revived for efficacy. For example, Diedrich and Garcia-Buades (2009) explored the role of resident impact perceptions as indicators of tourism destination decline using perception data collected across five coastal communities in Belize. From the information, appropriate action could be taken.

This paper analyses the perceived impacts of tourism on the socioeconomic aspects of the local community on Pangkor Island before the COVID-19 pandemic. This study is part of field research on sustainable tourism that covered the local community's perception of tourism in Pangkor Island in three aspects: the economy, socio-cultural, and environment. In this study, the local community's perceptions of the impacts of tourism on Pangkor Island were investigated using a series of a questionnaire that was targeted to reveal the hosts' perception of the effects of tourism activities on the island's economy. However, this paper only focuses on the economic aspect, and the survey was executed before the COVID-19 pandemic.

### **Host Perception and Participation in Tourism**

Local community perception of tourism in a small area or an island from the economic, social, or environmental aspects has been a subject of many studies. For a local community to support tourism development, the district must respond appropriately (Ismail & Turner, 2008). Community participation can create better opportunities for residents to gain higher income and balance the benefits from tourism activities. So, it is essential to know the hosts' perspectives and translate them into actions to build a realistic tourism strategy in a potential destination.

Hillery (1955) found that there are three main components when defining community: (1) area, (2) common ties, and (3) social interaction. Jamal and Getz (1995) described a community as a body of people living in the same locality. Meanwhile, the impacts of tourism on a community can be classified as negative when they contribute to the disruption of society's components and as positive when they upgrade vital attributes. Tourism and its influence on host communities have given rise to highly controversial beliefs: some suggest that it is an opportunity for underdeveloped countries to provide economic growth and social development. On the other hand, researchers point out that mass tourism may hinder the permanency of local cultures (Perez & Nadal, 2005).

Many studies have shown that residents, who perceive a greater level of economic gain or personal benefit, tend to have more positive perceptions of an impact than others (Brunt & Courtney, 1999). Ap and Crampton (1993) attempted to profile the intricate relationship between resident perceptions and tourism impacts by measuring the tourism development stage in a host community. Development stages are described as "embracement, tolerance, adjustment and finally withdrawal." The model describes how tourism development affects local people's attitudes towards tourism. Embracement occurs when local people, especially those who benefit from

tourism, accept and feel optimistic about its impacts. In the tolerance stage, local people begin to feel the effects of tourism. They become indecisive between being for or against tourism development. Depending on the degree of their tourism involvement, some adjust as per the adjustment stage while others do not. Finally, withdrawal occurs when local people can no longer cope with tourism's impacts of tourism and so their negative perceptions take over. Results of the studies have suggested that community support for tourism development is essential for tourism's successful operation and sustainability. Choi and Sirakaya (2005) advocated that residents are the major stakeholders in leisure and tourism management.

Ap (1992) points out that the perceptions and attitudes of residents towards the impacts of tourism are likely to be an important planning and policy consideration for the successful development, marketing, and operation of existing and future programs and projects. Tourism can develop and grow when residents have a cheerful outlook toward it and when they see their role in the process of tourism development (Ambroz, 2008).

### **Island Tourism in Malaysia**

The pattern of international tourism has shifted from developed to developing countries as more tourists prefer the adventures and unique experiences offered by the latter (McElroy & Parry, 2010). Coastal tourism, which involves other activities about the "sun, sea, and sand", has gained popularity in recent years, especially when there has been a rise in the use of social media that promotes tourism. The increase in the "Beach Culture" and social media trend has indirectly announced the increase in the desire to make sea and beach holiday destinations. Tourism activities in island tourism such as backpacking, camping, eco-tourism, fishing, seawater kayaking, scuba diving, snorkelling, and others are classified as a soft type of adventure tourism by UNWTO in a report published in 2014.

