ESTIMATING MANPOWER DEMAND IN SARAWAK’S HOTEL INDUSTRY

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Bachelor of Economics with Honours
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This project is submitted in partial fulfilment of the requirement for the degree of Bachelor of Economics with Honours (Industrial Economics)

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ABSTRACT

ESTIMATING MANPOWER DEMAND IN SARAWAK’S HOTEL INDUSTRY

By

Sally Ann Yap Yu Ing

This study is to examine the manpower demand in Sarawak’s hotel industry by using the annually data from 1988 to 2013. The tests which are included in this study are Augmented Dickey-Fuller (ADF) unit root test, Philip Perron (PP) unit root test, and Autoregressive Distributed Lag (ARDL) model. The bounds test indicated that there is a long run cointegration among the variables under study. Besides that, ARDL model produces reliable result as all the estimated coefficient of the independent variables which are tourist arrivals, government expenditure on tourism industry and nominal exchange rate are statistically significant with the expect sign. Therefore, the tourist arrivals, government expenditure and exchange rate do have the ability to Granger cause manpower demand in Sarawak’s hotel industry.
ABSTRAK

MENGANGGARKAN PERMINTAAN TENAGA KERJA DI HOTEL INDUSTRI SARAWAK

Oleh

Sally Ann Yap Yu Ing

Kajian ini adalah untuk mengkaji permintaan tenaga kerja dalam industri hotel di Sarawak dengan menggunakan data pada tahun 1988 hingga 2013. Model yang digunakan dalam kajian ini ialah Augmented Dickey-Fuller (ADF) unit root test, Philip Perron (PP) unit root test dan Autoregressive Distributed Lag Model (ARDL). Keputusan daripada kajian ini menunjukkan bahawa terdapat perkaitan jangka panjang antara pembolehubah yang dikaji iaitu permintaan tenaga kerja dalam industry hotel di Sarawak, ketibaan pelancong, perbelanjaan kerajaan and kadar pertukaran. Selain itu, model ARDL menghasilkan keputusan yang dipercayai kerana semua pekali anggaran pembolehubah iaitu ketibaan pelancong, perbelanjaan kerajaan ke atas industri pelancongan dan kadar pertukaran nominal adalah tepat. Oleh itu, ketibaan pelancong, perbelanjaan kerajaan dan kadar pertukaran mempunyai keupayaan untuk Granger terhadap permintaan tenaga kerja dalam industri hotel di Sarawak.
TABLE OF CONTENT

LIST OF TABLES viii
LIST OF FIGURES ix

CHAPTER ONE: INTRODUCTION

1.0 Introduction ........................................................................................................ 1

1.1 Background of the Study

1.1.1 The Hotel Industry in Malaysia ............................................................. 5

1.1.2 The Hotel Industry in Sarawak .............................................................. 11

1.1.3 The Manpower Demand in Hotel Industry ........................................ 15

1.1.4 Government Expenditure in Tourism Industry .................................. 16

1.1.5 Exchange Rate ....................................................................................... 17

1.2 Problem Statement ......................................................................................... 18

1.3 Objective of the Study

1.3.1 General Objective .................................................................................. 20

1.3.2 Specific Objective .................................................................................. 20

1.4 Significance of the Study .............................................................................. 20

1.5 Scope of the Study ......................................................................................... 21

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction ....................................................................................................... 22

2.1 Relationship Between Manpower Demand and Tourist Arrival .......... 22

2.2 Relationship Between Manpower Demand and Government
Expenditure .............................................................................................................. 27
2.3 Relationship Between Manpower Demand and Exchange Rate 30

CHAPTER THREE: METHODOLOGY

3.0 Introduction 41
3.1 Model Formulation 42
3.2 Data Description 43
3.3 Data Analysing Method 44
3.4 Unit Root Test
   3.4.1 Augmented Dickey-Fuller (ADF) Test 44
   3.4.2 Phillip Perron Test 45
3.5 Autoregressive Distributed Lag (ARDL) Model
   3.5.1 ARDL Bound Testing Approach 46
   3.5.2 Diagnostics Test
      3.5.2.1 Normality Test 48
      3.5.2.2 Serial Correlation Test 49
      3.5.2.3 Autoregressive Conditional Heteroscedasticity (ARCH) Test 49
      3.5.2.4 Ramsey’s RESET Test 49
   3.5.3 Granger Causality Test 50

