

# CHANGE AND DEVELOPMENT IN SOUTHEAST ASIA IN AN ERA OF GLOBALISATION

*Edited by*  
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**SEKSON Yongvanit**

# **Change and Development in Southeast Asia in an Era of Globalisation**

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**Kim-Chuan GOH**

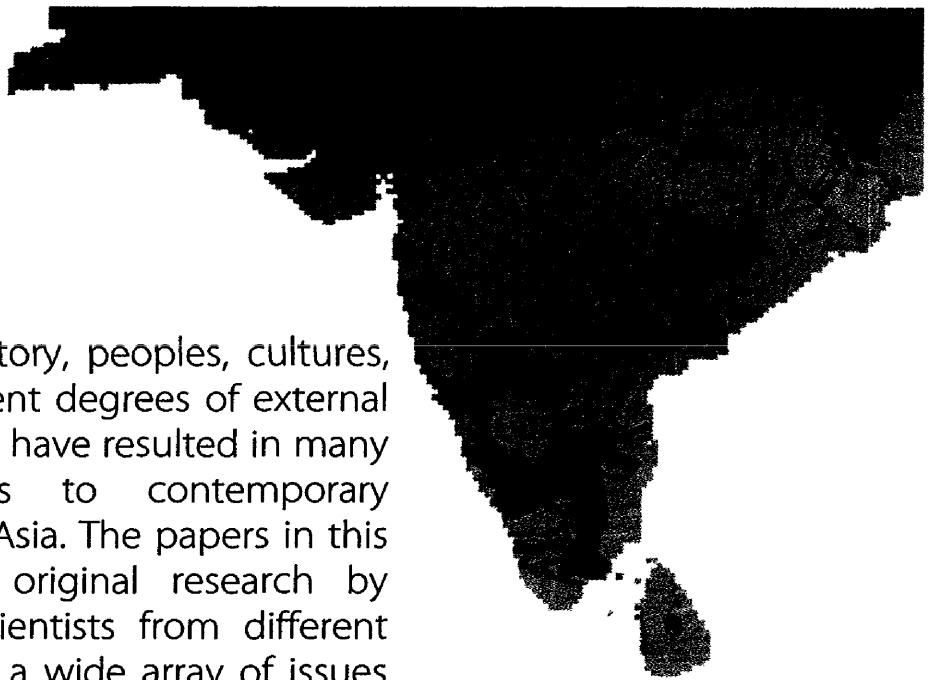
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The mix of landscapes, history, peoples, cultures, political systems and different degrees of external influences and globalisation have resulted in many changes and challenges to contemporary development in Southeast Asia. The papers in this collection are based on original research by geographers and other scientists from different countries and they capture a wide array of issues that confront the region at the turn of the twenty first century. Their findings and discussions provide first-hand knowledge of this unique area, which have significant policy implications on the development of each of the countries these studies represent.

This volume should be of international interest and relevance to geography teachers and educators and other scientists who teach current development issues of Southeast Asia at high school and tertiary levels. It will also be a useful reference material to policy makers within the region who deal with decision making on the subjects examined by the authors.

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## **Amanah Ikhtiar Malaysia's Credit-based Poverty Alleviation Programme**

*MOHAMED ZAINI Omar and FATIMAH Hassan*

### **Introduction**

The formulation and implementation of the First Five Year Development Plan (1956-1960) marked the origin of rural development planning in Malaysia. Several programmes toward this objective were implemented which included economic diversification, import-substitution industrialisation, infrastructure development and general development of the rural areas. In general, during the decades of the 1950s and 1960s, development tended to be viewed in economic terms and was generally equated with economic growth and measured only in terms of aggregate GNP (Hollier 1988; Astle 1989; Hulme and Turner 1990). The most popular thinking during those decades was dominated by Rostow's doctrine stage of growth (Conyer and Hill 1984; Hunt 1989). However by late 1960s, disappointment began to set in with regard to this growth-oriented strategy, because growth was accompanied by rising disparities in income and the masses were left untouched (Mahbub ul Haq 1976).

In the early 1970s, the "New Economic Policy" (NEP) was launched with two main objectives of poverty eradication and restructuring of society. During the NEP, which operated from 1971 to 1990, various rural development strategies were implemented to combat rural poverty. They included the Integrated Agricultural Development Programme (IADP), land and regional development, and land consolidation and rehabilitation. In addition, various agricultural support services such as extension, marketing, processing, price subsidies, credit facilities and basic social amenities were also provided. The above efforts resulted in the reduction of rural poverty (Chamhuri Siwar 1996) from 58.7% in 1970 to 19.3% in 1990.