Islands in tropical regions have a high potential to become an escape place during the frosty winter for visitors from the higher and lower latitudes. Similarly, sports and recreation tourism are one of Malaysia's essential tourism products and services that the government has considered in the Ninth Malaysia Plan (2006). Many facilities and improvements have been provided to benefit maritime tourism development. This includes establishing marine parks and the construction of world-class marinas in strategic coastal areas in Malaysia. The naval tourism development benefits island tourism. Visitors can do various activities such as swimming, snorkelling, strolling at the beach, and scuba diving (Mapjabil & Yusoh, 2014). Interest also changed to tropical islands due to the recent global recession and climate change (Zainol, Abu Bakar & Sayed Ali, 2006). There is a high prospect of scuba diving-destination that could contribute to growth in Malaysia's local island community and tourism industry. This trend may help the island tourism industry in Malaysia.

An island's tourism industry is dynamic and depends on certain factors to sustain. Tourist Area Life Cycle (TALC) by Butler (1980) has been conventionally applied to islands that involve steps like 'exploration', 'involvement', 'development', 'consolidation', and, finally, 'stagnation'. The most important or sometimes problematic stages are the post-stagnation stages, where the model suggests that resorts may either decline or rejuvenate (Butler, 1980; Hamzah & Hampton, 2013). Alternatively, the Resilience Theory that is centred on the knowledge of local people can also be seen on islands where revitalisation is achieved from the initiative of locals to sustain the tourism industry on a small island (Hamzah & Hampton, 2013).

The sustainability of island tourism has been the subject of several studies (Ooi, 2010). As a rule, three principal elements could decide the sustainability of tourism: economy, socio-cultural, and environment. For the economic sustainability of island tourism, it is highly dependent on the management of its resources which involves stakeholders. However, the financial sector of an island has significant limitations since it is physically isolated. A small peninsula lacks resources, and its economy usually depends on sources from outside to sustain it (Cervený, 2005). Tourism can be a reliable source of income for an island, but it requires well-managed facilities to link the tourism destinations with the outside world via inflows of visitors. Parry and McElroy (2009) listed the fundamental characteristics of most successful SITES (Small Islands Tourists Economies): less crowded atmosphere, adequate facilities, suitable location, relative affluence, and political affiliation. Therefore, an island must achieve these characteristics to be successful in the economy.

### **Tourism in Pangkor**

Pangkor is a small island in the state of Perak, west coast of Peninsular Malaysia. Pangkor is only 8 square km, and this island is inhabited by 30,000 residents (Ismail, Mohd Bakri, & Jaafar, 2013). There is a seasonal trend for tourist arrival, and tourist activity is concentrated in the beach areas, particularly Teluk Nipah, Pasir Bogak, and Pangkor Laut. Pangkor Island was included in the top nine "sustainable tourism" attractions in the state of Perak by Hengky, 2011. The tourism map of Pangkor is shown in Figure 1.



Figure 1: Tourism map of Pangkor Island.

Hengky (2011) considered the environment, social/economic, and policy response factors in his "sustainable tourism" evaluation. Che Rose (2011) reported intense tourism activities in Teluk Nipah and Pantai Bogak because of their strategic location near Pangkor Jetty and the transportation system that could quickly bring tourists to these locations. Pulau Pangkor is also well-known for its fisheries, and fish-based food factories are found at Kampung Penang Kechil. There are also historical remnants, such as the Deutch Fort on this island. The Pangkor Treaty between the local leaders and the British is still the topic of conversation by the local community of this island.

A recent survey by Mapjabil and Yusoh (2014) on a group of 125 respondents of international tourists in Pangkor found that most international tourists to Pangkor were from Europe (63.2%), followed by West Asia (12.8%), East Asia (12.0%), Southeast Asia, and South Asia (3.2%). They also recorded that hotels, including resorts were the choice for most of these international tourists staying on this island. A study by Che Rose (2011) on visitors' perception in Pangkor Island found that Teluk Nipah and Pantai Bogak could not provide maximum satisfaction to tourists for tourism experience, unlike what they had been informed before reaching this destination because the beaches have reached the saturated capacity point. At Teluk Nipah, there were no spaces for visitors to set up tents because the beach was crowded with stalls. Che Rose (2011) suggested that

the facilities at these two beaches need to be upgraded. Mapjabil and Yusoh (2014) added that the foreign visitors suggested increasing facilities, significantly to improve the number of rubbish bins near the beaches. During our survey, several Pangkor residents also said that the absence of a money changer on this island had caused difficulty for the tourists since they could only obtain the Malaysian currency from the nearest money changer, which is at Lumut, on the mainland. The survey by Mapjabil and Yusoh (2014) also mentioned that the international tourists said there was a lack of interaction between local and international tourists.