CHAPTER FOUR: EMPIRICAL RESULTS AND INTERPRETATIONS

4.0 Introduction 51
4.1 Unit Root Test
   4.1.1 Augmented Dickey Fuller Test Result 53
CHAPTER FIVE: CONCLUSION AND POLICY IMPLICATION

5.1 Conclusion

5.2 Policy Implication

5.3 Limitation of the Study

5.4 Recommendation

5.4.1 The Hotel Industry under Sarawak Corridor of Renewable Energy (SCORE)

5.4.2 The Hotel Industry under Sarawak Economic Development Corporation’s (SEDC)

REFERENCES
LIST OF TABLES

Table 1.1: Tourist Arrivals and Tourist Receipt in Malaysia, 2009-2013 …… 8
Table 2.1: Summary of Literature Review for Relationship between Manpower Demand and Tourist Arrivals ……………………………….. 33
Table 2.2: Summary of Literature Review for Relationship between Manpower Demand and Government Expenditure …………………… 37
Table 2.3: Summary of Literature Review for Relationship between Manpower Demand and Exchange rate ……………………………… 39
Table 4.1: Augmented Dickey Fuller unit root test result …………………….. 54
Table 4.2: Phillip Perron unit root test result ………………………………….. 55
Table 4.3: Lag Order Selection Criteria Based n Akaike Information Criterion (AIC) ……………………………………………………………………… 56
Table 4.4: The Result of F-Statistic for Cointegration …………………………… 57
Table 4.5: Critical value bound of F-statistics based on Narayan (2005) …… 57
Table 4.6: ARDL Estimation …………………………………………………….. 58
Table 4.7: Error Correction Representation of ARDL Model ………………… 60
Table 4.8: Granger Causality Test …………………………………………….. 62
Table 5.1: The 10 Priority Industries under SCORE ………………………….. 69
LIST OF FIGURES

Figure 1.1: The Sub-Sector for Tourism Industry................................. 3
Figure 1.2: Percentage Distribution for Number of Establishment by Accommodation Services in Malaysia, 2010................................. 9
Figure 1.3: Number of Persons Engaged by Category of Workers in Hotel Industry in Malaysia, 2010.............................................. 10
Figure 1.4: Number of Tourist Arrivals into Sarawak, 1982-2012............. 12
Figure 1.5: Accommodation Services: Total Establishment by States in Malaysia, 2010................................................................. 14
Figure 4.1: CUSUM Test................................................................. 61
Figure 4.2: CUSUMSQ Test.............................................................. 61
CHAPTER ONE
INTRODUCTION

1.0 Introduction

Tourism industry has been identified as one of the largest industry in the world and become the major source of income and employment creation. According to the World Travel and Tourism Council (WTTC)\(^1\) in 2013, the tourism sector grew about 3.1 percent and contributed US$ 2.2 trillion to the global economy. As a result of tourism activity, a total of 4.7 million new jobs were created and grew about 1.8 percent in year 2013. These statistics obviously shows that the role of tourism as a job creator is significant. Therefore, tourist arrivals generate employment directly to the tourism sector (Palvic, Tolic & Svilokos, 2013). As a labour intensive industry, tourism sector give a great impact to the economic growth of the nation. This sector has been highlighted as an engine to the growth of the country.

The government sees tourism as a tool to widen the economic growth of the country. The development of this sector may directly and indirectly increase the nation’s income as well as the nation’s revenue due to the spending of tourists whom may generates the economic activity directly in the form of labour income as well as employment. Over the years, international tourists have been increasing in the world’s economy. The growths of the tourism sector continue to increase since the last few

\(^1\) WTTC is the only global forum whose Members consist of the top decision makers in the Travel & Tourism industry. There are 150 members from all industries in the Travel & Tourism industry such as airlines, airports, hotels, cruise lines, travel agencies, tour operators and travel technology suppliers that make up WTTC’s high profile membership. WTTC is one of the world’s largest sectors, providing 266 million jobs and generating about 9.5 per cent of global growth domestic product (GDP).
decades. According to the World Tourism Organisation (WTO)\textsuperscript{2} in 2013, the total spending of international tourist travellers is US$ 1.159 billion. In line with the tourism-led growth hypothesis, tourism sector become an essential foundation of employment for developed countries and directly act as a key employers for world economy (Phil & Enu, 2013). Based on this performance, it is estimated that the world visitor arrivals will continue to grow in the following years until it reach 1.6 billion visitors by the year 2020.