However, despite this achievement, there were still many weaknesses and unresolved issues related mainly with the government delivery system, and poverty, especially hardcore poverty, continued to be a problem. This situation provided justification for the implementation of some alternative development



programmes. These concerns gave birth to the Amanah Ikhtiar Malaysia or AIM in the late 1980s, modelled after the Grameen Bank of Bangladesh. Studies conducted on AIM indicated that it was very successful in increasing income, quality of life, and reducing poverty in rural Malaysia (Mohamed Zaini 1995). This achievement has to be seen in the light of an effort by a non-government initiative that has proven to be a new force to reckon with.

The purpose of this paper is to trace the development and achievement of AIM since its inception in the late 1980s to the present. To put things in perspective, this paper reviews briefly the poverty alleviation strategies using the conventional approach in the developing countries, followed by a review of an alternative concept of development – the case of “another development”. With emphasis on the Grameen Bank model, the core of this paper is about AIM’s poverty alleviation model in terms of its development and achievements. In this context, the focus is on AIM’s origin, philosophy, specially designed delivery system, programme expansion, loan products, economic performance, and also the administrative set-up.

### **The Conventional Approach to Rural Development and Poverty Alleviation in Developing Countries**

It has been argued that most poverty eradication programmes are interlinked with agricultural and rural development programmes (Haque and Tusneem 1992). The three strategies that have dominated the rural development poverty alleviation efforts of developing countries in the 1950s, 1960s and 1970s are (i) the Community Development Programme (CDP), (ii) the Green Revolution, and (iii) the Integrated Rural Development Programme (IRDP). In addition, there is also rural credit, either as a specialised programme or as an integral part of a broader rural development strategy. However, these programmes have failed to make any significant inroads into rural poverty alleviation. The benefits have generally been siphoned off by wealthier farmers. For instance, the IRDP, as it is popularly known – also referred to as the “poverty-focused rural development programme” – has actually failed to make an impact (Gibbons 1998). It has been argued that IRDP is in fact an “omnibus programme” offering a ride to both poor and non-poor, in which the poor are elbowed out.

In addition, most of the above-mentioned programmes are also basically land-based agricultural programmes. As a result, the poor which do not possess productive assets, namely land, cannot derive any benefits and the magic “trickle-down effect” seems not to work either (Sham 1991). In view of growing rural poverty, a distinct target-group approach exclusively designed for the poor to genuinely participate in the development programme is therefore necessary. These developments had resulted in the birth of the concept of “another

development" – the Grameen Bank of Bangladesh which applied credit as an entry point towards combating poverty.

### **The Emergence of an Alternative Approach in Poverty Eradication: The Concept of "Another Development"**

It was against this background of the failure of conventional development strategies in reaching the rural poor that the search for more meaningful and viable alternatives in alleviating rural poverty was begun by some concerned social scientists and academics, peoples' movements and non-governmental organisations, particularly in South Asia in the early 1970s (Holloway 1990). As a result, the concept of "another development" also known as "alternative development", "people-centred development", "counter development", "participatory development" and "development from within", was put into practice (Oakley 1991; Taylor 1992). One single idea that had emerged from the concept of "another development" is the need for greater participation of rural people in the development process. One notable example has been the Grameen Bank that provides credit to the landless and near-landless poor without collateral, but replaces it with group liability as the basic building block of the programme to promote a wide range of income-generating activities.

Grameen Bank with its innovative concept of "micro-credit" has been widely acclaimed as the most successful development initiative in the 1980s and 1990s (Hulme 1990; Remenyi 1991). Its impact has been wide and is seen as a potential model for replication both in the developing countries and in North America and Europe (Grameen Dialogue 1990; Gibbons 1990). By the late 1990s, there existed more than 7,000 micro finance institutions worldwide and many had followed the GB concept of group-based lending (Wheat 1997). It is now generally accepted that "micro-credit" to the poor has become a central element of economic and social development of the 21<sup>st</sup> century (MCS 1996).

### **The Emergence of an Alternative Approach to Rural Development in Malaysia: The Amanah Ikhtiar Programme**

What was the background that had led to the emergence the concept of "another development" in Malaysia based on the Grameen Bank model? Before answering this question, it is necessary to review briefly the shortcomings of the conventional strategies of rural development and poverty alleviation in Malaysia.

### ***i) Rural Development Strategies in Malaysia***

Rural development strategies in Malaysia in the 1950s and 1960s were based on an infrastructural approach, focused on the provision of social amenities and economic infrastructure aimed at providing linkages to the rural economy by creating rural employment and raising productivity and income of the poor (Chamhuri Siwar 1996). However, the achievements during this period (1957-1970), as summed up by Lee (1977) and Snodgrass (1980), was an increase in the number of absolute poor despite the growth in agricultural output and national income.

