

Investment in Tourism Infrastructure Development

Subjects: Economics

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Investment in tourism infrastructure includes investment in components such as transport and communications infrastructure, the hotel and restaurant industry, and recreation facilities... Investment in tourism infrastructure development to make destinations and services increasingly attractive is considered a key measure in developing a country's tourist destinations. It has a strong and positive impact on visitor attraction.

Keywords: tourism infrastructure ; attracting international visitors ; Investment

1. Introduction

Tourism plays a vital role in the economic growth of many countries, contributing to the development of related services and infrastructure. Thus, the development of tourism affects the progress and prosperity of the national economy ([Sinclair 1998](#)). International tourists bring foreign currencies to destination countries, increase residents' incomes, create jobs, improve living standards, and contribute to expanding and strengthening international economic relations. Tourism development has become an important goal for most governments, especially in developing countries. Therefore, studying and proposing policies to develop tourism has become an issue of interest to both governments and researchers in recent years.

According to [Boers and Cottrell \(2007\)](#), the demands of tourists in the 21st century are very specialized and varied, so tourists are not simply satisfied with conventional travel experiences. To meet the unique and diverse demands of tourists, [Dujmovic and Vitasovic \(2014\)](#) argue that it is important to develop new tourism products and destinations, providing tourists with more sources of inspirational experience. [Matias et al. \(2007\)](#) point out that factors driving tourism's growth and development have been identified and improved, including improved income and wealth, improved traffic, changes in lifestyles and consumption values, entertainment space, international globalization, immigration, special events, education, information and communications technology, marketing, promotion of tourist destinations, infrastructure in general, and tourism infrastructure in particular. Therefore, it can be said that improving tourism infrastructure to increase the attractiveness of the destination is an essential factor in attracting tourists. The studies of [Tribe \(2004\)](#), [Naudé and Saayman \(2005\)](#), and [Seetanah et al. \(2011\)](#) point out that a country's infrastructure determines its potential attractiveness as a tourist destination. Furthermore, recent studies have shown that tourism infrastructure has a positive impact both directly and indirectly on the quality of life of residents through sustainable tourism development ([Mamirkulova et al. 2020](#)). Therefore, there have been studies related to tourism infrastructure, although this issue is not always entirely the focus of research, such as those considering the role of infrastructure in tourism development ([Prideaux 2000](#); [Jovanović and Ilić 2016](#)), infrastructure impact on tourism development ([Seetanah et al. 2011](#); [Yu 2016](#)), the relationship between infrastructure and tourism ([Suleiman and Albiman 2014](#); [Mandić et al. 2018](#)), the impact of transport infrastructure on tourism development ([^{\[1\]} ^{\[2\]} 2008](#); [Seetanah and Khadaroo 2009](#); [Quariti and Jebrane 2020](#)), relationship between tourism infrastructure and international visitor flows ([Lim et al. 2019](#)), and the relationship between foreign direct investment and tourism development ([Selvanathan et al. 2012](#); [Khoshnevis Yazidi et al. 2015](#); [Samimi et al. 2017](#)). These studies have shown the impact of infrastructure, or some of its components, on tourism development in various contexts. However, to the best of our knowledge, studies considering the full impact of tourism infrastructure components such as transport infrastructure, social infrastructure, and environmental infrastructure on attraction to tourists are rare. This is the driving force for this study, examining the role of investment in tourism infrastructure development and in attracting international tourists, using empirical data from Vietnam.

Vietnam is a developing country located in Southeast Asia with many historical relics and famous landmarks, notably including eight UNESCO heritage sites. The tourism industry plays a vital role in the development of the economy. Therefore, it is seen as a key economic sector. According to the Vietnam National Administration of Tourism, [VNAT \(2020\)](#), in 2019 the tourism industry directly contributed to 9.2% of Vietnam's GDP, including the vital role of international tourists. However, despite having diversified and abundant tourism resources, if investment in tourism infrastructure development

is limited, Vietnam will become an unattractive tourist destination and will be unable to compete with regional destinations such as Thailand, Malaysia, or Singapore.

2. The Role of Transport Infrastructure and Communications Infrastructure

Although scholars approach elements of tourism infrastructure from different perspectives, it is undeniable that transport infrastructure is an important representation of tourism infrastructure and directly impacts the tourism infrastructure that attracts visitors. [Kaul \(1985, p. 496\)](#) stated that “transport plays an important role in the successful creation and development of new attractions as well as the healthy growth of existing ones. Provision of suitable transport has transformed dead centers of tourist interest into active and prosperous places attracting multitudes of people”. Indeed, the transport system performs the task of connecting areas with each other, as well as with tourist attractions, and becomes a factor in the competitiveness of the destination. International visitors often go to destinations where transportation systems are available and well developed. [Prideaux \(2000, p. 53\)](#) argues that “if the ability of tourists to travel to preferred destinations is inhibited by inefficiencies in the transport system there is some likelihood that they will seek alternative destinations”. Hence, investment in transport infrastructure development has been an issue of concern for governments for many years.