Over the years, tourism industries continue to increase especially in developed and developing nations. The development in tourism sector is becoming a major attraction for the job seeker. According to Onder and Durgun (2008), tourism is a sector that acts as a labour intensive service sector as it undertakes to generate a large number of labour forces. In the recent study, Shukla and Ansari (2013) indicated that tourism have direct impact on job opportunities. Since tourism act as a labour intensive service sector, the multiplier and spill over effect is larger than any other sectors (Pais, 2006).

This paper highlights the role of tourism related industry in generating manpower demand in Malaysia. Tourism industry has contributed as much as 16 percent of Growth Domestic Product (GDP) in Malaysia as it has a continuous growth and become the fastest growing industry in Malaysia. Meanwhile, every year the number of tourist arrivals into Malaysia is increasing as well. Therefore, the number of hotel rises due to increasing number of visitors over the years. The growth of

\textsuperscript{2} WTO is a United Nation agency accountable for the advertising of responsible, sustainable and universally accessible tourism. It encourages tourism as the engine of economic growth, wide-ranging development and environmental sustainability. The member of WTO includes 156 countries, 6 Associate Members and over 400 Affiliate Members.
tourism related industry will need a large number of labour forces, either skilled or semi-skilled labour force. A good service provided in the hotel industry depends on the skill level of the worker itself. Therefore, the level of education in each worker is important to achieve this target. The figure below shows the sub-sector for tourism industry in Malaysia.

**Figure 1.1: The Sub-Sector for Tourism Industry**

![Diagram showing the sub-sectors for tourism industry in Malaysia]

Source: Ministry of International Trade and Industry, MITI, Malaysia.

The Figure 1.1 above shows the six sub-sector for tourism industry which consists of hotel, transportation, eco-tourism, agro-tourism, health tourism and educational tourism. All the sub-sector industries play its role in contributing towards nation’s economic growth. In this research, we focus on hotel industry in Sarawak because it considered as one of many states in Malaysia which is frequented by thousands of tourist arrival every year. Visitor arrivals in year 2013 had revealed an
increase of 7 percent and finally breached the mark as the state attracted 4.3 million greater than last year which is 4.069 million in year 2012 (Tiing, 2013). The unique and breath-taking landscapes in Sarawak are among the top attraction in Sarawak that kept the visitor coming into this state. It also attracts tourist from local and foreign countries as it is a great place for shopping and dining into multiracial background of the people in Sarawak. Since the number of visitors coming to Sarawak is very tremendous and promising every year, the hotel industry needs more skilled worker to give better service to the visitor. An estimated 50,000 educated and highly skilled worker will be produced by the government as a starting for the hospitality and tourism industry (Achoi, 2013).

This study is done for the purpose of estimating the manpower demand in the hotel industry. Besides, this study can provide some important points on the relationship between the selected variables which are tourist arrivals, government expenditure and exchange rate. By knowing the result, the government is able to design appropriate policy that can improve manpower in hotel industry. In order to maintain outstanding contribution of tourism in Sarawak, the policy makers should implement policy guidelines such as assisting government in promoting appropriate programmes to improve workforce by investing in this sector. Besides, it also helps the government to seek ways to ensure continuous supply of suitable skilled worker in hotel industry.
1.1 Background of the Study

1.1.1 The Hotel Industry in Malaysia

In the earlier 1970s, agriculture sector becomes the main input in the Malaysian economy. In other words, agriculture sector was the backbone of the nation’s economy. The agriculture sector has led to Malaysian’s economic growth and also a major contributor to the nation’s income and export earnings. During the Malaysia’s Independence Day which is fall in the year 1957, agriculture sector had subsidized as much as 39.3 percent to the Malaysia’s GDP (Ismail, 2007).

Soon after the Independence in 1975, Malaysia has emphasis on industrialisation as a key to drive the nation’s GDP. The contribution of agriculture to the economy declined as the economy experienced a diversification. The focus in the economy shifted to manufacturing and service sector. The structural change in the Malaysian economy causes the relative importance of agriculture sector declined. Several factors due to the declining trend in the relative importance of the agricultural sector such as slow growth in commodity production, fluctuations in agricultural commodity prices, changing export composition in favour of non-primary sector commodities, emergence of crude oil, natural gas and manufactured goods as important export commodities (Hamid, 2006). It decreased as much as 5.1 percent which is from 20 percent in year 1987 to 14.9 percent in year 1991. Once again, this sector has becomes worst in contributing to the Malaysia’s GDP which is 8.7 percent in 2000. Then, it continuously decline in contributing the nation’s economy in 2004 which is only 8.5 percent (Ismail, 2007). The focuses on industrialisation since
Independence causes the manufacturing sector become the fastest growing sector and leading force in the nation’s growth experience (Kamaruddin & Masron, 2010).