The high incidence of rural poverty during the early 1970s prompted the government to introduce the New Economic Policy (NEP). The seriousness of the government in eradicating poverty during the NEP period was seen in the huge allocation of RM 32.7 billion (SERU 1991) for rural development. Various rural development strategies such as the Integrated Agricultural Development Programme (IADP), land and regional development, land consolidation and rehabilitation and others were planned and implemented. In addition, various agricultural support services such as extension, marketing, processing, price subsidies, credit along with basic social amenities were also provided. These various support services can be seen as vehicles for the following: transferring of information and technology to the rural population; selling of products at fair prices via Farmers' Organisation to avoid the role of middlemen; provision of seeds, fertilisers and mechanisation services; price subsidies and guaranteed minimum prices (GMP) in the paddy sector. The provision of the basic social amenities on the other hand is actually part and parcel of a broader programme to improve the quality of life, which includes the provision of piped water, electricity, as well as network of roads, clinics and schools.

A direct result of the above efforts was a reduction in the incidence of rural poverty from 58.7% in 1970 to 19.3% in 1990. However, rural poverty continued to persist (Gibbons 1986), especially the hard-core poverty group of smallholder and peasant farmers (Barret 1993; Chamhuri 1994). This suggests the inefficiency of the conventional delivery system as benefits of development did not trickle down effectively to the poor (ILO 1979; Abdul Rahman 1992; Chamhuri 1994). It is quite obvious that there had been some shortcomings in the government's rural development programmes during the NEP. For many government agencies, poverty alleviation has generally been regarded as a normal by-product of rural development programmes. As resources are funnelled through the delivery system, it was supposed to reach the poor through the much publicised "trickle-down mechanism", which has not been effective. On this, the Ministry of Agriculture (1992: 18) argued: *"the trickle-down-effect approach employed in the development programmes did not deliver the*

*backwash of development benefits... to the rural sector as was desired*'. However, this does not mean that the government is ineffective, as the incidence of rural poverty as noted above has been greatly reduced. Nevertheless, a lot more effort is needed especially in addressing the fate of the poorest of the poor. In view of the problems described above, the AMANAH Ikhtiar Malaysia (the Ikhtiar Trust of Malaysia) or AIM, modelled along the Grameen Bank concept for poverty alleviation, was instituted as a viable alternative which complements the government's poverty alleviation programmes.

### ***ii) The Amanah Ikhtiar Programme or AIM***

*Ikhtiar* (a Malay word) is translated as a project to help the poor to strive to overcome poverty. AIM has its origin in the Ikhtiar Project, an applied research project started in 1986 in Northwest Selangor by a concerned social scientist to test whether credit on reasonable terms could be an effective instrument against rural poverty (Gibbons and Sukor Kasim 1990). Project Ikhtiar was found to be successful and in September 1987, AIM was established to institutionalise the Project Ikhtiar experiment and to expand the poverty alleviation programme throughout the country. AIM is actually a private non-government trust with the sole purpose of assisting very poor households out of poverty primarily by means of benevolent loans to be used for financing income-generating activities.

### **Achievements of AIM**

#### ***i) Branch and membership expansion***

In 1986, AIM started with a "single experimental" branch in Northwest Selangor and since then it has expanded rapidly. As of December 2000, AIM had a total of 55 branches nationwide, organised into 14,477 groups and federated into 2,635 centres in 3,052 villages of the poorest districts (AIM Cumulative Statement, December 2000). Currently, there are a total of 70 branches in operation throughout the country as shown in Figure 1. Starting with a small membership of 448 in June 1988 (Mohamed Zaini 1995), it had increased to 84,417 members by December 2002 (AIM Official Record 2002). The most recent data shows that AIM's membership in September 2004 has increased to 115,629 (AIM 2004).

#### ***ii) The expansion of its loan products***

AIM provides seven types of loans through its economic and social loans scheme (Table 1). The economic loans consists of (i) benevolent loan (Ikhtiar Loan Scheme 1 or the ILS 1), (ii) the semi-commercial loan (Ikhtiar Loan Scheme 2 or ILS 2), (iii) the near-commercial loan (Ikhtiar Loan Scheme 3 or

ILS 3), (iv) fishing loan (SPIN), which is being targeted at the male fishing community, and (v) single mothers' loan scheme meant for "single mothers" (SP-IT) due to divorce or death of the breadwinner, and are mostly operated in urban-based areas. AIM also provides a social loan via its education and housing loans. The education loans cover school expenses of their children.

By December 2000, AIM has disbursed a total of approximately RM 519<sup>1</sup> million loans to its members. The economic loan is the most popular product, taking up nearly RM 430 million or about 83% of the total loan disbursed. However, it is the ILS 1 which accounted for RM 275 million or 53% of the total loan disbursed, which has been the mainstay of AIM's programme (AIM Cumulative Statement, December 2000).