For small islands like Pangkor Island, the tourism industry could be one of the main contributors to its socioeconomic development. The impacts of tourism on the socio-economy of the community in Pangkor Island have been investigated in several studies. Ismail, Mohd Bakri & Jaafar (2013) used the TALC approach on Pangkor Island and found that Pangkor reached its peak tourism period 20 years ago and is currently in its 'delineation stage'. On the positive side, the tourism industry in Pangkor Island has contributed to the increasing job opportunities. The local community no longer depends on fisheries as the primary source of income but turned to entrepreneurship, where the business mainly comes from tourism (Ismail *et al.*, 2013). Othman and Mohd Rosli (2011) suggested that in recent years, the entrepreneurship and small businesses that cater to the needs of tourists, such as souvenirs, accommodation, and food and beverages, are no longer exclusive to those unemployed and lower educated residents. There has been high interest from the highly educated people in this field. There is a traditional top-down approach to tourism planning and development in Malaysia. It begins with national goals and attempts to have them implemented at the local level with the aims to generate income and contribute to the local community's economy. This includes the physical planning zone of Pulau Pangkor that focus on Pangkor Island, Pangkor Laut and Pulau Gagasan Sembilan (Md. Saad, Abdul Khalid & Zainol Abidin, 2014). There is also Pangkor Socio-Economic Development Strategy. The build of Marina Island Pangkor as an alternative to the Lumut jetty has increased the tourist arrival to the island.

## **METHODOLOGY**

In this study, local communities' perceptions of tourism's economic impacts on Pangkor Island were analysed. Three towns (Teluk Nipah, Pasir Bogak, and Pekan Pangkor) and several villages located on the Pangkor Island were selected as the study area. A total of 126 respondents took part in this study. The respondents were from the areas mentioned above. This study also investigated the differences in residents' perceptions of tourism impacts in Pangkor Island by their location of residence. The questionnaire developed for the study was four sections with 27 impact statements on the economic, social-cultural, and environmental impacts that tourism caused on Pangkor Island.

The respondents were asked to rate the items on an ordinal scale ranging from 1="strongly disagree" to 5="strongly agree".

The first section aimed to trace the demographic data. This part consisted of eight questions about the respondents' profiles such as age, race, sex, education level, job, type of business, and the period of stay on Pangkor Island.

The second section of the questionnaire consisted of eight questions that intended to explore the respondents' perceptions of tourism impacts on economic aspects such as the improvement in job opportunities for residents, local daily incomes, increment on return on investment of the local community, and the impact to the local community's standard of living on Pangkor Island.

The survey was conducted in May 2015, and a total of 126 responded. The SPSS 20 for Windows was used to analyse the data by applying descriptive statistics such as demographic frequency and crosstab analysis. To find the existence of statistical significance between the variables, such as the location of the residents, the Chi-square test was used at the statistical significance level of 0.05.

## RESULTS AND DISCUSSION

### Demographic Characteristics of Pangkor

Demographic characteristics, including gender, age, occupation, education level, business types, and nationality of respondents in Pangkor Island, are presented in Table 1. While 47.2% of respondents were male, 52.8 % were female. Regarding the age group, most participants were 40 years old and below, with a percentage of 71.9%. The education level of the majority of respondents was a secondary or post-high school (68.3%) and certificate (11.1%). For respondents' occupations, there were the majority of business owners (46%), followed by the private sector (31.7%) and the unemployed (7.9%). For business types in Pangkor Island, the majority of the respondents were involved in the food and beverages sector (21.4%), souvenir shops (19%), homestay and chalet (12.7%), and transport service provider (12.7%). For respondents' nationality, the majority of them were residents (88.1 %), followed by local tourists (7.9%) and international tourists (4%).