In generating economic growth, tourism industry has become an important sector as well as an important source of wealth in Malaysia as it has a continuous growth and become the fastest growing sector in this country. Tourism industry has contributed 16 percent towards Malaysia’s GDP. The Government of Malaysia plays an important role in developing the tourism industry. In the early 1970s, Malaysia government documented that there are big prospective for tourism to grow even though it is not a significant sector to Malaysian economy during that time (Hassan & Jenggie, 2012). Basically, tourism industry commonly seen as a service sector and it refer as a practice of travelling to and visiting places for pleasure and relaxation. Meanwhile, hotel industry is a sub-sector for tourism industry. In other word, tourism industry and hotel industry is interrelated because hotel industry provide accommodation for travellers, bars, restaurants and others. As stated above, where tourism industry is an important sector in Malaysia had directly and indirectly contributed to the growth of hotel industry due to the existing from local and foreign tourist. Hence, it also creates employment to the people.

As listed in the Tenth Malaysia Plan in the period of 2011 to 2015, tourism has been selected as one of the National Key Economic Areas (NKEAs) which have a potential to generate a high income in the nation.³ Besides, Malaysia’s government are planning to put Malaysia tourism industry as one of the top tourist destination in

³ The Tenth Malaysia Plan has been formulated with various new approaches towards becoming a high income and high productivity economy which in line with the New Economic Model. In the year 2015, the gross national income is targeted to rise to RM38,850 and about 6 per cent per annum of real GDP is needed to achieved.
the world as well as domestic tourism. This in turn may also bring hotel industry as a key to drive economic growth. As a result, those that involve in business opportunities especially in hotel-related business for entrepreneurs business, business owners and investors may bring multiplier effects to the nation’s economy.

As one of the most lucrative industry in Malaysia, the Prime Minister, Datuk Seri Najib Tun Razak had announced Visit Malaysia Year 2014 (VMY14) to boost our nation economic growth, thus, help the potential tourism-related industry such as hotel industry. It was the second largest exchange earner and ranked number seven in a Gross National Income (GNI) last year (Aruna, 2013). Besides, it was launched to expand the prospective of the nation’s tourism industry along with the great theme which is “Celebrating 1Malaysia, Truly Asia. VMY 2014 – We are The Host” (Aruna, 2013). Due to this celebration, Malaysia’s tourism industry had achieved beyond expectations in 2013, with tourist receipts of RM65.44 billion more than the early target of RM65 billion only (Aziz, 2014). In addition, Malaysia’s government recognize that hotel industry have the potential to boost economic as well as generates employment to the society.

This year is a great year for Malaysia due to the year 2014 is a “Year of Festival” and Malaysia’s government are targeting 36 million tourists travelling to Malaysia to achieve 2020 goal with a total spending of RM168 billion in Malaysia (Ganesan, 2014). To achieve the government initiative, hotel industry plays a vital role in driving the tourism industry. More job opportunities such as receptionist, waiter, chef and others may be provided in the market when the number of visitor arrivals to Malaysia increases.
Over the years, the tourism industry had a positive effect in injecting the nation’s economic growth. Due to the positive contribution by the tourism industry, Malaysia’s government are expecting their target will achieved in year 2014. Table 1.1 below shows the tourist arrival and total receipt in Malaysia from year 2009 until 2013.

Table 1.1: Tourist Arrivals and Total Receipt in Malaysia, 2009-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourist Arrivals (Million)</th>
<th>Percentage Growth (%)</th>
<th>Total Receipts (RM Billion)</th>
<th>Percentage Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>23.65</td>
<td>7.26</td>
<td>53.40</td>
<td>7.66</td>
</tr>
<tr>
<td>2010</td>
<td>24.58</td>
<td>3.93</td>
<td>56.50</td>
<td>5.81</td>
</tr>
<tr>
<td>2011</td>
<td>24.71</td>
<td>0.53</td>
<td>58.30</td>
<td>3.19</td>
</tr>
<tr>
<td>2012</td>
<td>25.03</td>
<td>1.30</td>
<td>60.60</td>
<td>3.95</td>
</tr>
<tr>
<td>2013</td>
<td>25.72</td>
<td>2.75</td>
<td>65.44</td>
<td>7.99</td>
</tr>
</tbody>
</table>