However by the end of September 2004, the total loans disbursed by AIM to its members had swelled to a new high amounting to RM 1,166,663,882 (AIM 2004), a phenomenal achievement. Repayment rates for the ILS 1, ILS 2 and ILS 3 have also been very impressive with a near-perfect record of 99% (AIM Cumulative Statement, December 1999).

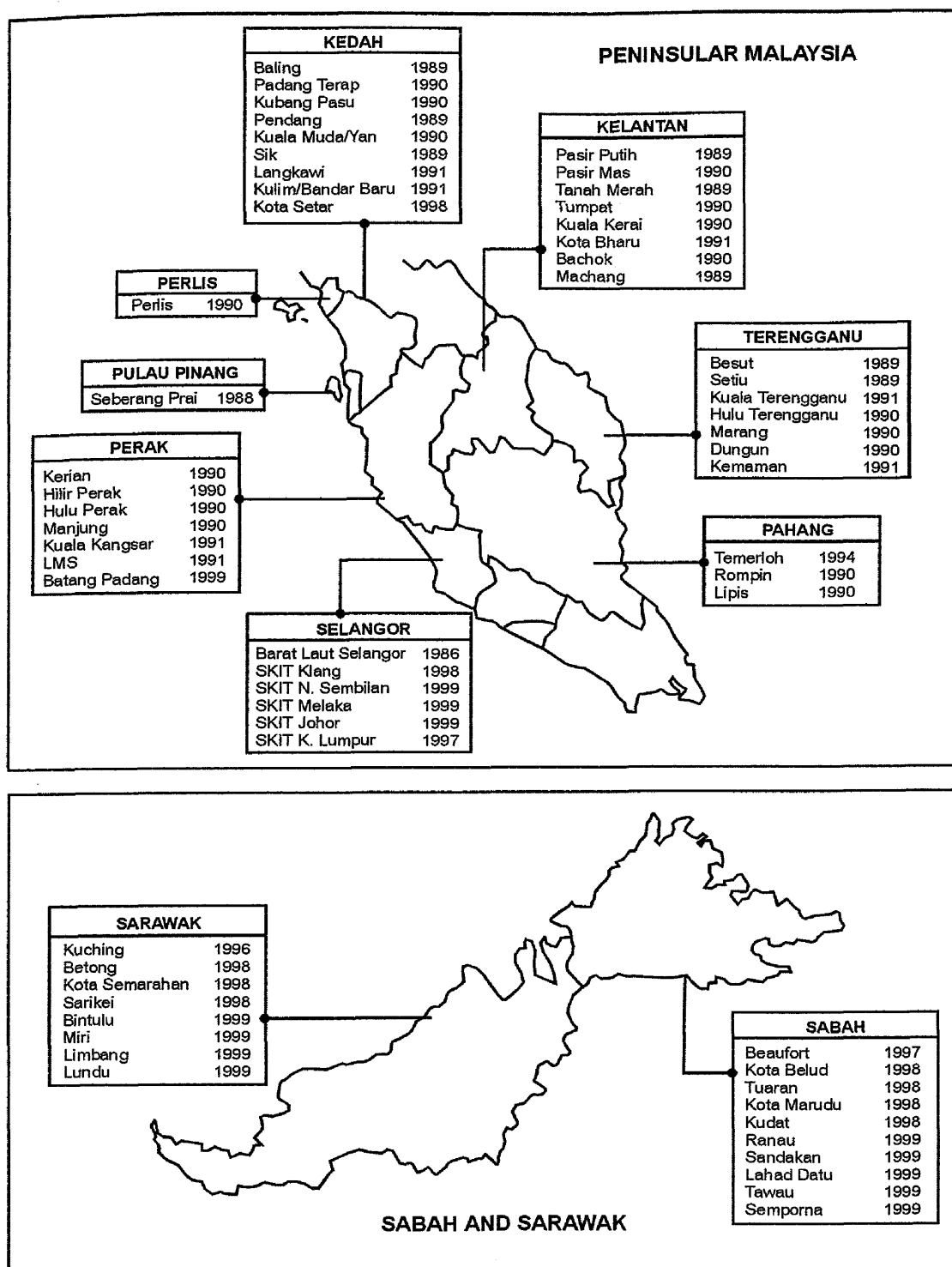
### *iii) Economic achievement: Income increase among AIM members*

The main achievement of AIM has to be seen in the context of its central objective of increasing the income of its participants. This has been confirmed from several impact studies which were conducted between 1988 and 2000 on AIM's borrowers as summarised in Table 2. All these studies came to a similar conclusion that these Ikhtiar loans have significantly contributed to an improvement in the income level of participants after the utilisation of loans. More than that, the achievement of AIM's programme is the result of its "specially designed delivery system", which had worked directly and preferentially for the poor.

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<sup>1</sup> 1 MR (Malaysian Ringgit) is equivalent to US\$3.80.

Figure 1 : AIM Operational Area In Malaysia



Source : Amanah Ikhtiar Malaysia, 2004.

