

# PREDOMINANT FACTORS AFFECTING COMMUNITY'S WILLINGNESS TO INVEST IN TOURISM INDUSTRY

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## Abstract

Investment drives the economic growth of a country because it is a component of aggregate demand and more importantly it influences the productive capacity of the economy. This article investigates local communities' willingness to invest in tourism industry, focusing specifically on tourism development. A quantitative approach was adopted and a self-administered questionnaire was used to collect data from 382 respondents from the six districts of Langkawi. Empirical results indicate that knowledge, expectation of benefit, motivation and attitude effects community willingness to invest and savings has the highest effect on investment. In addition, local communities play significant roles in tourism development. Tourism has contributed to the country's economic growth through tourist arrivals with substantial receipts, as such, tourism development requires considerable investment. This study shows that tourism development is related to local community willingness to invest in tourism industry. Moreover, this study provides some suggestions for local authorities in terms of increasing community investment.

**Keywords:** Local community; willingness to invest; tourism development; tourism arrivals; Langkawi; Malaysia.

## Introduction

Malaysian tourism industry started in a much more organized manner since 1972 and its performance has shown positive achievements (Mosbah & Salleh 2014; Set, 2013). The country's unique natural features and multicultural society has been used in tourism policies developed by their government to ensure positive results in the tourism sector. Previous findings indicated that community investing in tourism development positively correlated with growth in gross domestic product (GDP) as well as the community's well-being (Öztürk, 2017; Mak, Cheung & Hui, 2017; Sharma, Mithas & Kankanhalli, 2014; Hanafiah, 2016). Furthermore, investment planning safeguards citizens from the uncertainty of what's in store (Sangeetha, 2013). Local communities play a significant role in the sustainability of the tourism industry (Dangi & Jamal, 2016). Local community investing in this sector brings positive contribution to their life. It also increases their capability, expedites development, and increases their understanding of the value of their environment (Séraphin et al., 2018; Ma & Kaplanidou, 2016; Jeon, Kang, & Desmarais, 2016). Willingness to invest is "the quality or state of being prepared to do something; readiness, disposition, desire, eagerness, keenness, enthusiasm to invest in tourism development" (Beazer, 2012). Investment comprises of the investor, capital and

private individuals willing to share resources with the industry. Hence, the willingness to invest arises from affordability of an investor to share their resources with the firm, make effective use of other resources such as their time and maximize the firm venture fund (Degryse & Jong, 2001).

Undoubtedly, local community involvement in tourism development contributes to the development of their community, it also promotes their sense of belonging and provide understanding of the value of their community (Pawar, 2020; Manohar & Appiah, 2016; Sharma, et al., 2012). So, to ensure there is growth in economy, there is a need for countries to encourage savings by individuals. These savings must be directed to investments which will complement personal financial gains as well as growth of the economy. In other words, the rise of initial investment will lead to a rise in income through a multiplier effect (Sharma, et al., 2014).

The article will now provide a critical review on tourism investment studies which provides better insights into tourism development by examining community willingness to invest in tourism development. Previous findings indicate that investment is positively correlated with an increase in GDP, improvement in indigenous well-being as well as community development (Hanafiah et al., 2016; Mak & Cheung, 2017). However, in most cases there are general economic factors that prevent the local community from investing in projects: inadequate capital (financial and non-financial), investment risk; managing aids and experiences, high percentage of commercial credit, motivation, and uncertain economic situation. All these hinder the community's capability to vigorously contribute to social and economic development (Kimbu et al., 2019; Ngoasong & Kimbu, 2016). Again, the lack of knowledge about tourism investment on the part of the local community results in their reluctance to invest in the sector. Hence, a critical review of the existing tourism investment studies will provide a better insight into tourism development.

Investing in tourism small and medium enterprises (TSMEs) offer ample prospects to generate income, employment, and development. However, this subject matter has received scant attention in the existing literature, while investment as part of aggregate demand and source of capital formation has been given much attention in respect to sectoral growth (Ngoasong & Kimbu, 2016). The relationship of investment with sectoral and economic growth has long been a matter of interest in the research community, and a considerable amount of empirical literature can be found on this particular area of research (Hanafiah et al., 2016; Mak & Cheung, 2017; Kimbu et al., 2019; Ngoasong & Kimbu, 2016). However, only a few studies focus on local communities willing to invest in TSMEs. Therefore, the present study examines the predominant factors influencing local communities willing to invest in the development of tourism in Langkawi. The appraisal and exploration of the affirmative and adverse factors in investment towards tourism development are grounded on a community viewpoint and this study aims to:

Access the predominant factors affecting local community willingness to invest in TSMEs in Langkawi.

## Literature Review

### *Local community willingness to invest in tourism development*

The word community is multidimensional and multifaceted which means different things to different scholars. To some, community is company of individuals sharing geographical district and are destined by common values, culture, heritage, family and race (Cobigo & Mcheimech, 2016). Linking this perception with tourism development, willingness to invest is "the quality or state of being prepared to do something; readiness, preparedness, desire, eagerness, enthusiasm to invest in tourism development" (Beazer, 2012).