Table 1: Demographic and Socioeconomic Profile

		Frequency	Percentage (%)
<b>Gender</b>	Male	59	47.2
	Female	66	52.8
<b>Age</b>	Less than 35 years	71	57.3
	35 – 40 years	18	14.6
	41 – 45 years	7	5.6
	46 – 50 years	12	9.7
	51 – 55 years	2	1.6
	55 – 60 years	7	5.6
	More than 60 years	7	5.6
<b>Education</b>	primary school	8	6.3



	secondary or high school	86	68.3
	certificate	14	11.1
	diploma/degree	12	9.5
	masters/PhD	3	2.4
	others	3	2.4
<b>Job</b>	government servant	11	8.7
	private sector	40	31.8
	business owner	58	46.0
	fishermen / farmer	6	4.8
	unemployed	10	7.9
	others	1	0.8
<b>Business</b>	homestay or chalet	16	12.8
	souvenir shop	24	19.0
	transportation service business	16	12.7
	food and beverages	27	21.4
	retail shops	9	7.1
	others	7	5.6
	missing	27	21.4
<b>Nationality</b>	local	10	7.9
	international	5	4.0
	Pangkor residents	111	88.1

There was a total of 16 crosstabs involved in the crosstabs analysis in this study. Besides the 'nationality,' all the demographic variables were used as 'dependent' in the investigation.

Table 2: Crosstab Analysis of Demographic Variables and Economic Impact Variables

<b>Variables</b>	<b>Crosstab Dependency</b>	<b>Chi-Square</b>	<b>Sig*</b>
The community's daily expenses have increased because of tourism	Business	40.628	0.025
The local community requires more money to finance the rising cost of living in Pangkor	Business	39.710	0.005
The local community requires more money to finance the rising cost of living in Pangkor	Job	49.717	0.002
The local community requires more money to finance the rising cost of living in Pangkor	Age	64.847	0.000

\*Chi-square sig is less than 0.05

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Table 2 shows the significant interrelationships between the demographic variables with the variables in the economic indicators from the chi-squares analysis. Only two economic issues were significantly found in this study, which was the daily expenses that have increased due to tourism and the need for more money to finance the raising of living costs in Pangkor due to tourism. In this study, the respondents' type of business, job, and age were interrelated with the local perception of the economic impacts of tourism on Pangkor Island.

The benefits of tourism to the economy perceived by locals in different studies include providing more job opportunities, increased income for the community, and growing investment in tourism development on the island (Ninth Malaysia Plan, 2006; Ismail *et al.*, 2013). Ismail *et al.*, (2013) reported that, since the intense tourism development in Pangkor, tourism creates more job opportunities on Pangkor Island, and locals are not solely dependent on fisheries. The government supports this entrepreneurship. Through a survey involving the majority of youngsters (age 18 to 25 years old) that engaged in the marine tourism, Chek Sulaiman *et al.* (2018) found that the local Pangkor community perceived that marine tourism brought a small positive economic impact, which is the revenue increase in local tour operators. Othman and Mohd Rosli (2011) viewed tourism in Malaysia islands, including Pangkor, as an essential catalyst for entrepreneurial development and small business performance. These issues were asked in our study, but the Chi-Square test showed insignificant to the variables in our study ( $P > 0.05$ ). The difference in methods from other studies might be the reason for this observation. Based on our words and mentioned by Che Rose (2011), food and beverages and souvenir stalls were highly concentrated in Teluk Nipah and Pasir Bogak.

### **Perceived Economy Impacts of Tourism: Daily Expenses and the Rising in Living Cost**

The perception of stakeholders on the effects of tourism on the daily expenses has significantly affected by the type of business. Most of the souvenir shop owners and food and beverages operators agreed and strongly agreed that tourism activities involve the daily expenses of the local community (Figure 2). Most food and drink operators strongly agreed (34.3%), while souvenir shop owners showed the second-highest percentage of agreement which were 33.3%. These two groups, mainly the business owner, decided that an increase in demand due to tourism could increase the cost (to increase profit by a larger company) by suppliers and raw materials, therefore, may be affecting their current price. The unemployed are also affected due to no income. Fishers seem not to be affected by the rising cost of living due to tourism. Ismail *et al.* (2013) reported that 20-30% of locals are still involved in fisheries activities, and they have been supported by government subsidising and gravity finance.