Table 1: Various Types of Ikhtiar 1 Loans (Economic and Social)

Type of loans/Years implemented	Amount of loan	Repayment Period (week) and Administrative charge (%)	Terms and Conditions
ILS 1 (since its inception)	1 <sup>st</sup> : RM 500 2 <sup>nd</sup> : RM 1,000 3 <sup>rd</sup> : RM 1,500 4 <sup>th</sup> : RM 2,000	50 to 100 weeks	Household's monthly income or per capita income below the current AIM Poverty Line Income (AIM poverty line is less than two-thirds of the current Government Poverty Line).
As revised in 1997	1 <sup>st</sup> : RM 1,000 2 <sup>nd</sup> : RM 2,000 3 <sup>rd</sup> : RM 3,000 4 <sup>th</sup> : RM 4,000 5 <sup>th</sup> : RM 4,900	8% (for RM 1,000 to RM 2,000)  19% (for RM 3,000 and above)	
ILS 2 (1992)	RM 2,000 to RM 5,000	50 to 100 weeks	Monthly income of at least RM 600 and with good repayment record in the ILS 1.
As revised in 1997	RM 5,000 to RM 9,900	19%	
ILS 3 (1993)	RM 5,000 to RM 10,000	50 to 100 weeks	For members who have graduated from ILS 2 and with a monthly income of RM 1,000.
As revised in 1997	Only RM 10,000	19%	
SPIN (1997) (Fishing Loans)	RM 10,000	3 years 19%	For fishermen with monthly income of less than RM 460
SP-IT (1997) (Single Mother's Loan Scheme)	RM 10,000	3 years Initially 19% but reduced to 18% (1999)	Solely meant for female single parents with household income below the State Poverty Line.
Education (1989) As revised in 1997	RM 500 RM 1,000	50 weeks 8%	Good repayment record for the first loan.
Housing (1992) As revised in 1997	RM 2,000 RM 5,000	50 to 100 weeks 19%	Good repayment record for the third loan. The centre with six groups.

Source: Adapted from Various AIM's Documents.

Table 2: Various Impact Studies on AIM Borrowers

Impact Studies	Average household incomes "without" micro-credit	Average household incomes "with" micro-credit	Changes in Household incomes	Sample and Place of Study
AIM Impact Study 1 (1988)	RM 142	RM 220	+RM 78 (55%)	Samples of 178 borrowers in Northwest Selangor
AIM Impact Study 2 (1990)	RM 221	RM 391	+RM 170 (77%)	Samples of 200 households with 150 AIM borrowers and 50 from the "control group". Northern and Southern Seberang Perai and Northwest Selangor
Myrna Jimenez (1990)	RM 185.6	RM 431.6	+RM 246 (133 %)	Sample size of 50 AIM members. Northwest Selangor
SERU (1991)	RM 198	RM 466	+RM 268 (135 %)	Samples of 587 (396 active members and 191 ex-members). Baling and Sik in Kedah, Northern and Southern S. Perai and Northwest Selangor
Chamhuri Siwar (1992)	RM 162.6	RM 459.0	+RM 309 (138%)	Sample size of 310 AIM borrowers in Northwest Selangor, Seberang Perai, Kelantan Terengganu and Kedah
AIM Impact Study 3 (1993)	RM 223	RM 532	+RM 296.4 (182.3 %)	265 samples of AIM borrowers but only 152 samples or 57% were completed. 13 branches at various districts in Perak, Northwest Selangor, Seberang Perai, Kedah, Kelantan and Terengganu



Mohd Taib Dora (1993)	RM 194.85	RM 254.92	+RM 60.07 (30.8%)	Samples of 60 AIM borrowers. Northwest Selangor
Mohamed Zaini (1995)	RM 165	RM 317	+RM 152 (92 %)	Samples of 265 AIM borrowers and 254 from the "control group". District of Baling, Kedah
Sukor Kasim (2000)	RM 201**	RM 627	+RM 426 (211%)	Samples of 207 AIM active borrowers compared with non-borrowing AIM members (25), dropouts (12) and non-participating poor (104) from 16 branches

Source: Mohamed Zaini Omar (2002).

### AIM's "Specially Designed Delivery System" to Reach the Poor

AIM is running a credit programme for the hard-core poverty group and therefore needs a system of delivering the development input that will effectively reach the target group. This has prompted AIM to stress on two main elements, namely exclusive focus on the very poor and exclusive delivery system.