Several investment studies described the importance of investment towards development (Tejvan Pettinger, 2019; Drábek, Lorincová & Javorčíková, 2017; Zhou et al, 2017; Kafcheh & Hosseini, 2015; Sangeetha, 2013). Investments stipulate growth in a community and create employment opportunities. It improves communities' livelihood (Mrema, 2015). Set, et al., (2016) reveal that the overall TSMEs business planning involves knowledge sharing and information sharing. This signifies the importance of knowledge and information in community investment. Most of these investors go into investment based on positive expectations. Owners of tourism firms get motivated to invest based on what the destination presents and what it intends to offer them. In Set's, (2013) study which explores profile characteristics of TSMEs in Malaysia, results indicate that majority of TSMEs in Malaysia are family owned.

In addition, Governments, encourage investment in tourism because it contributes significantly to economic development (Puah et al., 2018; Nawaz, 2016; Richardson, 2010; 2014). Furthermore, it has exponential and multiplier effects as compared to other sectors (Yang et al., 2017; Faber & Gaubert, 2019). Numerous factors, such as attractive landscapes and archaeological sightseeing, which pull people to various destinations serve as necessary conditions for tourism development. Despite the fact that tourism is a sector with potential to generate income and employment, investments are necessary to boost and foster this sector (Nawaz, 2016).

Local communities investing in tourism development contribute toward economic development by creating jobs and other income generating activities for community members. Moreover, investment inculcate a sense of pride in the community (Sharma, et al., 2014). Making decisions towards investment is a multifarious procedure where the investors look at what are their prospect in generating profit, besides investigating the means towards achieving their purpose. All investors want to make sensible investment decisions so as to curtail risk. Return on investment and risk are the most essential issues that influence every investors decision making (Uslu Divanoğlu & Bağcı, 2018; Bakara & Yi, 2016). Due to high level of changes in the investment environment, there are lots of information available and investors have to be very careful in deciding where to invest so as to avoid bad investment decisions that will lead to regret in the future (Sharma et. al., 2014).

Making an investment requires a cost-benefit analysis and due consideration based on benchmark set in the specific sectors. The cost-benefit is examined with the direct, indirect and non-financial benefits (Koellner, Sell & Navarro, 2010). Notwithstanding, local community willingness to invest in development of tourism is based on a diversity of issues that hinders and facilitates their involvement. In development of tourism, consciousness of the value of development must be known and the necessary abilities with which to take advantage of development (Kisi, 2019) must also be acquired.

Malaysian government's efforts towards tourism development brings positive result on tourism. The government has set up programs to assist TSMEs performances (Set, 2013). RM 200 million was set up as a special fund by the government to support small and medium tourism related projects. The government also introduced a new clause on the Investment Incentive Act of 1968, which brought about exemption on income tax for tour operators (Economic Planning Unit, 1991). Furthermore, the government of Malaysian support entrepreneurial skills through marketing and promotions. In addition, it supports initiatives in the improvement of tourism products and services to enhance Malaysia's competitiveness to sustain tourists' interest in Malaysia. In promoting tourism industry, the Malaysian government has introduced programs and policies on TSMEs. In 2011, RM 4,677.1 million was spent on training and financial programs by the government for TSMEs, this was done by increasing the development allocation fund for this sector (Set, 2013). About 991, 419 workers were employed by TSMEs, which was about 38.1 per cent of total employment in the SMEs sectors at that time. The report from the Ministry of Tourism and Culture Malaysia highlighted that the industry employs more than a third of workers in the services sector.

**Table 1** *Distribution of TSMEs, 2010*

TSMEs Business Activities	Establishment	%
Accommodation services	2,817	1.2
Transportation services	40,025	16.7
Art, entertainment and recreation	6,217	2.6
Food and beverage services	142,721	59.7
Miscellaneous tourism services	36,721	15.4
Travel agency, tour operators and tourism guide services	10,609	4.4
TOTAL	239,110	100.0

Sources: Malaysia department of statistics, census 2011(2012).

A lot of possibilities have been created by the tourism industry and this can be observed based on the increase in tourist arrivals, tourism products and services diversification. TSMEs in the services sector in Malaysia increased from 100,637 firms in 2005, to 239,110 firms in 2010 (Table 1, Department of Statistics Census, 2012). However, some studies emphasize the problems in managing TSMEs (Zainol Abidin, et al., 2016; Omodero, 2019). For instance, the TSMEs have low financial resources, deficiency in marketing skills and deficiency in industry expertise and strategic vision (Shariff, et al., 2016).

