

Factors affecting backpackers traveling to Thailand during
2009 to 2018

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An Independent Study Submitted in Partial Fulfillment of the
Requirements
for the Degree of Master of Arts in Business and Managerial Economics
Field of Study of Business and Managerial Economics
FACULTY OF ECONOMICS
Chulalongkorn University
Academic Year 2019
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ปัจจัยที่มีผลต่อนักท่องเที่ยวประเภทแบ็คแพ็คที่ท่องเที่ยวในประเทศไทยระหว่าง พ.ศ.2552 -
2561



สารนิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาศิลปศาสตรมหาบัณฑิต
สาขาวิชาเศรษฐศาสตร์ธุรกิจและการจัดการ สาขาวิชาเศรษฐศาสตร์ธุรกิจและการจัดการ

คณะเศรษฐศาสตร์ จุฬาลงกรณ์มหาวิทยาลัย

ปีการศึกษา 2562

ลิขสิทธิ์ของจุฬาลงกรณ์มหาวิทยาลัย

Independent Study Title Factors affecting backpackers traveling to Thailand during 2009 to 2018
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Field of Study Business and Managerial Economics
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Accepted by the FACULTY OF ECONOMICS, Chulalongkorn University in Partial Fulfillment of the Requirement for the Master of Arts

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พินญา จันทโรจวงศ์ : ปัจจัยที่มีผลต่อนักท่องเที่ยวประเภทแบ็กแพ็คที่ท่องเที่ยวในประเทศไทยระหว่าง
พ.ศ.2552 - 2561. (Factors affecting backpackers traveling to Thailand
during 2009 to 2018) อ.ที่ปรึกษาหลัก : รศ. ดร.นวลน้อย ศรีรัตน์

-



สาขาวิชา	เศรษฐศาสตร์ธุรกิจและการจัดการ	ลายมือชื่อนิสิต
ปีการศึกษา	2562	ลายมือชื่อ อ.ที่ปรึกษาหลัก

6284049229 : MAJOR BUSINESS AND MANAGERIAL ECONOMICS

KEYWORD Backpackers, Tourism, Travel demand, Budget Travelers

D:

Pitchaya Chantharojwong : Factors affecting backpackers traveling to Thailand during 2009 to 2018. Advisor: Assoc. Prof. NUALNOI TREERAT, Ph.D.

Backpacker tourism is one of the travel categories that has become trending in the world. Thailand is one of choices that they choose to travel. There are several researchers define backpacker as the budget travelers because of their characteristic and life-style. In order to assess factors that may affect the number of backpackers traveling to Thailand, this study uses secondary data during years 2009 to 2018 which are obtained from websites. The factors are US real exchange rate, Thailand consumer price index and World Gross domestic product (GDP) growth rate. The Ordinary Least Squares regression (OLS) analysis is operated for econometric analysis. The study concludes that World GDP growth rate affect number of backpackers traveling to Thailand.



Field of Study:	Business and Managerial Economics	Student's Signature
Academic Year:	2019	Advisor's Signature

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to my advisor Associate Professor Nualnoi Treerat, Ph.D. of Faculty of Economics, Chulalongkorn University for the continuous support of my independent study. Her guidance helped me in all the time of research and writing of this independent study.

I would like to express gratitude to all of the master of arts in business and managerial economics (mabe) program members for their help and support. I also thank my family for the encouragement, support and attention.

Pitchaya Chantharojwong



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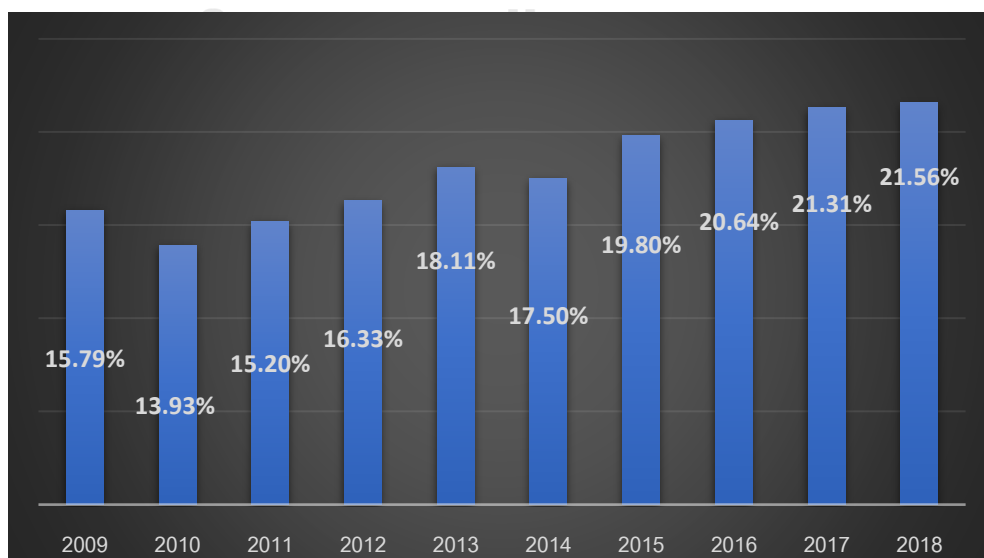
Chapter 1

Introduction

1.1 Background

Tourism affects many ways in world economies. Tourism is considered to be as one of the most powerful growth tools for international development. It means that tourism is an important factor in global economy. The World Tourism Organization discloses the number of international tourists around the world that increase approximately 1,400 million people or 6% in 2018. The reason is explained by economic growth and technological advances factors. Tourism is considered to be one of the main revenues in Thailand because tourism industry is one of the most important sectors which drives Thailand economy. Thailand is an attractive country for variety type of tourists and different segments of the tourist market. The graph shows the contribution of travel and tourism to Thailand GDP during 2009 to 2018. Thailand is considered as one of the top tourist destinations and generates approximately 21.56% of Thailand Gross domestic product (GDP) from tourist receipts in 2018 which means that tourism industry is very essential to Thailand.

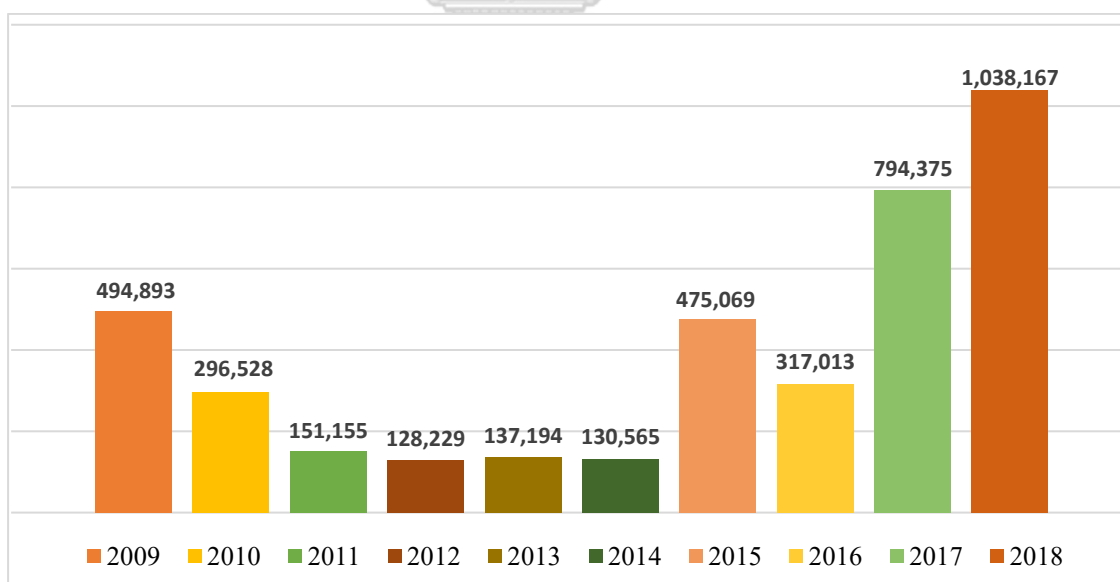
Figure 1: Contribution of travel and tourism to Thailand GDP during 2009 to 2018 (% of GDP)