#### *i) Exclusive focus on the very poor households*

The process of identification, definition and registration of the very poor household is the basic step in AIM's programme. AIM will normally send its staff to the predetermined poor district to assess the number of very poor households using a "crude" measure of poverty based on housing condition as a proxy. It includes size, material used and general condition, and such a "crude visual indicator" gives a fairly accurate index of the household's economic condition. In general, only those members whose (i) average household income is less than RM 250 or RM 50 per capita per month<sup>2</sup> and (ii) total net value of

<sup>2</sup> Households earning income of less than two-thirds of the government's current poverty line are regarded as poor (for instance when the programme made its debut in Northwest Selangor in 1986, the National Poverty Line was then RM 350). The targeted clients are those rural households with a monthly income of less than RM 250 or per capita income of less than RM 50.00. The National Poverty Line Income and AIM's Poverty Line will change from time to time. In 2004, the National Poverty Line for the country are (i) Peninsular Malaysia = RM 529 a month and (ii) Sabah and Sarawak = RM 600 a month.

household assets not exceeding three acres worth of land are eligible to become members. Even cases that are deemed eligible have to be further “screened” through a re-interview process before being finally recognised as “AIM eligible households”. This is a built-in quality control mechanism, which functions as a mechanism to “weed-out” ineligible households.

### *ii) The exclusive delivery system*

The hallmark of AIM programme has been its specially designed delivery system which has a number of core design features as described below.

**a) Suitable Loan Conditions and Simple Procedure:** The standard requirement for collateral, such as land, house or guarantors, is the main factor that has excluded the poor from having any access to loans from the formal sector. To overcome this problem, Ikhtiar loans are provided based on the following characteristics: no collateral, no guarantors, no interest, and no legal action will be taken for failing to repay.

**b) “Group Liability” as a Substitute for Collateral:** In the Ikhtiar programme, the main hurdles which affect commercial banks – collateral, guarantors and legal action for loan recovery – have been removed and replaced by the “group solidarity” concept. The most important and basic requirement is that each group member is to stand guarantor for every other member (for each group of five) and credit discipline is exercised via peer pressure and support. The credit discipline is further enhanced by federating several groups into a centre which thus develop into a unique “sociological phenomenon of multilayered filters” of peer pressure and support.

**c) The “Group” and “Centre” Concept:** In similar fashion, the five-member group of the GB model is the basic building block around which the Ikhtiar programme is organised. Members have to form a group of five like-minded individuals, all women<sup>3</sup> and are usually from the same village. Each group will then be merged with other groups to form a centre (*5 per group x 6 groups = 30 members which constitutes a centre*). In general, a centre is the “central station” for conducting the various activities of the members, such as weekly meetings and matters related to loan transaction.

**d) Small Loans and Weekly Repayments:** Ikhtiar loans are strictly for any income-generating activities. AIM stresses that the first loan is kept small to ensure that it is manageable and will enable the poor to repay the loan weekly. As one small loan is rarely enough, all the members are entitled to a much larger

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<sup>3</sup> AIM gives priority to women but does not preclude the husband from utilising the loan.

amount of subsequent loans or other loan products after having fully settled current loans according to schedule. To ensure that loans are properly utilised, they will be closely monitored by AIM's staff.

**e) Compulsory Weekly Savings in the Group Fund:** AIM stresses the importance of saving and this has been reflected in the formation of Group fund, which is thus a mandatory feature. All members must deposit RM 1.00 per week into their Group Fund. Upon receiving their loan, 5% of the principal borrowed must also be deposited into the Group Fund, generally meant for emergency borrowing. By December 1999, there was a total cumulative saving of around RM 37.8 million, which was a very encouraging phenomenon (AIM Cumulative Statement, December 1999).

### *AIM's Administration and the Operating Budget*

The above-mentioned delivery system will be rendered useless without people who understand the nature of poverty. Thus, the main asset of AIM is its well-trained staff. AIM is governed by a Board of Trustees, headed by a Chairman. The Managing Director is responsible for the daily business. In general, the hub of activities takes place at the branch level where the workforce comprises a Branch Manager, Senior Trust Assistant and about 10 Trust Assistants, who are regarded as the "live wire" and backbone of AIM. Two types of funds are required by AIM, namely (i) revolving loan capital to be used for disbursing Ikhtiar loans and (ii) annual operating expenditures/costs. In general, AIM receives mainly a combination of soft loans and grants from the Government, government agencies and commercial banks such as Bank Islam Malaysia Berhad (BIMB), Malayan Banking Berhad (MBB), Bank Bumiputra Malaysia Berhad (BBMB) and also Credit Guarantee Corporation (CGC) to fund its operation.

In terms of its administration, AIM can be divided into three phases. The first phase was from its inception in 1986 until the end of 1993, when AIM was under the guidance of its original founder, Professor Gibbon with the assistance from Professor Sukor Kasim. After their resignations in 1993, AIM was replaced by a new management team from mid-1995 and thus began its second phase, a period which can be characterised as a slight "loss of direction"<sup>4</sup>.

In late 2001, the management team of the "second phase" had left AIM and was replaced by its original co-founder Professor Sukor Kasim since April 2003.