### ***Investment and Tourism Development***

Investment means "commitment of current financial resources in order to attain higher gains in the future" (Malik, 2009; Ranjan, 2009). Every investment requires that investors invest savings from income or borrow from friends and bank (Salleh et al., 2016). From the Kuznets (1955) inverted U-shaped curve, savings is concentrated in the high-income group. As such, investment in tourism industry is proportional to willingness to save from the household income. The

level of expenditure explains the capability of a household to save from the income generated. Kuznets (1955) argued that saving is very low for the people at the low quintile of income distribution. Since savings equals investment, and the level of income explains the quantity of savings that households could save at a given level of income, the willingness of the local community to invest in the development of tourism depends on their saving capability. Investment creates direct contribution to economic activity and is the most volatile component of GDP. It plays a vital role in the long run and also in short term economic growth by linking the present with the future (Ahmad, 2017).

In addition, investment in tourism-related products ensures high-quality service that will attract more tourists and generate more tourism revenue (WTTC, 2019). Investment may be private investment (induced) or public investment (autonomous). Tourism development is capital intensive that requires conscious effort of the local community to improve their saving capacity. While income is expected to equal expenditure to maximize required level of consumption, local community perception on savings would initiate the willingness to invest in tourism industry. However, Kuznets (1955) asserted that saving capacity depends on the income level and the interest to save. The willingness to save deprives households from current consumption, however, promoting investment will lead to the enjoyment of future consumption. Due to the importance of capital, the study asserts that inclusion of savings would enhance the understanding of the local community's willingness to invest in tourism industry. Every investor's goal is to achieve annual returns on his investments by taking advantage of the increase in the value of the investment over a time period.

### ***Factors influencing community willingness to invest***

Community willingness to invest is dependent on a number of factors. Identifying these factors will provide a strong understanding of community investment which facilitates tourism development. Looking at investment in tourism industry, the government of Malaysia made concerted effort in empowering and supporting entrepreneurs. For entrepreneurs to reach their full potential, understanding and recognizing the key factors of investment is important.

Some studies have examined factors affecting investment (Abul 2019; Seetharaman, et al., 2017; Pfeiffer, 2016; Jagongo & Mutswenje, 2014). Azam and Kumar, (2011) examined, factors influencing Pakistan investors' behaviour on the Karachi stock exchange. Result reveal that gross domestic product growth and share earnings have a major influence on prices of stock. Mojgan & Ali (2011); and Fares & Khamis (2011), analyzed investor decision making in stock markets. These studies reveal that earnings and cash dividends affect investor's decision making. Demographic factors also affect investment decisions where age, education, gender and internet availability had a noteworthy impact on investor's trading stock (Geetha & Ramesh, 2012; Shaikh & Kalkundrikar, 2011). Obamuyi (2013) studied factors influencing the decisions of investors in the Nigerian capital market and the study revealed that the company's past performance, religion, opinions, and the get-rich-quick mentality determines investment decisions. The findings of the study reveal that socio-economic characteristics is a predominant factor influencing investor's decision. Hussain & Nasrin (2012) in their study reveal eight factors that influence investors: (1) company reputation; (2) accounts information; (3) net asset value; (4) trading opportunity; (5) the personal-finance needs;(6) influence of people; (7) publicity and (8) ownership structure. Aregbeyen & Mbadiugha (2011) in their study highlighted some of the factors that affect investors and they include, future financial security; company financial performance; increment and bonus payments. In Sharma et al.'s, (2011) study, two factors were revealed; rational and irrational factors that influence investors. Results on rational factors are income level of investors, investment profit, market trends, place of investment, capital, risk tolerance, past experience, investment information, accounting information needs, competitive investor performance, economic conditions, tax exposure, industry growth and government policies. Most influencing irrational factors on investment decision are dependents behavior, gossips, investment self-image, trading pressure, accounts information and overconfidence. For existing companies factors that influence decisions are reputation, previous performance, the status, gains and price per share are the most prevalent factors. Based on these literatures, investors investment decisions are based on a number of factors and investors understanding is centered on these factors.

### **Proposed Structural Model**

Numerous authors have discussed investment in SMEs, (Set, 2013; Jaafar et al. 2011; Mccamley & Gilmore 2017; Hanafiah et al. 2016; Hartwell et al. 2017; Kimbu, & Tichaawa, 2020). However, few focused on the local community's willingness to invest in the tourism industry i.e., the mechanism behind local people's willingness to invest in tourism

development are still unexplored. Thus, it would certainly be worthwhile to provide more studies on investment in TSMEs for tourism development from the standpoint of this study (Kisi, 2019).