Source: The World Travel and Tourism Council (WTCC)

Backpacker tourism is one of the travel categories that has become trending and Thailand is the famous countries that backpackers choose to travel. Backpackers are the travelers that consider about budget and expenditure. Thailand is an affordable place to stay and travel for backpackers. They stay in hostels, use public transports, and other inexpensive services. This aim of this study is to assess impact of factors that affect demand of backpackers traveling to Thailand. The factors that may affect backpackers are economic factors. Some factors can lead goods and services of country more expensive while they still have same budget. It may cause Thailand to be less attractive for backpackers. This study investigates the main factor that backpackers consider to travel to Thailand. The results from this study will have implication for government and related organizations to manage policy or launch new campaign to attract tourists because tourism is very important to revenue of Thailand. Tourists may consider other countries for choice of destination. These significant problems motivate to explore that what the factors affect backpackers to travel in Thailand.

Figure 2: The Number of Backpackers traveling to Thailand during 2009 to 2018



Source: National Statistical Office of Thailand

1.2 Research Question

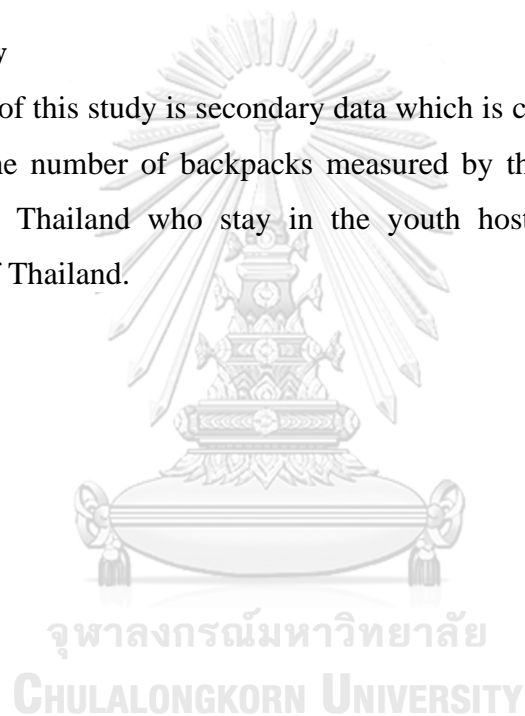
It is expected that there are factors affect demand of backpackers traveling to Thailand during 2009 to 2018.

1.3 Objective

This study's objective is to investigate factors that may affect demand of backpackers traveling to Thailand. The economic factors are US real exchange rate, Thailand consumer price index and World Gross domestic product (GDP) growth rate.

1.4 Scope of study

The scope of this study is secondary data which is collected year 2009 to 2018 from websites. The number of backpacks measured by the number of international tourist arrivals to Thailand who stay in the youth hostels collected by national statistical office of Thailand.



Chapter 2

Literature Review and Theoretical Framework

2.1 Literature Review

Backpacker

Backpacker tourism is one of the travel categories that has become trending in the world. Backpackers are now important travelers in many destinations. Thailand is one of the famous choices that backpackers are likely to travel because Thailand is not only an attractive country but also affordable place to stay, travel and do activities for backpackers. Several studies describe the characteristic of backpackers that they are the young travelers who consider about budget, like to meet new people and explore the new things. Loker-Murphy and Pearce (1995) analyzed that backpackers are the young budget travelers who prefer to stay in budget accommodations. They spent more time to travel and stay longer than other tourists with their flexible schedule. In addition, they prefer to travel outside the metropolitan and enjoy meeting both local people and other tourists. Backpackers are essential to tourism industry because they are not the major travelers in countries but they spend expenditures of their trips more than the average visitors. Ryan and Moshin (2001) asserted that budget is very important to backpackers. The different thing from other travelers is backpackers stay in budget accommodations. They spend at least one night in hostel of their trips. Scheyvens (2002) analyzed that backpacker tourism bring numerous local economic benefits to small business and informal sectors. It can conclude that backpackers are type of tourists that drive local economy. Following, Westerhausen and Macbeth (2003), backpackers are the independent budget travelers who search for hostel type accommodation. The travel patterns are not the same as other tourists do. Kontogeorgopoulos (2003) and Visser (2004) also analyzed that backpackers are travelers that have limited budget travel. They use inexpensive public transports and accommodations. They stay for long periods and long distant locations. Nash, Thyne and Davies (2006) summarized that the travel's key factors of backpackers are price, place and joining member of the youth hostel association. Hecht and Martin (2006)

considered that backpackers like to explore culture, new things and meet new friends. Maoz (2007) and O'regan (2010) considered that the reason that they stay in hostels because they save money. Besides hostels are the place that they can meet new people. Chang (2009) examined backpackers' behavior about their information seeking that backpackers does not only search for information before travel but also find information throughout the backpacking journey which include during travel and after travel. Dayour, Adongo and Taale (2016) found that backpackers spend a lot of money on accommodation, followed by food, drink and other expenditures such as transportation, souvenirs and attractions. Moreover, Socio-demographics, travel characteristics and trip motivations affect expenditure of backpackers. For example, female backpackers do not spend too much on accommodation but spend more on souvenirs, African backpackers spend more on food and drinks. In addition, backpackers who have higher education and repeat travelers spent more total expenditures. On the other hand, backpackers who travel to explore the local culture spend more on food and drinks and backpacker who stayed longer and group travelers spent less on total expenditures.

Factors affecting Tourism Demand in Thailand

Tourism is considered to be one of the main revenues in Thailand. Thailand is an attractive country for tourist choices of destination. Several studies find the relationship between the demand of international tourists traveling to Thailand and the factors that affect tourism demand. Several studies found a negative relationship between tourism demand in Thailand and the exchange rate. Chaitip and Chaiboonsri (2009) found that the exchange rate and transportation cost affect negative relation to international tourists traveling to Thailand. The result is also studied by Tachochalalai and Romprasert (2019) the exchange rate influences negative relation to demand of Chinese travelers traveling to Thailand during 2013 to 2017. While some studies find a positive relationship between tourism demand in Thailand and the exchange rate. Zhang, Qu and Tavitiyaman (2009) found that the real exchange rate and promotion budget which supported by tourism authority of Thailand rate cause positive relation to the number of international tourists to Thailand and they found that Asia financial crisis and SARS outbreak have negative impact. Similarly, Chaiboonsri, Sriboonjit,

Sriwichailamphan, Chaitip and Sriboonchitta (2010) found that the exchange rate of Thai's Asia major tourists including China, Singapore, Malaysia, Taiwan, Korea, and Japan affect positive relation to the number of international tourist arrivals to Thailand. Moreover, they found that transportation cost of those countries has negative impact. Several studies find a negative relationship between tourism demand in Thailand and consumer price index. Chaovanapoonphol, Lim, McAleer and Wiboonpongse (2010) found that Thailand consumer price index affects negative relation to the number of tourists from the USA to Thailand. Similarly, Tachochalalai and Romprasert (2019) found that Thailand consumer price index rate influences negative relation to Chinese travelers during 2013 to 2017. In addition, they found that unemployment rate has positive impact on Chinese travelers during 2003 to 2012 and the real income per capita of Chinese travelers has positive impact during 1993 to 2012.