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<sup>4</sup> For a detailed discussion on the "loss of direction" during the second phase of AIM's administration, see Mohamad Zaini Omar "Towards the Reduction of Rural Poverty in Malaysia: Lesson from the Innovative Scheme of the Amanah Ikhtiar Malaysia", *Borneo Review* XIII(1), June 2002.

This development can be seen as the beginning of the “third phase” of AIM’s administration, which is known as “Ikhtiar 3”. During its office, some disbursement policy revision on its loan product also took place which was in line with its core business of providing credit.

As revealed in Table 3, the original scheme of *ILS 1*, *ILS 2*, *ILS 3* (Table 1) and others have thus been replaced by various new products. The new loan products are actually a revision of the previous loan products, but the most noticeable is an increase in the loan size, ranging from RM 2,000 to RM 20,000 as compared to the previous loan size of RM 500 to RM 10,000. The new schemes are the (i) Economic scheme of (a) *I-Mesra*, (b) *I-Srikandi* and (c) *I-Wibawa*; (ii) Ikhtiar Education Scheme of *I-Bistari* (iii) Various purpose schemes of *I-Sejahtera* and (iv) Rehabilitation scheme of *I-Penyayang*. In general, the economic loan scheme of *I-Mesra*, *I-Srikandi*, *I-Wibawa* and *I-Penyayang* accounted for the bulk of the loans which amounted to some 76% of the total loan disbursed. On the whole, these new loan products act as an impetus to give AIM’s staff an opportunity to increase its operational and financial efficiencies in the field (AIM 2004).

Table 3: New Loan Products under “Ikhtiar 3”

Types of Loan	Amount of Loan	Repayment Period	Terms and Condition
1. Ikhtiar Rezeki			
a) <i>I-Mesra</i> (economic loan for generating income)	RM 2,000 – RM 20,000	25 to 150 weeks plus 4% administrative charge	First loan of RM 1,000, Second loan of RM 3,000 & Third loan of RM 4,000. This is the basic loan for every new borrower before graduating to other subsequent loans.
b) <i>I-Srikandi</i> (economic loan for generating income)	RM 2,000 – RM 20,000	25 to 150 weeks plus 4% administrative charge	Member with project that has the potential to succeed and cutting edge.
c) <i>I-Wibawa</i> (economic loan for generating income)	RM 5,000	6 months (payable weekly, monthly or lump sum) plus 4% administrative charge	For members intending to get bigger size loans with preference given to short-term small businesses.
2. <i>I-Bistari</i> (social loan)	RM 5,000	25 to 100 weeks plus 4% administrative charge	Continuation of the previous education loans scheme.
3. <i>I-Sejahtera</i> (multipurpose)	RM 10,000	25 to 150 weeks plus 4% administrative	For acquiring assets and other requirements (such as land, house, machine, wedding, pilgrimage in

loan)		charge	Mecca, and various others)
4. <i>I-Penyayang</i> (rehabilitation loan)	RM 1,000	12 to 50 weeks plus 4% administrative charge	For member with repayment and portfolio-at-risk problem (PAR). Member needs to undergo a re-training exercise.

Source: AIM, (2004) Amanah Ikhtiar Malaysia: Manual Produk & Syarat Ikhtiar, Edisi Keempat, Januari 2000 CMCTR.

## Conclusion

It was against the background of failures of the conventional development strategies to make any substantial contribution towards the alleviation of extreme rural poverty that actually paved the way for the emergence of the “another development” concept. One notable example is the Grameen Bank of Bangladesh with its innovative concept of micro-credit programmes for the poor rural households based on group liability, along with its specially designed delivery system. Its impact has been phenomenal and was widely replicated throughout the world. Ikhtiar programme or AIM in Malaysia was one of the most successful replications of the Grameen concept.

From a humble beginning of a single branch in 1986, it has expanded to a total of 70 branches with membership in excess of 115,000, with disbursements of around RM 1.1 billion worth of loans made to its members by September 2004. In general, AIM can also be regarded as an “association of the very poor people” working together for their common good. Various studies have indicated that AIM’s loans have been effective in increasing the income of its members pushing them up the social ladder, from being very poor to poor and out of the poverty threshold. The positive role of credit is summed up by Sham (1991: 250) who noted that:

*“Credit is increasingly perceived as one of the most powerful means for alleviation of poverty in the short-run. It provides the poor with much needed access to productive resources, which can generate new employment and income-generating opportunities.”*

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## **Rural Tourism in Malaysia: Towards Sustaining the Local Economy**