In view of the lack of research dealing with local community's willingness to invest in tourism development, this study explores the predominant factors influencing community investment in the tourism industry. The study examines the role of attitude, expectation of benefit, knowledge, motivation, opportunity and savings as some of the factors affecting local community willingness towards investing in tourism development. Most studies do not include savings as a factor affecting local community willingness to invest. Assessing their saving capacity will therefore allow us to better determine their investment capacity. In addition, this study investigates the effects of these variables. A model is proposed with the following hypothesis

**H1:** Savings capacity positively influences local community willingness to invest in tourism industry

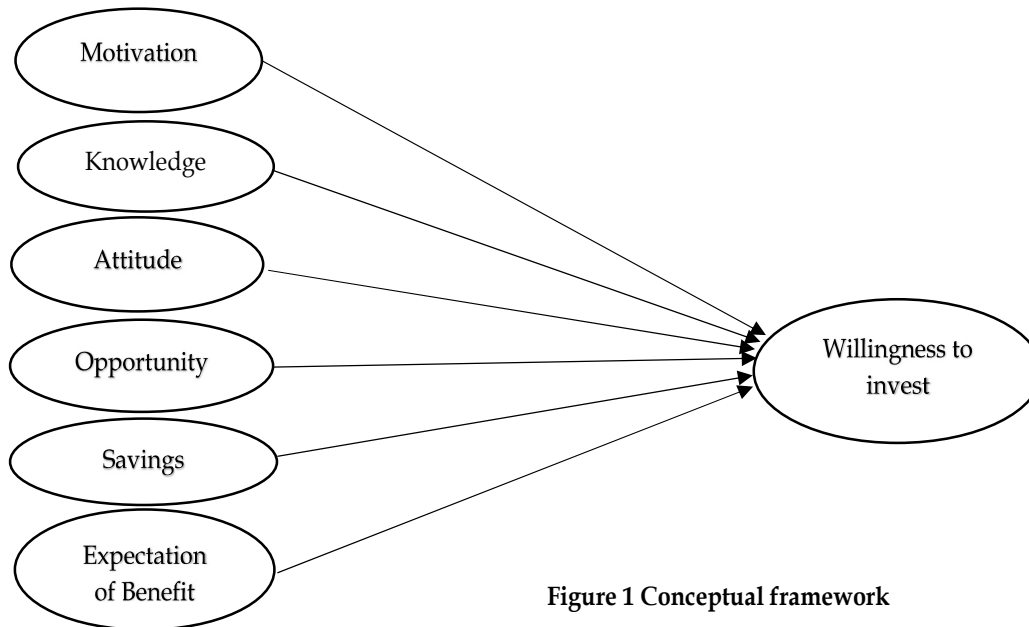
**H2:** Motivation positively influences local community willingness to invest in tourism industry

**H3:** Knowledge positively influences local community willingness to invest in tourism industry

**H4:** Expectation of benefit positively influences local community willingness to invest in tourism industry

**H5:** Opportunity positively influences local community willingness to invest in tourism industry

**H6:** Attitude positively influences local community willingness to invest in tourism industry



**Figure 1** Conceptual framework

## Methodology

### *Study Area*

Langkawi Island is located in the northwestern part of Peninsular Malaysia. It is considered as the country's leading tourist destination due to its abundant natural resources, its tropical weather, its beaches, coral reefs, freshwater lakes, and verdant rainforests, which makes it a popular holiday destination. It attracts tourists from all over the world and is one of the busiest tourist centers in Malaysia. It comprises of six districts and 104 islands. The island belongs to the state of Kedah and has a total land area of 47,848 square kilometres and a total population of 103,075 (Langkawi Development Authority, 2013). The six districts that make up Langkawi are: Kuah, Padang Matsirat, Ayer Hangat, Pandang Lalang Bohor, Ulu Melaka, and Kedawang. Kuah is the largest town in the community that houses the main administrative and commercial centre, while Rhu (Pantai Cenang) is the most popular beach and tourist area in

Langkawi, with tens of thousands of visitors each year. In 2012, more than 25 million tourists visited Malaysia and also visited Langkawi (Langkawi Development Authority, 2013).

Langkawi Island has been chosen for this study due to its rapid development in tourism and extensive government support for investors. The tourism sector in Langkawi has undergone a very swift development. The Malaysian government and other agencies have assigned huge importance to improving the sector through numerous types of support in the form of funds, incentives and training for local communities. A total of RM15.7 billion ringgit was allocated to advance the development of tourism (Government of Malaysia, 2006; Set, 2013). The government maintains its obligations to encourage entrepreneurship through tax incentives and low electric tariff rates, soft financing schemes, Majlis Amanah Rakyat (MARA), low interest loans, and tourism special funds to accelerate private investment (Government of Malaysia, 1986; 2006; 2010). Majlis Amanah Rakyat (MARA) also supports 114 private individuals to participate in tourism businesses. Entrepreneurship is encouraged by providing loans at low interest, in addition to providing business courses and business premises for entrepreneurs. Despite existing incentives, a revolving fund of RM200 million ringgit was set up by the government for tourism related projects. The Tourism Infrastructure Fund and Special Fund was launched in 2001 to promote investment in tourism development. Langkawi Island was given a World Geopark status by UNESCO in 2007. The three main conservation areas in Langkawi Geopark are Machincang Cambrian Geoforest Park, Kilim Karst Geoforest Park, and Dayang Bunting Marble Geoforest Park (Island of the Pregnant Maiden Lake). These three parks are the most popular tourism areas within Langkawi Geopark. The global recognition as World Geopark has attracted more visitors and researchers to Langkawi.