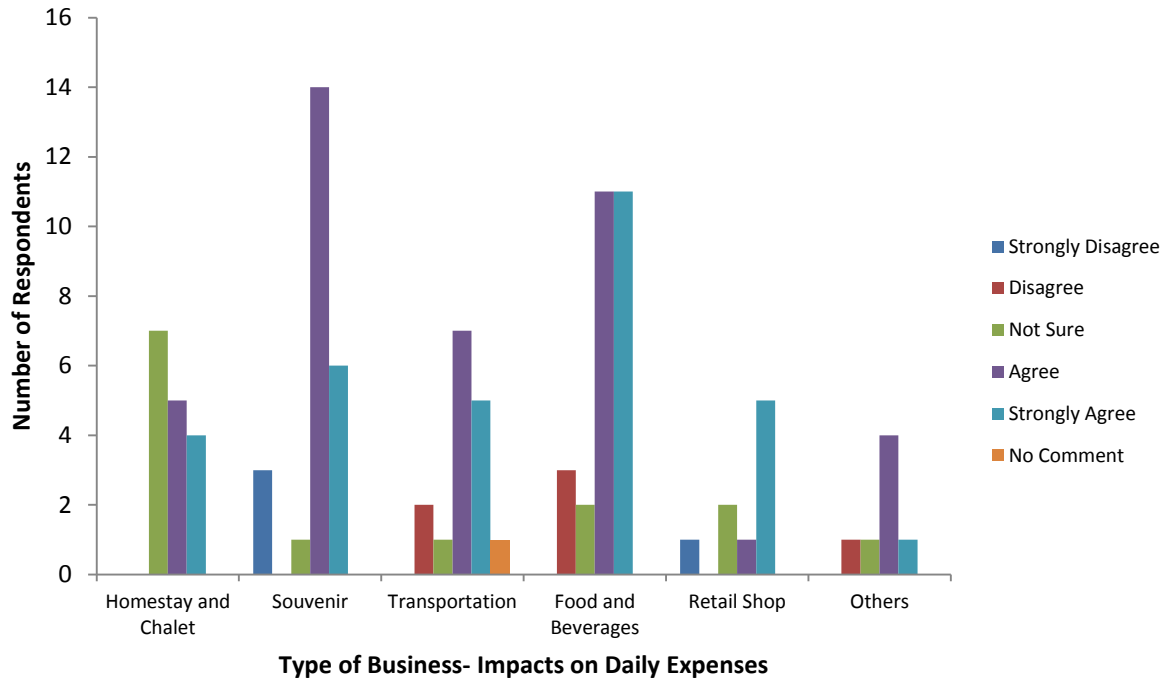


Figure 2: Cross-tabulation between business type and survey question that asked if the local community's daily expenses increase caused by tourism.

In this study, the most impactful economic issue of tourism perceived by the local community of Pangkor was the need for more money for the rising living cost. Perception of this issue was influenced by three variables: the type of business, respondents' jobs, and age. For the kind of business, there were divergent views between hospitality providers and consumable products enterprises, particularly those involved in food and beverages and souvenir shops (Figure 3). There was an exciting distribution of views for homestay and chalet service providers on the impacts of tourism on the requirement of the local community to obtain more money to finance the rising living cost on Pangkor Island. Half of the respondents were undecided, while the percentage for those who did not agree and those who agreed with that question in this group was about the same. However, most respondents who disagreed with the issue were respondents from this group.

In contrast, most souvenir shop owners and food and beverages operators agreed and strongly agreed that the locals need more financial effort to support the higher living cost due to tourism activities in Pangkor. 34.1% of souvenir shop owners agreed, 23.5% strongly agreed, 22% of food and beverage operators agreed, and 38.2% strongly agreed with the statement. This pattern was also observed among the retail shop owners. These groups decided that the local community required more money to cover the increase in living costs.