Factors affecting Tourism Demand in other countries

Several studies find the relationship between the demand of international tourists in other countries and factors that affect tourism demand. Several studies found a negative relationship between tourism demand and exchange rate. Qu and Or (2006) found that real exchange rate and oil crisis rate influence negative relation to the number of Canada tourists traveling to the USA. Wang, Chen, Lu and Hwang (2008) found that the exchange rate in Asian countries between their country and the destinations affect negative relation to tourism demand which the result of the currency appreciation on tourism demand is more than the currency depreciation. Moreover, they found that real per capita Income and the Gulf war have positive impact. Similarly, Cheng (2012) found that the exchange rate causes negative relation to the number of Japan tourists traveling to Hongkong. Han, Durbarry and Sinclair (2006) found that the exchange rate and relative price index rate affect negative relation to US tourism demand for France, Italy and Spain. Moreover, several studies found a negative relationship between tourism demand and both the exchange rate and consumer price index. Hiemstra and Wong (2002) found that the exchange rate and consumer price index influence negative relation to tourists traveling to Hongkong. Similarly, Hanafiah and Harun (2010) found that the exchange rate and consumer

price index cause negative relation to tourists traveling to Malaysia. While some studies found a positive relationship between tourism demand and the exchange rate. Icoz, Var and Kozak (1998) found that the exchange rates affect positive relation to tourism demand in Turkey from tourists from Germany, Greece, Austria, the United Kingdom, Netherlands, Belgium, and Switzerland. Moreover, they found consumer price index of Greece and the United Kingdom cause positive relation to tourists traveling to Turkey. Similarly, Uysal and Crompton (1984) found that the exchange rates have a positive impact for tourism demand in Turkey. While some studies find that there is no relationship between tourism demand and the exchange rate. Quayson and Var (1982) found that there is no relation between exchange rate and tourism demand in the Okanagan, Canada. Similarly, Mervar and Payne (2007) found that the real exchange rate and transportation costs don't affect tourist traveling to Croatia. Salleh, Siong-Hook, Ramachandran, Shuib and Noor (2008) found that exchange rate does not affect Hongkong tourists traveling to Malaysia.

2.2 Theoretical Framework

Utility Theory

Utility Theory is concerned with ability of goods and services that can satisfy consumer need. Fishburn (1968) summarized that utility theory is associated with choices, preferences and decisions of people. Utility Theory in consumer economics is involved in the preference assumption which identified alternatives of rational persons that have to decide how much they should spend on variety of goods. It is assumed that, with or without prior consideration, they will select products which they most preferred. This is the prediction that show how they will choose. Assuming that rational persons act because of the theory under consideration, the effect of changes in price of products and income on their behavior is considered. It means that when prices and income increase or decrease, the theory predicts that their choice will also change. Cyert and DeGroot (1975) analyzed that the utility function is assumed to happen in every people's decisions. This function is considered to the individual so that it is probable for them to make their choices. The demand of goods can be decided by consumers and they specify the amount that they would buy in each

different price. After they made decisions, it is assumed that the utility realized by the people is the quantity that indicated by the utility function. Hence, it is considered that the utility that the individual search for from a specific decision is the utility realized when the decision is made.

Consumers make decisions based on their expected results. Consumers were considered as rational person who can predict the probable results of unclear decisions and choose the results which maximized satisfaction. Utility maximization under a budget constraint is a fundamental problem. The rational choice assumption that consumers choose the best affordable quantity which can be explained as an optimization issue. Weidema (2009) analyzed that budget constraint might be the average annual income or the possible average annual income at well-being which is equal to the possible annual economic production per capita. People choose the best things they can afford. Consumers make decisions among their choices and they will optimize their utility or satisfaction while they have limited budget. Consumers choose only compound of consumption that that can afford which depend on prices of goods and income.

When tourists make their decision to travel for fulfilling their satisfaction under the budget constraint. Especially, backpackers concerned about limited budget. Exchange rate is expected to be one of the determinants that affect decision of tourist. Mussa (1984) defined that an exchange rate is the relative price of one country's money in terms of the money of another country. People usually uses an exchange rate to make a decision. There are many characteristics of exchange rates about the prices of assets that are traded on organized exchanges such as long-term bonds, common stocks, metals and agricultural products. In addition, Mussa (1986) described that real exchange rate of two countries might be described as consumption basket of one country's relative price in term of another country's consumption basket. Similarly, Devereux (1997) analyzed that the real exchange rate is the relative price of goods between countries and considered as main macroeconomic variable of the open economy. Kıpıcı and Kesriyeli (1997) summarized that there are main two types that can describe the definitions of the real exchange rate. The first definition is the purchasing power parity. Another definition based on the gap of the tradable and the

non-tradable goods. Therefore, exchange rate is considered as an essential factor that may influence decision of people about tourism demand.

Price is expected to be the important factor that affect in determining tourism demand. Crouch (1994) identified that price of tourism goods and services are involved negatively in tourism demand. The price variables should include the prices that related to both the destination and substitute destinations. Witt and Witt (1995) considered that the consumer price index in a country represents the cost of tourism in that country. CPI is indicator that assess the weighted average of prices of a basket of goods and services. Changes in the CPI are applied to investigate price changes are involving in the cost of living. The CPI is also one of the most performed statistics for identifying periods of inflation. Friedman and Schwartz (2008) analyzed that inflation is always and happen whenever more fast expansion in the quantity of money than total output in the monetary circumstance. Similarly, Hansen (2016) considered that an increase in the quantity of money leads to increase in prices and inflation exists. Irving Fisher (1930) analyzed that the nominal interest rate can be described as the total of an expected real return and an expected inflation rate. Ball (2017) also considered that inflation is used to indicate not just about money income but also specify about prices.

Income is also expected to be the important factor that affect decision making of tourists. GDP represent the value of all goods and services produced by an economy in specific time period. GDP growth rate shows how rapid the economy is expanding. The gross domestic product is also used to measure whether an economy grows or faces a recession. Witt and Witt (1995) analyzed that tourism demand functions, origin country income or private consumption is included as an explanatory variable.