The Table 1.1 above shows a key trend of a tourism industry in Malaysia from year 2009 until 2013. Since year 1990s, tourism industry had contributed a lot to the nation’s economic growth. Based on the table above, the number of tourist arrival shows an increasing trend of the industry from year 2009 until 2013. Number of tourist arrival to Malaysia increase as much as 2.07 million of tourist arrivals where there are 23.65 million in year 2009 to 25.72 million in 2013. The number of tourist arrival is directly proportional to the total tourist receipt in Malaysia which means that as the number of tourist arrival increases, the total receipt increases as well. As a result, the total receipt shows an increasing trend where there is RM53.4 million in year 2009 rose to RM65.44 million in 2013. The increasing trend for both tourist arrival and tourist receipt has spurred benefit to the hotel industry in Malaysia. This situation has increased the number of hotel in the country which needed by the visitors to accommodate them.
The Figure 1.2 above shows the percentage distribution for number of establishment by accommodation services in Malaysia in year 2010. Accommodation are categorized into budget hotel, rest houses/ guest houses/ hostels/ bed and breakfast/ camping grounds, chalet and hotel (including resorts) and apartment hotels. Based on the figure above, the highest number of establishment by accommodation services goes to budget hotel with 67.90 percent followed by hotel (including resorts) and apartment hotels with 16.50 percent, and then chalet with 8.10 percent and lastly is rest houses/ guest houses/ hostels/ bed and breakfast/ camping grounds with only 7.50 percent. As mention above, budget hotel state the biggest number of establishment, moreover, budget hotel owned the highest value of gross output with RM8.38 billion or 85.6 percent of the overall total value of gross output. The accommodation provided is essential for the visitors that come to visit the state. Therefore, the accommodation consists of persons engaged by category of workers in
hotel industry that ensure the highest standard of services. The Figure 1.3 shows the number of person engaged by category of workers in the hotel industry in year 2010.

**Figure 1.3: Number of Persons Engaged by Category of Workers in Hotel Industry in Malaysia, 2010**

![Graph showing the number of persons engaged by category of workers in the hotel industry in Malaysia, 2010.]

Source: Yearly Statistical Bulletin, Department of Statistics, Malaysia.

Based on the Figure 1.3, number of persons engaged by workers in hotel industry are categorized into general workers, clerical and related occupations, technical and supervisor, and managerial, professional and executive. Technical and supervisor employee constitutes stated the highest number of person engaged in the hotel industry with 47,616 persons or 46.39 percent, followed by general workers with 22,641 persons or 22.0 percent, and then clerical and related occupations with 19,603 persons or 19.0 percent and lastly, managerial, professional and executive with only 13,041 persons or 12.7 percent. These workers will provide services to the visitors in the hotel. As a result, hotel industry is important in expanding job opportunities to the society.
1.1.2 The Hotel Industry in Sarawak

Sarawak or also known as “Land of the Hornbill” is the largest state in Malaysia. Basically, Sarawak is well known with a rich diversity of cultures. Sarawak is a home to an incredible diversity of tropical flora and fauna and exciting mix cultures, religious practices and traditions. Due to a variety of nature, culture and adventure tourism, Sarawak become an ideal destinations for travellers from local and foreign tourist. Besides, it is a home to 27 ethnic groups that has its own diverse culture, language as well as their lifestyle.

The Ministry of Tourism Sarawak wanted to increase the contribution from Sarawak tourism industry towards Sarawak’s GDP growth from ranked number three to ranked number two (Lim, 2013). The state of economy expected Sarawak’s economic growth to increase as much as 5 percent this year (Puthankattil, 2013). In order to boost Sarawak GDP growth, the Ministry of Sarawak Tourism had launched our very own Visit Sarawak Year campaign in conjunction with VMY2014. This may attract more tourists to come to Sarawak and thus, lifting the economy of Sarawak. Datuk Amar Abang Johari Tun Openg who is the Sarawak Tourism Minister pointed out that the ministry is targeting 4.2 million of tourist arrivals in year 2014 (Lim, 2014). The positive impact of tourism industry will cause an upward trend to the hotel performance in Sarawak. More number of tourist arrivals into Sarawak, the more hotel industry will exist in order to accommodate them.