Before its transformation into a tourist destination, Langkawi was among the least developed districts in Kedah, and its community was predominantly engaged in agriculture and fishing. Poverty and out-migration rates among locals were high due to a lack of employment opportunities. In the mid-1980s, the local economy started to be geared towards tourism, and many locals joined this sector, seeing the tourism business as their way out of poverty. Subsequently the number of locals involved in agriculture and fishery reduced considerably (Langkawi District Council, 1992). In other words, the tourism industry has brought economic progress to Langkawi and provides employment opportunities as well as influencing foreign exchange activities in the community. Tourism brought rapid changes in land use, and tourism activities and development have played an important part in transmuting the land use pattern in the island and are currently the major economic activity in Langkawi Island. The community has undergone a major change from a tranquil community occupied by farmers and fishers to a busy tourist hotspot. A lot of changes have occurred in the island, due to government policies, social changes, economic changes as well as physical changes. The location of Langkawi Island and its major areas are shown in the maps below.

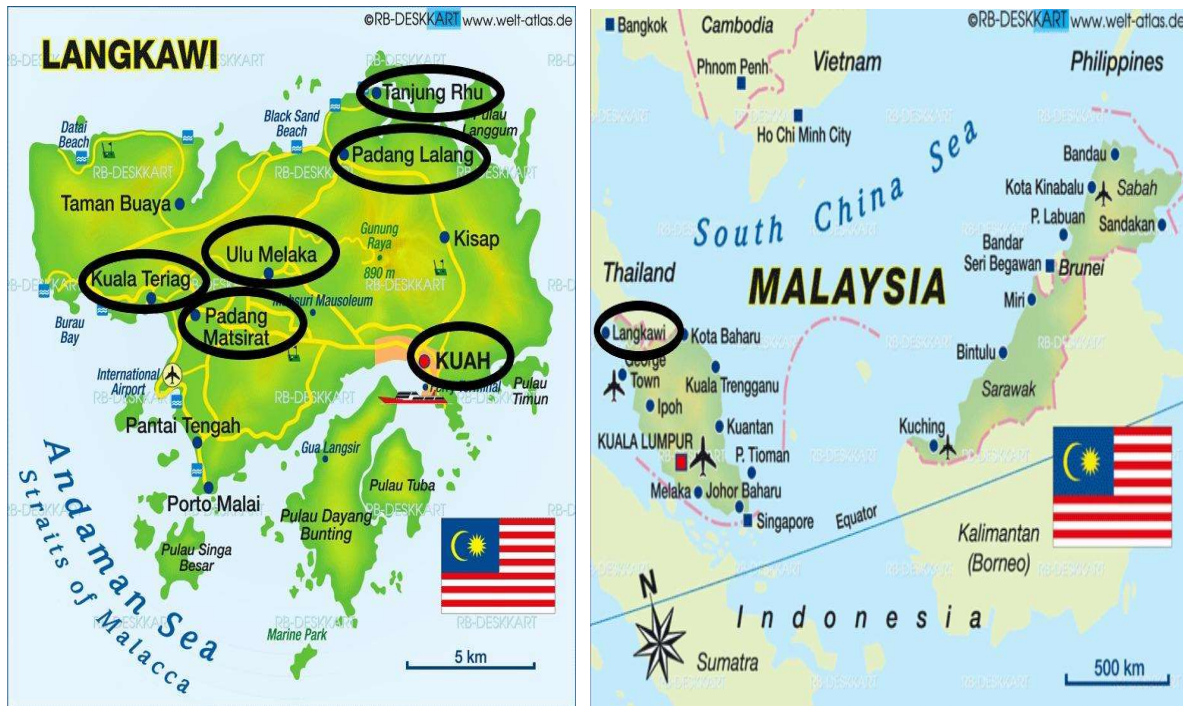


Figure 2 Map of the study site.

Sources: Welt-Atlas.de, 2020.

### Data Collection

A quantitative research design was employed for this study. The questionnaire assessed the willingness of the local community to invest in tourism development in Langkawi. A total of six (6) variables were examined in the study, and the questions were answered using a five-point Likert scale ranging from 1 “strongly agree” to 5 “strongly disagree”. The Likert scale was considered most suitable for the study as it involves declarative statements and an order continuum of response category (strongly disagree to strongly agree), in addition to a balanced number of positive and negative response options that is most commonly used by researchers. Collection of data was done between the months of October, November, December and February 2019. Stratified sampling technique was chosen as the sample selection process. The stratification was based on the six districts that make up Langkawi. The questionnaires were sampled by convenience sampling method. Prior to data collection, the questionnaire was subjected to pilot testing to ascertain the questions dependability and authenticity. Langkawi has three major seasons: the dry season (between November and March), the mid-season (between April and July), and the wet season (between August and October). The peak tourist season in Langkawi is the dry season, which offers plenty of sunshine and little rainfall, and the temperatures range from 32° C to 35° C during daytime and 25° C to 28° C at night.