Chapter 3

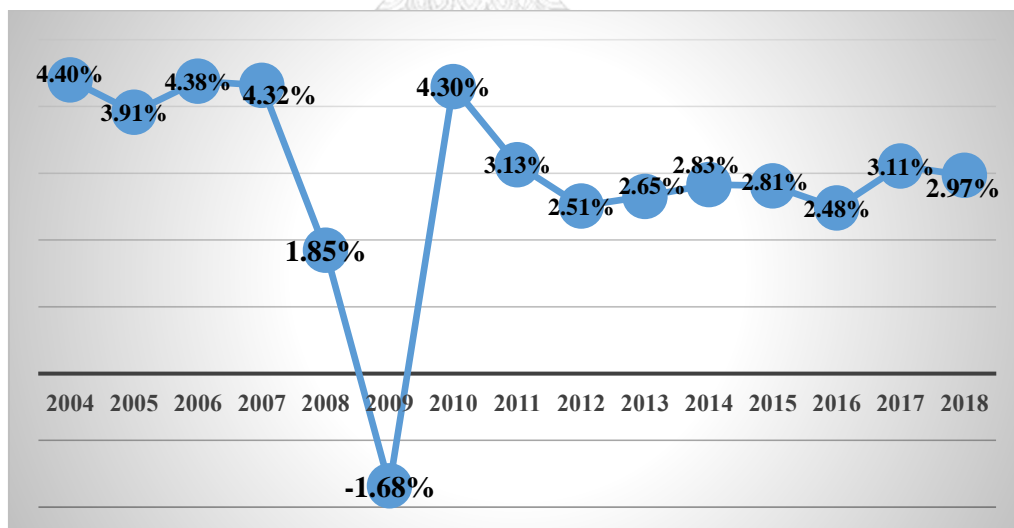
Macroeconomic and Tourism Industry Analysis

3.1 Macroeconomic Analysis

World Economy

The World GDP Growth rate before financial crisis was not much volatility until the global financial crisis has become an economic history of the world. The 2008 global financial crisis was the worst economic situation since the great depression in 1929. It started from financial crisis in the united states and had an impact on international financial system and global economy. The graph displays that the global financial crisis affected the World GDP growth rate which represent total aggregate output of the world 2008 was 1.85%, a 2.47% declined from 2007. Moreover, it affected world GDP growth rate that continuously dropped to -1.68% in 2009.

Figure 3: World GDP Growth rate during 2004 to 2018 (annual %)



Source: World Bank

The financial crisis in the united states caused by collapse of the united states housing market. The housing boom happened in real estate markets and many customers buying houses only to sell them at a higher price to get profits. There were many lenders offered home loans to subprime or high-risk credit customers but many

borrowers were unable to make their payment. The global crisis in 2008 was the severe shock to hit the global. Phillips and Yu (2011) analyze that the global financial in 2008 to 2009 affected by subprime crisis in the united states and have effect on commodity markets, exchange rates, and real economic activities. Acharya and Richardson (2009) also analyze that the root of crisis was a credit boom and a housing bubble. Moreover, they found that the proportion of debt to national income increased and house prices increase at an unexpected rate during 2002 to 2007. There were mortgages granted to people with low ability for paying back. Bianco (2008) asserted that many professionals and economists believe that financial crisis caused by the subprime customers and low interest rates. Subprime borrowing was an important determinant which led to increase home ownership rates and the demand for housing. The united states ownership rate rose to 69.2% in 2004. There were so many effects due to crisis. Lehman Brothers which is one of the top financial institutions went bankrupt. It affected bankruptcy for many credit facilities because they lent out so much money and mortgages but they did not save enough capital. Many firms that invested in real estate also went bankrupt. The stock market dropped every market in the world and house prices led to a huge decline in household wealth. The unemployment rate was high and people could not afford to buy commodities. The global financial crisis affected the World GDP growth rate dropped to 1.85% in 2008. It was more difficult for the global economy in 2009. The world GDP growth rate continuously decreased to -1.68% in 2009 and recovery from the global financial crisis was slow.

The world economy improved in 2010. The graph shows that the world GDP growth rate for 2010 was 4.30%, a 5.98% increase from 2009. Elwell (2013) Economic recovery improved in in late 2009 and early 2010. Real gross domestic product (GDP) had positive sign but the pace slowed significantly in 2011. The stock market and employment increased slightly. The world GDP growth rate was slow and declined to 3.13% in 2011.

The European sovereign debt crisis which immediately followed the global financial crisis and peaked during 2010 to 2012. The crisis occur because countries from European confronted the collapse of financial institutions, high debt of government and fast rising bond yield spreads in government securities. Arellano, Conesa and Kehoe (2012) analyzed that it started from the Greek government faced

troubles for selling bonds to private investors who needed high interest rates in late 2009. Lane (2012) analyze that root of crisis was initial of liquidity management of European Central Bank. Acharya, Eisert, Eufinger and Hirsch (2018) analyze the crisis started in 2009, many countries in Europe faced a crisis because of huge indebtedness made it difficult to refinance.

The graph displays that world GDP growth rate slightly decreased to 2.51% in 2012. World economic growth in 2012 decreased from the previous year because of the euro area's sovereign debt trouble. In year 2013 the world economy improved from year 2012. Main industrialized economies in the united states posed stronger recovery and the euro area emerged from the recession. World GDP growth rate during 2012 to 2016 were not much differences.

The world GDP growth rate which represent total aggregate output of the world increased to 3.11% in 2017 that the highest rate since 2011. We can address year 2017 was the best performance of world economy in six years. Drysdale, C. (2018) analyzed that investment growth and world industrial production increased in 2017. When we compared to the previous year, the growth enlarged almost two thirds of countries worldwide in 2017. Investment conditions and labor market indicators improved. Financial markets, credit growth have more stable and a more solid macroeconomic outlook.

The world economy in 2018 started with strong condition and high growth trend. After high growth in 2017 and early 2018, the world economic activities slowed remarkably which reflected a confluence of determinants affecting major economies. The world economic expansion decelerated after middle year 2018. Graph displays world GDP growth rate in 2018 was 2.97%, a 0.14% slightly declined from 2017.

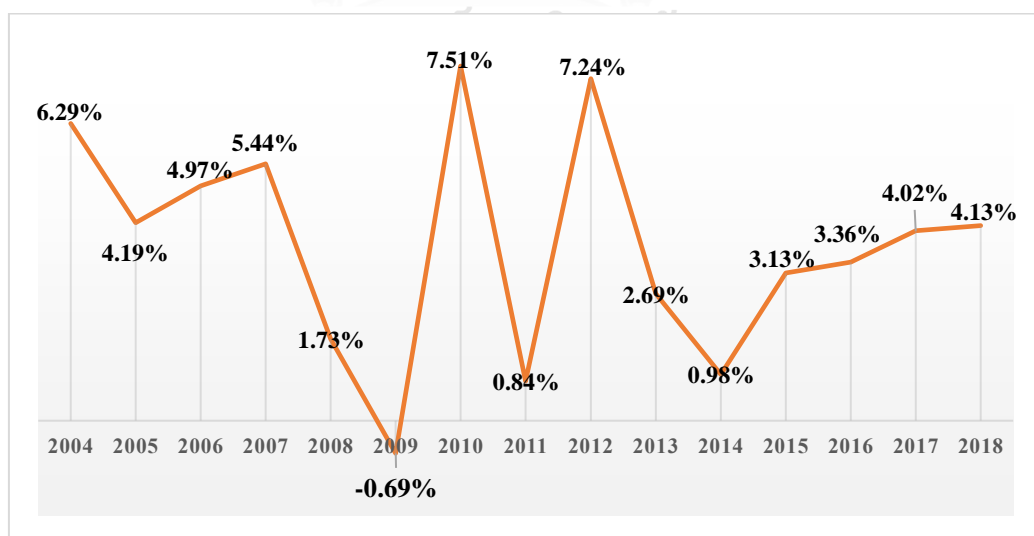
Thailand Economy

Thailand had effect from global financial crisis. World Bank (2015) analyzed that situation before the results of the global financial crisis in 2008 to 2009 and flood in 2011, growth rate was moderate at 5%. Bhaopichitr, Sirimaneetham, Luangpenthong and Thongampai (2008) analyzed that the real GDP growth was strong in the first three quarters of year 2008. Lehman Brothers went bankruptcy in

September 2008 and the global financial crisis strengthened which led to huge capital outflow especially from the stock market. The growth of exports decreases in October 2008. Export growth was at 44% in July and reduced to under 20 % in August and September and was at 5.2% in October. The effect of the global financial crisis began to fall in October when export stuck for the first time in six and a half years. Furthermore, number of foreign tourists decreased in September. Tourists decreased 16 % in third quarter of year 2008. Also, the political unrest in Thailand in October and the shutdown of airports in Bangkok in November 2008 directly caused tourism and influenced foreign tourists' confidence.