Along with transport infrastructure, communications infrastructure also plays a vital role in attracting tourists. Communications play an essential role in the development and sustainability of tourism. This helps travelers obtain destination information, make informed decisions about where to go, and helps countries and travel agencies promote and recommend their destinations. [Pearce and Wu \(2015\)](#) indicate that transportation, tourism facilities, and communications are the main components of hard infrastructure. [Raina \(2005\)](#) thinks that traffic and communications are elements in the physical components of tourism infrastructure, along with hotels, motels, and restaurants. Many recent empirical studies have demonstrated the role of transport infrastructure and communications in attracting tourists, resulting in transport infrastructure and communications infrastructure proving to be important factors affecting the number of tourists visiting ([Khadaroo and Seetanah 2007b](#)); transport infrastructure is a significant determinant of tourism inflows into a destination ([Khadaroo and Seetanah 2008](#)), transport capital having contributed positively to the number of tourist arrivals in both the short-run and the long-run ([Seetanah and Khadaroo 2009](#)), the construction of transportation infrastructure promoting the tourism industry ([Yu 2016](#)); thus, infrastructure and transportation are important components of the tourism supply chain ([Ghaderi et al. 2018](#)); developing transport infrastructures such as highways, airports, and railway stations, has a positive impact on overnight stays in all types of accommodation ([Ouariti and Jebrane 2020](#)). Furthermore, [Tang \(2020\)](#) argues that improving transport infrastructure is an important component of trade facilitation and “trade facilitation has improved the efficiency of the inbound tourism market, especially the indicator of infrastructure” [Tang \(2020, p. 51\)](#).

3. The Role of the Hotel and Restaurant Industry

The hotel industry provides hotel services and organizes short-term accommodation rental services at hotels, campsites, motels, student motels, and guest houses, etc., including restaurant services. In general, the hotel industry provides accommodation and food services for tourists. The hotel and restaurant industry is considered a major component of hospitality and an important components of tourist infrastructure. Hospitality, especially in its commercial incarnation as the “hotel”, has emerged as the hub, or the most vital segment, of infrastructure facilities for the travel and tourism industry anywhere around the globe. [Raina \(2005\)](#) considers that, along with transportation, hotels, motels, and restaurants are the physical elements of tourism infrastructure. Meanwhile, the [Tourism and Transport Forum \(2012\)](#) points out that hotels are a significant component of tourism’s social infrastructure and [Pearce and Wu \(2015\)](#) consider them part of the hard infrastructure of tourism.

Like transportation infrastructure, the hotel industry’s role (including the restaurant industry) in attracting tourists and developing the tourism industry is evidenced by many recent empirical studies. It is also considered an important component in the tourism supply chain ([Ghaderi et al. 2018](#)) and many studies have used rooms as a proxy for tourism infrastructure (^[3] [2008](#); [Seetanah and Khadaroo 2009](#); [Seetanah et al. 2011](#); [Lim et al. 2019](#)).

4. The Role of Recreation Facilities

It can be seen that recreational facilities provide attractions, sightseeing, places, and entertainment for visitors during their trip, so is an indispensable component in the tourism infrastructure. [Mandić et al. \(2018, p. 42\)](#) emphasized that “Recreational facilities are an integral part of physical infrastructure which is an indispensable pillar of overall economic

and tourism development". Mandić et al. (2018, p. 44) also indicate that "the development of tourism infrastructure and recreational facilities is associated with tourism development (UNWTO 2007; Sharpley 2009)". Adapting the tourism infrastructure model of Jafari and Xiao (2016), Mandić et al. (2018, p. 43) point out that "the physical infrastructure of direct relevance to tourism includes recreational facilities that, along with hotels and other forms of accommodation, spas, and restaurants, form the central tourism infrastructure". In addition, Raina (2005, p. 192) states that "culture and art are also considered elements of the culture which is a component of tourism infrastructure". Therefore, it can be seen that recreational facilities together with transport and communication infrastructure and the restaurant and hotel industries play a part in tourism infrastructure. Each part will promote tourism development by creating attractiveness and enhancing the competitiveness of a destination.

5. The Influence of Uncertain Factors

According to Vanegas Sr and Croes (2000, p. 951), many qualitative factors influence tourism consumption decisions, such as "special events, political instability, social conflicts, air travel problems, travel restrictions, economic recession and other factors". Typically, dummy variables are introduced to explain the impact of special events that may temporarily affect tourism demand. According to Lin et al. (2015, p. 39), "Greene (2008, p. 106) proposed a dummy variable is a variable that takes the value of one for some observations to indicate the presence of an effect or membership in a group and zero for the remaining observations". Song and Li (2008, p. 217), after reviewing articles on tourism demand modeling and concluded that "researchers should develop some forecasting methods that can accommodate unexpected events in predicting the potential impacts of these one-off events through scenario analysis". Therefore, it can be seen that, in addition to the quantitative variables of investment in tourism infrastructure development, it is necessary to use dummy variables to represent uncertain factors to consider their effects on attracting international visitors.

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