Structural equation model (SEM) was used to test the relationships via partial least squares (PLS-SEM). SmartPLS, version 3.0 (Hair et al., 2015), was used to perform the PLS-SEM analysis. A sample size of 382 was used. This article focuses exclusively on assessing local community willingness to invest in tourism industry. This work is part of an ongoing doctoral thesis.

### Analysis and Results

#### Reflective Measurement Model

There are two steps involved in the assessment of a model using PLS-SEM. These steps are measurement model and structural model (Chin, 2010; Hair et al., 2011). For measurement model, it involves assessment of reflective measurement model and formative measurement model (Hair et al., 2017). The measurement model in this study

contains six reflective variables, namely motivation, attitude, knowledge, expectation of benefit, savings and opportunity. Table 2 shows that the loading indicator of the latent variables is 0.7 and above and the composite reliability for each latent variable exceeds 0.7. These results indicate that the measurement model possesses acceptable reliability. To assess internal consistency, factor loadings were checked. Most factor loadings are 0.70 and above as recommended (Hair et al., 2017), except for ATT 5, ATT 7 and OPPT 1 with low loadings as shown in Table 2 below. The three variables did not meet threshold cut off.

**Table 2 Outer loadings of measurement model**

	ATT	EOB	KNOW	MOT	OPP	SAV	WTIV
ATT1	0.638						
ATT5	0.543						
ATT6	0.748						
ATT7	0.612						
ATT8	0.730						
EBF3		0.757					
EBF4		0.756					
EBF5		0.818					
KNG1			0.681				
KNG3			0.799				
KNG4			0.671				
KNG6			0.901				
KNG7			0.869				
MOTV2				0.705			
MOTV3				0.802			
MOTV4				0.790			
OPT1					0.580		
OPT2					0.682		
OPT5					0.853		
OPT6					0.830		
SAV1						0.697	
SAV2						0.696	
SAV3						0.798	
SAV4						0.816	
SAV5						0.793	
WTIV1							0.748
WTIV2							0.735
WTIV3							0.789
WTIV4							0.809
WTIV5							0.719
WTIV6							0.667

*Note:* Attitude (ATT), Expectation of benefit (EOB), Intention to participate (ITPT), Knowledge (KNOW), Motivation (MOT), Opportunity (OPP), Savings (SAV), Social identity (SID), Willingness to invest (WTIV).

In reflective measurement model, Convergent Validity and Discriminant Validity are assessed. Convergent validity is the degree to which indicators of a specific construct share a high proportion of variance in common (Hair et al., 2010: 771). As suggested by Hair et al. (2017), factor loadings, and AVE are used to assess convergent validity. The threshold minimum cut-off values for CR and AVE, where all CRs are greater than or equal to 0.7 and all AVEs are greater than or equal to 0.5, all AVEs are greater than 0.5 after dropping some items except ATT (Hair et al., 2017) At this point, it is concluded that reliability and convergent validity meet the requirements (see Table 3).



**Table 3 Construct Reliability and Validity**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Attitude	0.668	0.676	0.791	0.434
Expectation of benefit	0.673	0.672	0.821	0.605
Knowledge	0.845	0.867	0.891	0.624
Motivation	0.663	0.683	0.810	0.588
Opportunity	0.721	0.739	0.830	0.554
Savings	0.817	0.817	0.873	0.580
Willingness to invest	0.839	0.843	0.882	0.556

Discriminant validity of the model is assessed. Discriminant validity is the degree in the direction of which the latent variables is distinctive from supplementary variables in the model (Chin, 2010; Kock, 2011). Indicators load strongly on their own paradigms than on other paradigms in the model. The average variance shared by each variable and its measurements should be greater than the variance shared by the paradigms and other paradigms (Fornell & Larcker, 1981).

Table 4 highlights that all paradigms display adequate and acceptable discriminant validity (Fornell & Larcker, 1981), where the square root of AVE (diagonal) is larger than the correlations (off-diagonal) for all reflective constructs.

**Table 4 Discriminate Validity**

	ATT	EOB	KNOW	MOT	OPP	SAV	WTIV
Attitude	<b>0.658</b>						
Expectation of benefit	0.452	<b>0.778</b>					
Knowledge	0.610	0.498	<b>0.790</b>				
Motivation	0.263	0.263	0.364	<b>0.767</b>			
Opportunity	0.472	0.396	0.550	0.334	<b>0.745</b>		
Savings	0.421	0.406	0.533	0.272	0.560	<b>0.762</b>	
Willingness to invest	0.521	0.356	0.546	0.303	0.579	0.494	<b>0.746</b>

*Note:* Diagonals represent the square root of the AVE in bold while the off-diagonals represent the correlations.

### **Assessment of the Structural Model**

In assessing structural model, it is vital to assess collinearity issue, where the variance inflation factor (VIF) value is 5 or higher than 5 (Hair, Ringle & Sarstedt, 2011), or the more stringent criteria by Diamantopoulos & Sigouw (2006) where VIF value 3.3 or higher, denote hypothetical collinearity glitch. In this article, Table 5 shows that all inner VIF values for the independent variables (motivation, knowledge, opportunity, the expectation of benefit and savings) were less than 5 and 3.3, thus indicating that collinearity is not an issue (Hair et al. 2017).