Thailand GDP growth rate in 2008 was 1.73%, a 3.71% declined from 2007. Moreover, the global financial crisis affected economy of Thailand and GDP growth rate continuously dropped to -0.69% in 2009. Thailand economy was severely affected by the global crisis for the first quarter of 2009. Bank of Thailand (2010) summarized that the overall economy in 2009 reduced 2.3%. Thai exports rapidly shorten which caused impacts on domestic consumption, investment, manufacturing productions and business confidence. World Bank (2009) also summarized that the export manufacturing sector has to cut production drastically in the fourth quarter of year 2008 and the first quarter of year 2009.

Figure 4: Thailand GDP Growth rate during 2004 to 2018 (annual %)



Source: World Bank

Thailand economy recovered from contraction in 2009 and GDP growth rate rapidly increased to 7.51% in 2010. Gil Sander and Burgaed (2011) analyzed that the economic activities moderately went back to pre-crisis levels. Domestic demand increased because of higher farm incomes and low interest rates. In addition, consumption and investment of domestically produced goods and services also expanded in 2010. These were affected by growth in household consumption. The number of tourists and the value of merchandise exports increased in December. Gil Sander, Sirimaneetham, Triratanasirikul and Anantavrasilpa (2010) analyzed that the political situation in April and May of year 2010 represented the massive impact to domestic demand and tourism and affect economy outcome. The direct effect included losses from businesses in downtown area. The indirect effect included the effects on tourism and confidence of investors. Tourism also decreased 50% of tourist arrivals in main airport. Confidence of consumers dropped which led to decrease retail sales.

Graph displays that the Thailand GDP growth rate in 2011 was 0.84%, a 6.67% declined from 2010 because of Thailand flood crisis. Imudom, Phongpiyaphaiboon, Suvattanametakul, Jitsutthiphakorn, and Vibulsrisajja (2012) analyzed that Thailand confronted with flood crisis in the fourth quarter of year 2011 due to heavy and widespread rainfall in the main areas. This crisis seriously affected economy in Thailand. Major manufacturers and distribution centers were flooded. The floods affected inconvenience of commuting to spend and obstruction to transport system. The flood crisis also affected the delay of investment in the fourth quarter of year 2011.

In 2012, Thailand recovered from flood crisis in 2011. The graph displays that Thailand GDP growth rate rapidly increase to 7.24% in 2012. Bank of Thailand (2012) summarized that Economy grew in 2012. High consumption was influenced by employment conditions, income, confidence of consumer and stimulus measures from government. Moreover, private investment also increased because of flood-damaged recovery. Overall economic stability was well maintained. The financial position of the corporate sector and financial institutions improved on domestic demand. Bhaopichitr, Mala and Triratanasirikul (2012) summarized that domestic demand expanded in 2012. Thailand economy recovered from the results of flood crisis but

faced trouble because of the slowdown in the global economy. Exports had problems due to production disruptions in the first half of the year and decreasing in demand from the EU, China, and ASEAN in the second half of the year. Thai exports were caused due to the Eurozone crisis.

Thailand GDP growth rate in 2013 was 2.69%, a 4.55% declined from 2012 and continuously dropped to 0.98% in 2014. IMF (2013) Thailand's economic growth slowed in year 2013 because of low domestic and overseas demand which combined with uncertainty over Thailand's political direction. Bank of Thailand (2014) In first half of 2014, the economy had 0% Of growth because of political situation that affected the households, investments and tourists. The high household debt led to decrease consumer spending and lending by financial institutions. Merchandise exports was slowly recovered because of a slow recovery in global demand. In the second half of year, economy improved moderately after political situation was better. Domestic spending and the tourism sector improved.

Thailand GDP growth rate increase to 3.13% in 2015. During 2015 to 2018, Thailand GDP growth rate was moderate at 3 to 4%. Bank of Thailand (2015) The Thai economy recovered gradually in 2015. Domestic spending was the main sector which drives economy growth. Economic recovery was limited by contracting exports. Export prices decreased in line with the falling oil price. Export quantity dropped because of the slowdown in Thailand's main trading partners' economies, especially China and ASEAN. Recovering private consumption and public spending are main sectors of growth in 2016. Tourist arrivals increased especially from China travelers. In the fourth quarter of year 2006, a temporary slowdown and the postponement of economic activities during the period of mourning after the passing of His Majesty King Bhumibol Adulyadej in October 2016.

Thai economy improved in 2017. Exports growth of year 2017 showed the highest growth in the past six years at 9.9%. IMF (2018) analyzed that Thailand economic improved because large part to tourism and manufacturing exports. Tourism drives economy growth and of the large current account surplus of GDP in 2017. However, household debt is still high because past policies that influenced credit growth such as the first car loan program. The Bank of Thailand enforced limitations on personal loans and credit card debt. Cooke (2018) also analyzed that

Thai economy improved in 2017. The value of exports including agricultural exports and manufacturing products expanded. Ariyapruchya, Reungsri, Habalian, Clarke and Kuriakose (2017) found that economy expanded in the first quarter of year 2017. The important main for recovery include merchandise exports and tourism.

Thailand's economic recovery extended in 2018. Theparat (2013) analyzed that the economy grew at the fastest pace in six years in 2018 because of higher domestic demand and growing tourism arrivals. In the last quarter of 2018, economy expanded by private consumption, private investment, gains in the export of goods and services, the acceleration of wholesale and retail trade, hotels, restaurants, transport and communication sectors which was reported by the National Economic and Social Development Council (NESDC). Languopin (2018) also analyzed that Thai economy recovered in the first quarter of 2018 affected by growths in the export and tourism sector. The merchandise exports reached 22.363 billion U.S. dollars for March 2018.