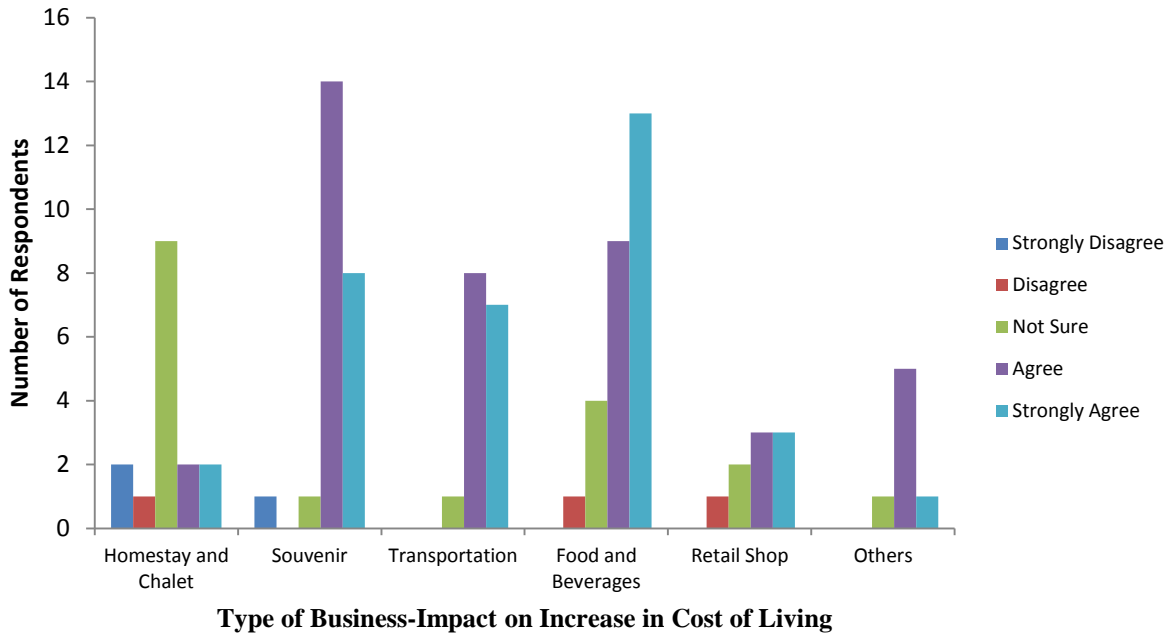


Figure 3: Cross-tabulation between business type and survey question that asked if the community was affected by the rising cost of living.

It seems like this issue was less concerned by the accommodation providers. This might be due to the increase in the cost of raw materials that might be affecting the consumable products enterprises but less affecting the accommodation providers that the sales do not directly depend on raw materials. The food and beverages and souvenir shop owners might be struggling to increase their sales since they need to improve their selling price to cover the high cost when the tourists may have gone to shops or small businesses that offer a lower price. This difference may also be because most accommodation providers usually deal with tourists who will not be affected by the rising living cost compared to the food and beverages and souvenir shop owners. In addition, the transportation providers also perceived similarly, and this might influence the price marked up for a short distance trip like what has been reported by Che Rose (2011).

In term of respondents' occupation, the majority of business owners agreed (50%) and strongly agreed (57.9%) that the local requires more money to finance the rising cost of living on Pangkor Island (Figure 4). This is because the price of raw materials and living essentials like groceries increased to take advantage of the status of Pangkor Island as a tourism area. Therefore, they need to pay tourists prices for the same material at a lower price in unusual places. A details analysis of the questionnaire found that most business owners were the respondents who owned the food and beverages, souvenir shops, and retail shops owners. However, crosstab analyses were not executed on the data. Besides business owners, several respondents involved in private sectors and government servants also agreed that the local community is affected by the increase in the living cost due to tourism activities.