**Table 5 Collinearity Statistics (VIF) - Inner**

	ATT	EOB	KNOW	MOT	OPPT	SAV	WTIV
ATT							1.727
EOB							1.449
KNOW							2.140
MOT							1.196
OPPT							1.761
SAV							1.668
WTIV							

*Note:* Attitude (ATT), Expectation of benefit (EOB), Knowledge (KNOW), Motivation (MOT), Opportunity (OPP), Savings (SAV), Willingness to invest (WTIV).

To asses' structural model, the connotation of the path coefficient and value of R<sup>2</sup> was checked. The path coefficients must be noteworthy, while R<sup>2</sup> is extremely reliant on the research area. Chin (1998) recommended R<sup>2</sup> values in the order of 0.67, 0.33, and 0.19 as being correspondingly substantial, moderate, and weak measures of R<sup>2</sup>. Hair et al (2017) recommended R<sup>2</sup> values in the order of 0.75, 0.50 and 0.25 as being correspondingly substantial, moderate and weak. Table 6 shows the effect size of willingness to invest based on the variables. All the constructs were positive and significant apart from opportunity whose effect size is greater than 0.05. Therefore, the results of this study supported H1-H6 with the exemption of H5 which was not supported. The P value of the relationship between all the variables was less than 0.05 and significant apart from expectation of benefit (H2) which is greater than 0.05. Hence, this study could not support H2 whose P value is greater than 0.05. However, the findings of the study supported the hypothesis expect H5.

**Table 6 Path coefficient and Hypothesis testing**

	Hypothesis	Std. Beta	Sample Mean	Std. Error.	T Statistic	P Value	Effect size	Supported
H1	Attitude -> Willingness to invest	0.213	0.215	0.058	3.678	<0000	0.048	Yes
H2	Expectation of benefit -> Willingness to invest	-0.011	-0.006	0.049	0.216	<0.829	0.000	Yes
H3	Knowledge -> Willingness to invest	0.163	0.168	0.073	2.228	<0.026	0.023	Yes
H4	Motivation -> Willingness to invest	0.053	0.046	0.046	1.157	<0.248	0.004	Yes
H5	Opportunity -> Willingness to invest	0.297	0.298	0.058	5.112	<0000	0.092	No
H6	Savings -> Willingness to invest	0.141	0.139	0.058	2.439	<0.015	0.022	Yes

**Effect size**

The effect size (f<sup>2</sup>) is another path coefficient degree which specifies substantially the outcome of a specific independent variable on a dependent variable (Chin, 2010). Values of 0.02, 0.15, and 0.35 for f correspond with respectively low, moderate, and high effect sizes (Cohen, 1988). OPPT had the strongest effect size on WTIV (f<sup>2</sup> = 0.092) this was followed by ATT → WTIV (f<sup>2</sup> = 0.048), KNOW → WTIV (f<sup>2</sup> = 0.023), and SAV → WTIV (f<sup>2</sup> = 0.022) MOT → WTIV (f<sup>2</sup> = 0.004) EOB → WTIV (f<sup>2</sup> = 0.000) respectively (see Table 4). In this study, 6 hypotheses are developed between the variables. In order to test the significance level, t- statistics for all paths are generated using SmartPLS 3.0 bootstrapping function. Based on the assessment of the path coefficient as shown in Table 4, five relationships are found to have t-value > than 1.645, thus significant at 0.05 level of significance.

**Discussion**

The study examines the predominant factors affecting local community willingness to invest in tourism development in Langkawi. Community investment is a procedure where small private firms and local communities are inspired and encouraged to utilize tourism in order to promote local development. Based on the model, there are six variables that affects investment among local communities. These variables include savings, motivation, opportunity, knowledge, expectation of benefit and attitude. This study assessed the outcomes of these variables on local community willingness to invest.

The results show that savings (i.e., SAV) had a positive and significant effect on investment. The study of Attanasio, Picci, & Scorcu, (2000) and Kuznets (1955) support savings as a positive influence to investment. Savings equals to investment and this finding was consistent with the study of Kuznets' (1955) inverted U-shaped curve, savings is concentrated in the high-income group and savings is equal to investment. As such, investment in tourism industry is proportional to willingness to save from the household income. Savings is introduced as a

variable to explain local community saving power because of its macro effect. In macroeconomic theory, saving is a proportion of income that is unspent on household consumption and usually that proportion of income saved would contribute to economic growth (Attanasio, Picci, & Scorcu, 2000). Savings is paramount to investment. Due to the importance of capital, the study asserts that inclusion of savings would enhance our understanding of the local community's willingness to invest in tourism industry.

Knowledge also has a significant effect on investment. Therefore, community members with positive knowledge were more enthusiastic over community investment. The study of Mccamley & Gilmore, (2017) support knowledge as an important determinant of investment. The ability of a community to participate in tourism development lies on their knowledge level. Motivation arises from the knowledge of knowing the cost-benefit of investment. Knowledge triggers the willingness to invest in tourism development. The study of Savolainen (2017) also supports knowledge in investment.