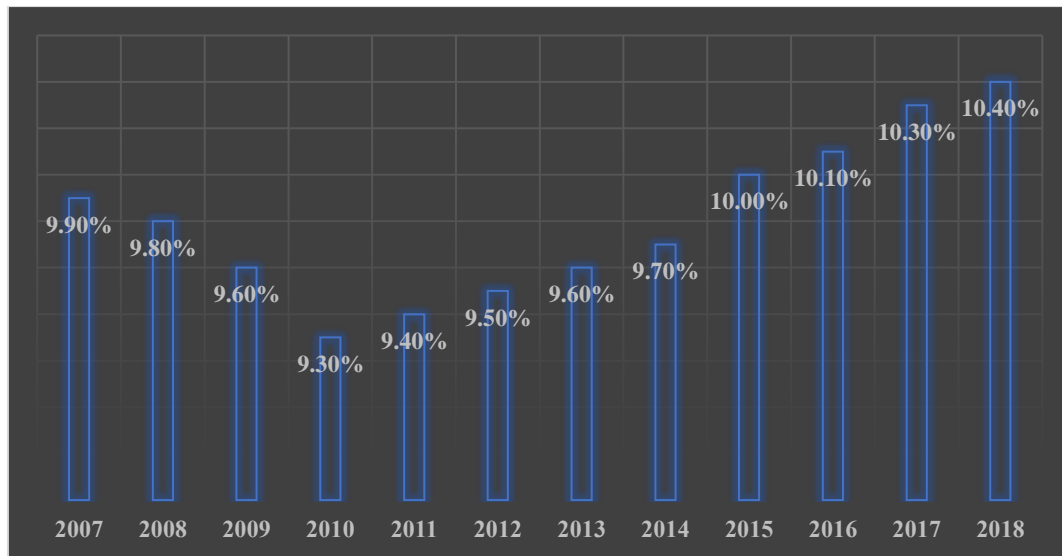
3.2 Tourism Industry Analysis

World Tourism

Tourism impacts many ways in world economy. Tourists consume a wide range of products and services, including transport, accommodation, food and entertainment services. This demand increases to the domestic demand with an impact on the economy and employment. International tourists increased from 25,000,000 to 903,000,000 from year 1950 to 2007. Tourism is considered to be as one of the most powerful growth tools for international development. It means that tourism is an important factor in global economy. UNWTO (2008) summarized that tourism has become one of the main international trade sectors. Tourism continued growth and diversification to become one of important sectors for driving world economy. There are many places are set up and invested in tourism development and these turned modern tourism into the main role for influencing socio-economic progress. World Tourism is now easier and more comfortable than before. It has become common for tourists to decide to book their own trips. There are a lot of choices which provide more benefits to tourists. Tourists can make their choices, set their plan and select the

price, accommodations, transportations and other things that fit their need, time, budget and etc. Contribution of travel and tourism to World GDP displays the sector's relative importance in an economy.

Figure 5: Contribution of travel and tourism to World GDP during 2007 to 2018 (% of GDP)



Source: The World Travel and Tourism Council (WTCC)

Prior to the global financial crisis, international tourism receipts are important for many countries. International tourism in 2007 was considered to be another success year because the growth was higher than average growth. UNWTO (2008) summarized that international tourist arrivals in 2007 increased 6.6% which was a new record of more than 900,000,000 and exceeded the expectation. The export income was generated by international tourism ranks fourth after fuels, chemicals and automotive products. An increasing disposable income and determinants such as the development of low-cost airlines influenced travel available for larger shares of travelers. Moreover, tourism was one of the main revenues and affected employment demand in many developing countries.

UNWTO (2009) summarized that international tourist arrivals in 2008 reached 922 million, up from 904,000,000 in 2007 which represented a growth of 2%. The growth caused by the strong effects of the first half of year 2008 before the global financial crisis. After middle of year, the international arrivals had negative growth. The negative effect of the reduction in tourism demand due to crisis. UNWTO (2010)

also summarized that the impact of crisis and economic contraction led to decline number of tourists 4.2% in 2009 to 880,000,000 when compared to the previous year. In addition, the H1N1 influenza pandemic which affected the year 2009. Therefore, year 2009 was one of the hardest years for the tourism industry. Steiner, Richter, Dörry, Neisen, Stephenson, Lemma and Mitchell (2012) analyzed that global financial crisis in 2008 to 2009 influenced tourism demand and a drop of 4% in number of tourists and a reduction of 6% in international tourism receipts in 2009. The crisis peaked in March 2009 and the number of tourists rebounded and improved during the end of 2009. UNWTO (2011) analyzed that world tourism in 2010 rebounded and was stronger than expected from the shock because of the crisis and recession. Tourists around the world hit 940,000,000 in 2010 which increased to 6.6% over the year 2009. UNWTO (2012) analyzed that world tourism in 2010 continued to recover from the recovery of crisis. The international tourist arrivals grew by 4.6% in 2011.

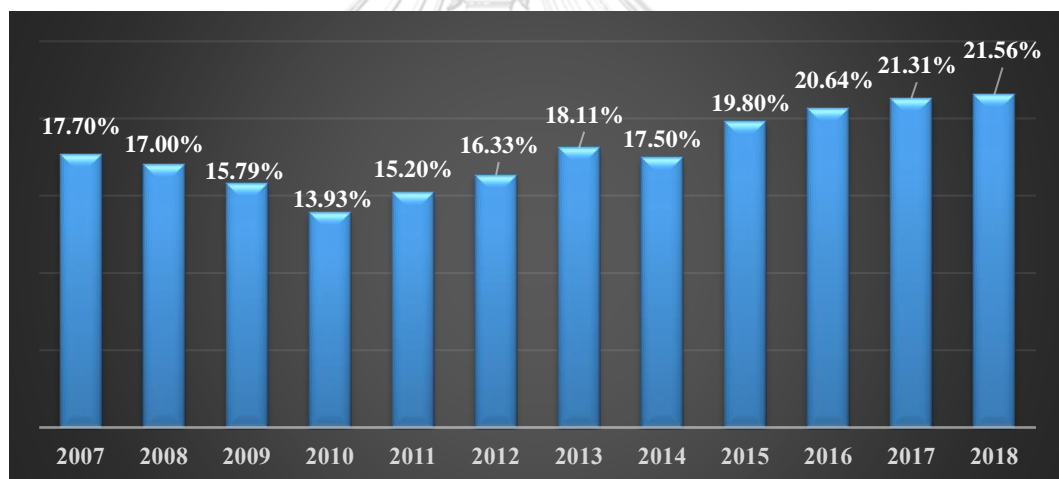
UNWTO (2013) disclosed the number of tourists around the world exceeded the one billion in 2012 for the first time which hit a new record, with 1,035,000,000 travelers. UNWTO created the campaign One Billion Tourists for celebrating: One Billion Opportunities which persuade tourists to save water and energy, use public transport, protect heritage and more. During 2012 to 2018, International tourist arrivals continuously increased every year. UNWTO (2016) analyzed that world tourism were affected because of main determinants in 2015 including the unusually strong exchange rate fluctuations, increased global concern about safety and security and the decline in the price of oil and other commodities. UNWTO (2017) many destinations shared in total growth because of high travel demand, increased connectivity and more affordable air transport in 2016. UNWTO (2018) displayed that international tourist arrivals grew 7.0% in 2017. This year was considered to be the strongest growth in number of tourists since 2009 global economic crisis. Year 2018 was considered as another year of strong growth for the global travel and tourism industry. The World Tourism Organization disclosed number of international tourists around the world that increase approximately 1,400,000,000 people or 6% in 2018. UNWTO (2019) analyzed that tourism has continued expansion over time. As the following graph shows the share of travel and tourism contributed 10.40% of

world GDP in 2018. For the ninth consecutive year, this rate was higher than the world GDP growth rate. For the seventh year, total export revenues from international tourism expanded than merchandise exports.

Thailand Tourism

Thailand is considered one of the world's top tourist destinations. Thailand has an impressive ability to attract new groups of tourists and different segments of market. Thailand is an attractive country for tourists. Tourism is considered to be one of the main revenues in Thailand because tourism is one of the essential sectors which drives economy of Thailand. The graph shows the contribution of travel and tourism to Thailand GDP during 2007 to 2018.