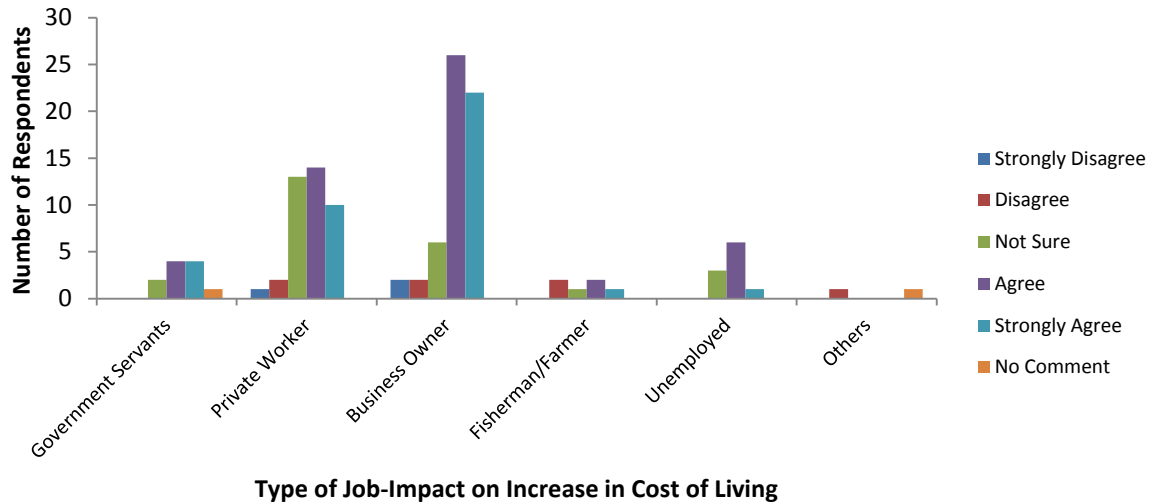


Figure 4: Cross-tabulation between the job type and survey question asking if the community was affected by the rising cost of living.

Lastly, for the age factor, most younger respondents, particularly from the age group of <35 years old, agreed and strongly agreed that the locals need more money to finance the rising living cost due to tourism (Figure 5). 76.5% of the respondents in this group agreed, while another 28.9% strongly agreed. The high cost of living is affecting the young people of Pangkor Island. This may be due to the low wage and the norm of beginning long-term commitment for respondents in this age group, such as family. Interestingly, older respondents, especially those between 51-55 years old, have a balance opinion between undecided and strongly agree, probably because, at this age, they have already reached a stable income or retirement phase. The status of Pangkor Island as a tourist area may have impacted the price of houses and properties on the island. A detailed interview with residents (n=3) showed a consistent view of Pangkor Island's high average housing price, which could be at least one million Ringgit Malaysia. However, the research did not check the suggested average price with the developers. Nevertheless, all interviewees mentioned that the outsiders, not the residents, could only afford such a price. This is like a study by Matsuoka & Kelly (2015), where they found that the increasing number of resorts and hotels built in Hawaii has caused the rising housing price on that island.