The effect of motivation on willingness to invest was positive and significant. Community members who get motivated were eager to engage themselves in tourism development. They were eager to involve themselves in economic activities associated with tourism in order to gain benefit. Local community with positive motivations (Dobbs & Hamilton, 2007) are more likely to set up a business with advanced survival rates. Motivation makes them interested in engaging in community activities. These findings support the work of Dyer et al. (2007), Moon & Tikoo (2003) and Gursoy et al., (2002). Motivation energize communities as well e create interest that makes them engage in community activities.

Expectation of benefit also has a significant effect on investment. When local communities' expectation of benefit increases, their desire to investment increase. Both tourist and local community expect certain benefits from tourism. Zhang and Lei (2012) used financial benefits which Koellner et al. (2010) split into direct benefit; indirect and non-financial benefit. Others include empowerment and tourism effects (negative and positive) (Honey, 2008; Page & Dowling, 2002). In another study, Page et al. (2017) introduced wellbeing and public health to explain the expected benefits of tourism. The current study shows significant effect on expectation of benefit and concurs with previous research.

Attitude has a positive and significant effect on willingness to invest in this study. Local community attitudes have been closely examined to understand the support level for tourism. Local communities appear to give stronger support to tourism when they have positive perception of its impact (Andereck & Vogt, 2000). Their positive attitudes towards development, particularly those related to the characteristics and management principles of their environment subsequently encourage their active involvement in tourism activities. The studies of Akrivos et al., (2014) and Komppula, (2014) support attitude as it has a significant effect on willingness to invest as our findings show.

Another finding of this study is that opportunity has no significant relationship on investment. The outcomes show that opportunity has no significant impact on community willingness to invest. It follows that opportunity alone is not enough to induce investment.

## **Conclusion and Policy Implication**

Tourism is a major source of livelihood and earnings in the world, and therefore, governments focus not only on current and long-term plans to develop this sector but also garner ideas from the private sector by facilitating several projects for sustainable tourism development. This study deliberately postulates community willingness towards investing in tourism development. Local communities participating in investment have a significant effect on tourism development. To achieve a strong economy requires the collaboration of citizens, and this ensures proper analysis is carried out before investment is made (Sangeetha, 2013).

The findings of these study reveal significant impact of savings, knowledge, motivation, expectation of benefit and attitude on the willingness to invest in tourism development by the community with the exception of Opportunity. Opportunity alone is not enough to induce investment, there are people that have the opportunity to investment but have some constraints restricting them from doing so. Savings strongly influence community willingness to invest. On the other hand, the importance of savings on community investment not mentioned in previous studies is noteworthy. Community investment will always boost the growth of the GDP of a country, and leads to more community development as well as improve community well-being. This was actually the federal government's plan before the pandemic. Investment serves as a tool for the growth and development of the national economy. Community participation in investing in tourism development will attract more development and more tourists to the community. Every investment is an impact investment, be it economic, environmental or social. Every

business has its own targets and goal-setting, which is very important for every investor. These goal setting enables them to measure and assess their success.

Although the Malaysian government policy initiatives towards tourism has brought growth and boost tourism in the country but to ensure continued growth in the future, local communities participating and investing in the tourism industry will go a long way. Investment is expected to play a vital role in safeguarding the growth of the Malaysia tourism industry. Entrepreneurial skills are another important aspect identified as vital to the success of the tourism industry. In this respect, there ought to be more consideration in enhancing the accompanying social viewpoints for the improvement of tourism development, be it in the form of organising more workshops, training programs and discussion meetings. Education programs and the participation of the community members and their support is necessary to ensure investment in the sector.

Another finding of this study is that opportunity has no significant effect on investment. The results also show that opportunity has no significant influence on community willingness to invest. Opportunity alone is not enough to attract investment.

Investment plays a vital role in changing a community's economic status, which leads to economic development and improvements in the life of local communities. However, in the context of tourism development, investment literatures showed varying levels of community participation and investment ranging from highest level to the lowest level. Programs organized for the dissemination of this information is important in terms of investment so as to attract more local community to invest and also increase the range of benefits obtainable. Investment serves as a tool for development of tourism and also the development of the economy. Community involvement or participation towards investing in tourism development will attract more development as well as attract more tourists.

However, our framework depicting the predominant factors affecting local community willingness to invest in tourism development is not without limitations; there are some limitations in this study that need to be taken into consideration. There are many tourism centers in Malaysia, yet this study covers only Langkawi. Consequently, future research should be carried out in other tourist areas in Malaysia as well as in other developing countries. Another limitation is that this study does not consider all the residents in Langkawi but only local residents living in the community. Future studies may address this issue in order to gain a more comprehensive view of other involved parties such as expatriate residents, visitors and locals from Langkawi who reside in other parts of the country. This would greatly complement the findings of our study.

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