Figure 6: Contribution of travel and tourism to Thailand GDP during 2007 to 2018 (% of GDP)



Source: The World Travel and Tourism Council (WTCC)

Bhaopichitr, Thongjen, Sirimaneetham, Luangpenthong and Thongampai (2007) analyzed that in 2007, number of tourists and revenue caused by the political uncertainty and the bombings in Bangkok on New Year's Day. The number of tourists rose just 2.8% in the first nine months of 2007. Bhaopichitr, Gil Sander and Sirimaneetham (2008) analyzed that the number of tourists increased until middle of year. The international visitors to Thailand rose approximately 17.5% from January to July which exceeded other countries in the region. Tourist decreased near zero or negative growth Since August 2008. In September, number of tourists declined by 16.5% which was the biggest fall since January 2005. This led to reduce travel

revenues in the third quarter of year. The continued political unrest and the slowdown in the global economy severely reduced tourism receipts in the fourth quarter of 2008. The social unrest in October and the shutdown of the two airports in Bangkok in November influenced tourism and decreased confidence of foreigner tourists. Bhaopichitr, Gil Sander, Sirimaneetham, Triratanasirikul and Anantavrasilpa (2009) analyzed that Thailand tourism faced hard situations including effect of the closure of the two Bangkok airports in 2008, the global financial crisis, and the H1N1 flu epidemic. These led to a sharp reduction in tourist arrivals. The government launched short-term program to boost tourism include new campaigns, a temporary waiver of tourist visa fees, reduced electricity insurance fee for hotel, and lower landing and parking fees at the airports. The number of tourists recovered in the second half of 2009 which expanded 6.3% in September 2009.

Gil Sander, Sirimaneetham, Triratanasirikul and Anantavrasilpa (2010) analyzed that there were many international tourist arrivals in the early months of 2010. The political unrest that intensified in March affected number of tourists which dropped 6.2%. Domestic political unrest had effect on reducing the tourism part more than the global financial crisis. Without the political situation, Thailand tourism continued to improve. Gil Sander and Burgaed (2011) analyzed that tourist arrivals rebounded and reached a new high of 1.57 million in February 2011. Unfortunately, Thailand confronted trouble with flood crisis in the fourth quarter of year 2011 due to heavy and widespread rainfall in the main areas. This crisis affected tourism industry in Thailand and tourism receipts decreased during the floods. Bhaopichitr, Mala and Triratanasirikul (2012) analyzed that tourism receipt recovered after the floods and its growth rebounded almost 10% in the first half of 2012.

Bhaopichitr, Thitisakmongkol, Anantavrasilpa and Mohib (2014) In 2013, tourism receipts contributed to the growth of export of services in real GDP in the first three quarters of the year by 25% which was the highest in a decade. The number of tourists increased 22 % in the first three quarter but slowdown later because a new tourism law of china the political unrest which occurred in main business districts in Bangkok since October 2013. The number of tourists dropped sharply since October around 20%. End of year 2013 to the middle of 2014, was a time of political situation

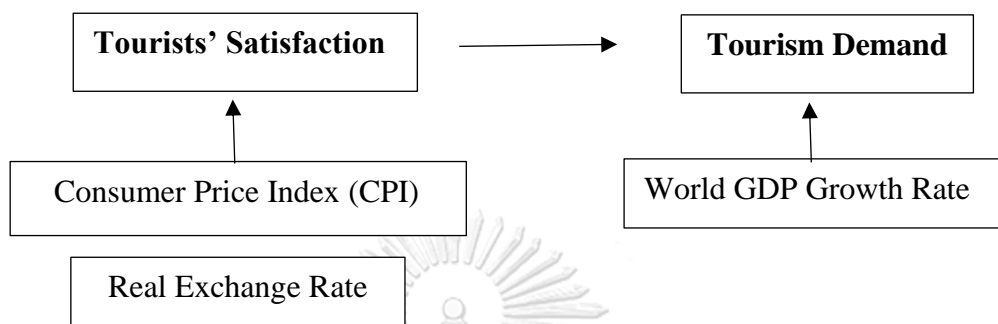
in Thailand and there was effect on the number of tourists. The upward trend from previous years was broken. The total number of arrivals decreased 6.65%.

In 2015 showed a significant increase in number of arrivals to Thailand. The tourism's growth in Thailand has increased since 2015. Ariyapruchya, Reungsri, Luo and Sanchez Martin (2016) analyzed that tourism growth has been strong in 2016. Tourism receipts was a spot and drove growth. The tourists who came from China, Russia, and the United States continued to increase. Chinese tourists increased by 13.1% in the third quarter. Ariyapruchya, Reungsri, Habalian, Clarke and Kuriakose (2017) analyzed that the tourism sector continued an important growth part and tourist increased by 8.9% in 2016. World bank (2018) analyzed that tourism is a main export revenue of Thailand which was close to 20 % of goods and services exports in 2017. Thailand continued to be a famous choice for travelers. The number of foreigner travelers increased 9.9% to 35,000,000 and receipts from foreign tourists increased by 12 % in 2017. World Bank (2019) analyzed that the growth of number of foreign tourists slowed down in the third quarter of 2018, to just 1.9 %, compared to 8.4 % in the previous quarter. The slowdown was affected by the boat accident in Phuket and the number of Chinese tourists declined by 8.8 %. In addition, FIFA World Cup in Russia which caused European tourists change their destination led to decrease European tourists in Thailand.

Chapter 4

Conceptual Framework, Data and Hypothesis

4.1 Conceptual Framework



The conceptual framework above relates tourists' satisfaction to tourism demand. According to utility theory, more satisfaction leads to higher consumption of good or service, which in turn leads to higher leisure and tourism demand. The factors that may influence tourism demand is World GDP Growth Rate. In addition, other factors that can impact tourists' satisfaction are consumer price index and real exchange rate.

4.2 Data

Data Collection

This study uses secondary data during years 2009 to 2018 which is obtained from websites.

(1) The number of backpacks measured by number of international tourist arrivals to Thailand who stay in the youth hostels which is obtained from national statistical office.

(2) US real exchange rate which is calculated by

$$\text{US real exchange rate} = \text{Nominal US exchange rate} * \frac{\text{CPI of US}}{\text{CPI of Thailand}}$$

nominal exchange rate is obtained from Bank of Thailand.

(3) Thailand Consumer price index exclude raw food and energy which is obtained from ministry of commerce.

(4) World GDP growth rate which is obtained from world bank.