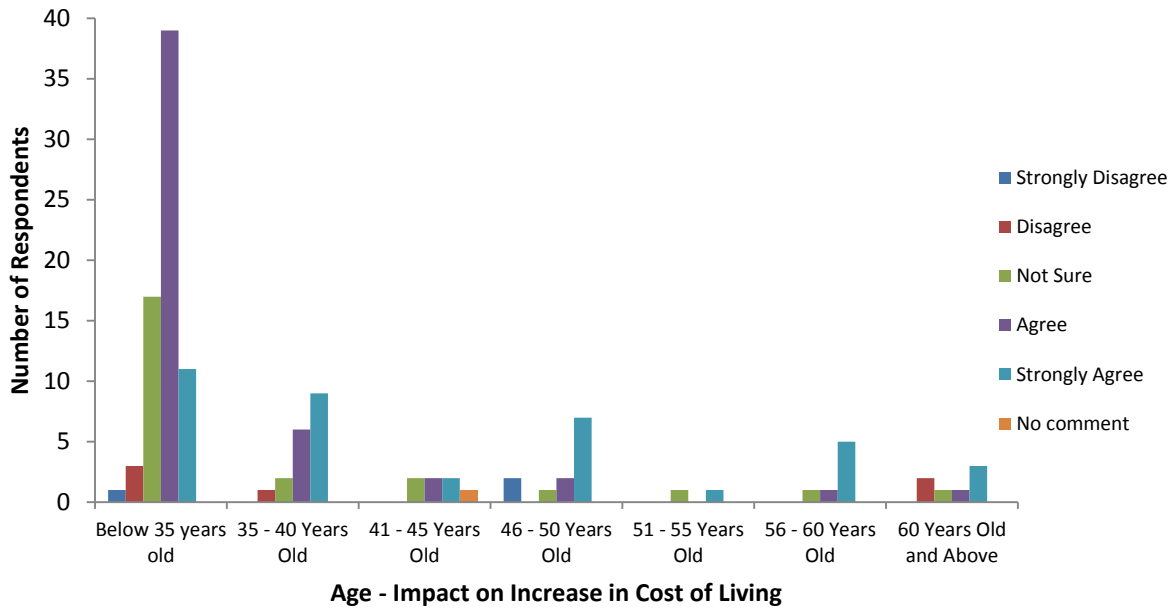


Figure 5: Cross-tabulation between age and survey question that asked if the local community is affected by the rising cost of living.

In general, our finding is consistent with local perception on other islands in Malaysia, for example, the Perhentian Islands and Redang Island. Ismail & Turner (2008) reported that the resident of Redang Island perceived positive impacts of tourism, such as job opportunities, while negative impacts were the pike in the price of goods and services, the living costs, and the house pricing. Meanwhile, Tsundoda and Mendlinger (2009) found that the local community recognised the benefit of tourism to the economy of a holiday destination, but tourism had a small gift to their economy. This might be the case in Pangkor since the two most significant issues that concerned the local people were the daily expenses and the rising living costs due to tourism. Even though there was an issue with the increase in living expenses, Yusoh et al. (2020) found that the local community of Pangkor Island showed a positive and welcoming attitude towards the domestic tourists.

### **Suggestions to Improve the Local Economic Performance on Pangkor Island**

Understanding the local perception of the economic impacts of tourism on Pangkor Island is essential to ensure effective tourism development in this area. This study revealed the critical target group to focus on in the action plan. Accommodation might be the significant economic income on Pangkor Island. Still, the small businesses should not be neglected since they play a vital role as the other stakeholders in ensuring the success of the Pangkor tourism industry.

In this study, the research found that more initiatives should be done to help the small business owners, especially those involved in the food and beverages and souvenir shop. Othman and Mohd Rosli (2011) found that the small business owners of Malaysian islands, including Pangkor, lack business management knowledge as few adopt proper accounting systems and keep a particular business transaction. Education and training funding by the government or local authority could aid these small businesses in expanding. While assisting these small businesses by distributing

more funds, integrity is also essential for all stakeholders, especially the business owners, local authorities, and government officials, to ensure that the funding reaches its objective. There must also be stricter monitoring in the price control in this area so that there will be no stakes that could take advantage to charge a remarkably high price for any tourism product and services.

There are still many improvements in terms of facilities that should be executed on this island if Pangkor competes with other island tourism in Malaysia like Langkawi, Tioman, and Redang. This includes the increase in the number of rubbish bins, the choice of strategic space for stalls, and the money changer facility. Establishing a marine park and preserving natural aesthetics in any coastal area in Pangkor may also help attract tourists and increase economic growth on this island. Implementing and increasing eco-tourism like Langkawi (Hashim & Abd Latif, 2015) may also improve the socio-economy of the local community of Pangkor.

## CONCLUSION

In this study, the research found that the impacts of tourism on the economy of the local community of Pangkor Island were perceived differently by respondents of distinct types of business, business owners, and age groups. We also found that two major economic impacts were statistically significant based on the studied samples, namely 1) the increase in daily expenses due to tourism and 2) the rising cost of living that affects the local community. We found that the food and beverages and souvenir shop owners of all groups have a similar opinion. The two groups were most affected by the tourism impacts on the economy, particularly the increased daily expenses and the need for more money to finance the increase in living costs. On the contrary, most respondents involved in hotel and chalet providers could not decide if they were affected by the rising living costs. Still, the majority of respondents who disagreed were from this group. Lastly, this study also found that the younger residents of Pangkor Island were affected by the rising living costs. In this study, we could conclude that the different views of tourism impacts on the community's economy in Pangkor Island were apparent from these four groups, namely 1) food and beverages, 2) souvenirs, 3) hospitality providers, and 4) younger residents. It is essential to further investigate the issues or views voiced by these groups and consider their opinion in an action plan for the tourism development of Pangkor Island.

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