The variables that plan to use and measurement are as follows:

Table 1: Dependent Variable and Independent Variables

Variable Type	Variable	Detail of Variable	Unit	Measurement
Dependent Variable	The number of backpackers	The number of backpackers measured by international tourist arrivals to Thailand by accommodation (use the number of travelers who stay in the youth hostel)	Person	Number
Independent Variable	US real exchange rate	Annual US real exchange rate	Thai Baht	Number
Independent Variable	Thailand consumer price index (CPI)	Average annual consumer price index (exclude raw food and energy)	Point	Number
Independent Variable	world GDP growth rate	Annual world GDP growth rate	Percent	Number

Table 2: Summary Statistics

DATA	MEAN	SD
Backpackers traveling to Thailand (persons)	396,318.80	311,329.07
US real exchange rate (Thai Baht)	78.32	4.64
Thailand consumer price index: CPI (point)	97.50	3.77
World GDP growth rate (%)	2.54	1.57
<i>Observations (Year of 2009 to 2018)</i>	<i>10</i>	

Data Analysis

Econometric Analysis

This study uses OLS Regression for econometric analysis. This analysis is to assess the relationship between dependent and independent variables. To achieve the objective the OLS Regression model is as follows:

$$\text{Log (Backpackers)} = \alpha + \beta_1 \text{Log (EX)} + \beta_2 \text{Log (CPI)} + \beta_3 \text{Log (GDP)} + \varepsilon$$

Where Backpackers denotes the number of backpackers traveling to Thailand

α	denotes a constant
$\beta_{1,2,3}$	denotes coefficients of predictors
EX	denotes US real exchange rate
CPI	denotes Thailand consumer price index
GDP	denotes World GDP growth rate

4.3 Hypothesis

The hypothesis of this study is the relationship between US real exchange rate, and world GDP growth rate have positive impact on number of backpackers traveling to Thailand. Besides, another hypothesis is Thailand consumer price index has negative impact on number of backpackers traveling to Thailand. According to utility theory, I expect backpackers traveling to Thailand with more satisfaction to have more tourism demand. To test my hypotheses, I will run OLS Regression specified above for each year during 2009 - 2018 and estimate number of backpackers in each year.

Chapter 5

Results

The Ordinary Least Square (OLS) Results

The Ordinary Least Squares regression (OLS) analysis in gretl was operated with the three independent variables derived. The results are listed in table.

Table 3: OLS Analysis Results

P-value (F)	0.0188**
R-squared	0.8427
Adjusted R-squared	0.7484
Durbin-Watson	2.1491

The results show that the p-value of model is 0.0188 which is less than $\alpha=0.05$. Therefore, there is an evidence to infer that the model is valid at 5% significance level. The adjust R square has a value of 0.7484. This means 74.84% of the variation in number of backpackers traveling to Thailand is explained by the variation in independent variables. Besides, the value of Durbin-Watson statistics 2.1491 is within the acceptable range of (1.5-2.5) that proves no autocorrelation in the data. For testing the stationarity of a time series data, all variables are employed unit root test by augment dickey fuller test (ADF Test). In order to test, add the first difference and test augment dickey fuller test. The results of variable are as follows:

Table 4: ADF Test Results

Variables	p-value
Backpacker	0.0189**
Real US Exchange rate	0.8629
Thailand CPI	0.0098**
World GDP Growth rate	0.4210

The p-value are obtained which are greater than significance level of 0.05 are real US exchange rate and world GDP growth rate. Thus, the time series is in fact non-stationary. The p-value are obtained which are less than the significance level of 0.05 are the number of backpacker and CPI. Hence, the series is stationary.

Table 5: OLS Analysis Results

Dependent variable: Number of Backpacker traveling to Thailand				
Independent Variables in the Equation				
Variables	Coefficient	Std. Error	t-ratio	p-value
Constant	-93.6398	26.0601	-3.5930	0.0157 **
Real US Exchange rate	2.3440	4.1459	0.5654	0.5962
Thailand CPI	20.0759	8.0940	2.4800	0.0558
World GDP Growth rate	3.6032	1.2227	2.9470	0.0320 **

** indicate significant at 5% confident level

Furthermore, the OLS analysis results show that there is one of independent variables is useful in the model. The sign of regression coefficient of World GDP Growth rate is statistically significant at 5% significance level. The p-value is 0.032 which is less than $\alpha=0.05$. It means that when World GDP Growth rate increase 1%, the number of backpackers traveling to Thailand increase 3.6032%.

However, the real US exchange rate and Thailand consumer price index do not prove to be statistically significant variables in the model because of p-value are more than $\alpha=0.05$. The Ordinary Least Squares regression (OLS) model is as follows:

$$\widehat{\text{Log Backpacker}} = -93.6398 + 3.6032\text{Log (GDP)}$$

where $\widehat{\text{Backpacker}}$ denotes the number of backpackers traveling to Thailand and GDP denotes the World GDP growth rate. The results of the model indicated that the number of backpackers traveling to Thailand is explained by world GDP growth rate. The coefficient of the world GDP growth rate variable was positive which is equal to 3.6032 and statistically significant at 5% significance level. This indicated that the higher the world GDP growth rate, the more likely it is that the number of

backpackers traveling to Thailand. It means that if the world GDP growth rate increase 1%, the number of backpackers traveling to Thailand will increase 3.032% with the other variables remaining constant.



Chapter 6

Conclusions and Recommendations

6.1 Conclusions

Backpacker tourism is one of the travel categories that has become trending and Thailand is the famous choice that backpackers choose to travel. There are several researchers entitle backpacker as the budget travelers because of their characteristic and life-style. They stay in hostels which are budget accommodations and their budget is very important to backpackers. Backpackers are important to tourism industry because they are not the major travelers in countries but they stay long period and spend total expenditures more than the average visitors. Backpacker tourism influences local economic benefits to small business and informal sectors. It can conclude that backpackers are type of tourists that drive local economy. The objective of this study is to examine relationship between the number of backpackers traveling to Thailand and some of the macroeconomics variables during 2009 to 2018. Real US exchange rate, Thailand consumer price index and World GDP growth rate have been selected as the factors. The ordinary least squares regression (OLS) in Gretl was applied to assess number of backpackers traveling to Thailand and associated independent variables in this study. This study has concluded that the factor which affect number of backpackers traveling to Thailand is the World GDP growth rate which represent income of people. It can infer that when income of travelers increases leads to increase in tourism demand. The real exchange rate and Thailand consumer price index have not impact to number of backpackers traveling to Thailand.

6.2 Recommendations

The world GDP growth rate represents income of travelers. It means that when income of travelers increases leads to increase in tourism demand. When economy expands and people have higher income, they can have higher consumption and spend more money. According to utility theory, consumers were viewed as rational person who able to estimate the probable outcomes of uncertain decisions and select the

outcome which maximized their well-being. It is obvious to realize that people choose the best things and they can afford. They will optimize their utility or satisfaction while they have limited budget. When they have higher income, they can have higher consumption and spend more money. As Loker-Murphy and Pearce (1995) mentioned that backpackers are essential to tourism industry because they are not the major travelers in countries but they spend expenditures of their trips more than the average visitors. The result shows that backpackers who are titled as the budget travelers. They concern that budget is very important for traveling. Higher income motivates them to choose to travel abroad and fulfill their demand. Moreover, the results show the real US exchange rate and Thailand consumer price index have not impact to number of backpackers traveling to Thailand as hypothesis. It implied that reasons that backpackers decided to choose travel in Thailand depend on their income. They did not choose destinations because expenses of country are inexpensive. It might be other factors that motivate backpackers choose Thailand as a choice.

Backpackers used income for considering to choose to travel. Higher income influenced them to choose to travel abroad. The reasons that backpackers selected Thailand as a choice of destination were not determined by expenses of country are inexpensive but because of their income. It might be other factors which affect motivation of backpackers for choosing Thailand as a destination. The results from this study can be used as guide to use for related organizations and government to apply policy or launch new campaign to attract tourists because tourism is very important to Thailand's revenue.

6.3 Limitations and Further research

There were limitations in the study. In term of data, it was quite inconvenience to add more period of dependent variable data. Furthermore, this study was limited to reflect backpackers' motivation, attitude and behavior variables. These variables may influence deep detail of backpackers traveling in Thailand. Further research may use these variables to receive more result or other viewpoint of backpackers.

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