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### **Introduction**

With the decline in agricultural productivity and other rural employment sectors, many rural areas worldwide have moved towards tourism as a strategy to boost their waning economy. A combination of factors has propelled the trend towards rural tourism including the anxieties of urban lifestyles, interests in cultural heritage and cultural roots, improved transportation and communication systems, increased environmental consciousness and nature appreciation. Such trends have brought about the concept of relaxing lifestyles in a village setting as an experience worth indulging. Rural tourism does not necessarily mean luxury and sophistication. Rather, it relates more to comfortable accommodation, beautiful landscape, authentic cultural, historical and architectural sites, and appropriate building preservation that meet the expectations of clienteles whose profiles and characteristics may differ from the regular tourists. Delivering quality rural tourism essentially provides a competitive edge against conventional tourism. A balance should be struck between the needs of the visitors, the environment and local community to ensure the development of sustainable rural tourism. As such, adopting an ecological approach to rural tourism is commendable since it involves the visitors' active exchanges and interactions with both the living (hosts, services) and the non-living (landscape, sunshine) elements at the destination areas in experiencing a tourism product (Murphy 1991). The interdependency between these components produces an exchange of revenue, which, if properly managed could create a lucrative, renewable resource industry in the host areas that benefits the local populace. Based on these arguments, this paper highlights three case studies of rural tourism initiatives in the states of Kedah and Seberang Perai, Penang, Malaysia as well as their potentials as prime rural tourism destinations and an impetus for the local economy. Recommendations from this paper may assist the local authorities concerned in formulating sound development strategies in the rural regions of Malaysia.

## **Concept and Definition of Rural Tourism**

Several terms have been used interchangeably to describe tourism in the countryside, including rural tourism, agricultural tourism, eco-tourism, green tourism and agro-tourism. Rural tourism (the term used in this paper) involves travelling to and staying in the rural areas for leisure, business and other pursuits. Rural tourism espouses the rural culture as a key ingredient in the tourism product including personalised contacts, the experience of the physical and cultural environments, and participation in local community lifestyles (Cabrini 2002). Rural tourism comprises any form of tourism that showcases the rural lifestyles and folks that benefit the local community through mutual exchange and interaction. Rural tourism may be classified as (i) nature tourism, which consists mainly of recreational activities; (ii) cultural tourism, which is concerned with the local history and socio-cultural identity; (iii) eco-tourism, which pertains to the preservation of natural resources, community welfare and social values; (iv) village-based tourism, in which the villagers benefit economically from tourism activities; and (v) agro-tourism, whereby tourists participate in traditional agricultural practices of the host areas (Rattanasuwongchai 1998). Rural tourism also includes supplies and services such as accommodation, tours, events, festivities, outdoor recreation, as well as production and sale of handicrafts and agricultural produce. Climbing, riding, adventure tourism, educational travel, sport and health tourism, arts and heritage tourism are activities associated with rural tourism.

By definition, rural tourism excludes mass tourism activities in urban areas or other packed rural tourism areas and resorts. Areas of rural tourism are often sparsely populated with limited tourist accommodation facilities. All products and services purchased by visitors in the rural areas are considered part of rural tourism. Linked to the concepts of rural development and sustainable development, rural tourism is a form of sustainable tourism that exploits resources in the rural regions but with low ecological impact. Rural tourism is intrinsically sustainable, for it attracts small numbers of visitors with genuine interests in the local cultures and traditions. Both hosts and guests could interact, exchange views, and consequently establish mutual understanding. At the same time, the rural areas accrue benefits in terms of rural productivity, employment generation, wealth distribution, rural culture and environmental conservation, local participation and adaptation of traditional values. Strategies for rural tourism should be well orchestrated since the essence of rural tourism lies in active involvement of the tourists with the local community and authorities. A community-oriented, ecological approach to rural tourism is therefore essential, involving the interplay of major tourism components such as the environment, accessibility, economics, social, cultural and management considerations (Murphy 1991).

Rural tourism in its various forms has generated much interest across the globe. Rural tourism has been widely adopted as an approach to revive declining rural areas and to stimulate a sustainable rural future through job creation, farm support, nature conservation, rural supplies and services, landscape and nature conservation, rural arts and crafts, women empowerment, as well as an enhancement of heritage and patrimony (Rátz and Puczko 1998). Within the framework of an integrated rural development, rural tourism has overcome the potent image of mass tourism by offering supplementary incomes to rural families through the multiplier effects of high revenue generation and capital-output ratio. Several indicators have been used to measure sustainable rural tourism, including the number and ratio of visitors; list of natural/cultural attractions; existence of local/regional plan for tourism; area protection; local control; employment generation; education and training; energy consumption; waste management; and local and tourist satisfaction (Rátz and Puczko 1998).

However, since the demand for rural tourism is often seasonal, its economic profitability has generally fluctuated due to low occupancy rates and relatively high investments in tourist infrastructure. Other problems of rural tourism include poor management skills, poor marketing and infrastructure, and a lack of information on tourist demands and expectations. Nonetheless, with good planning and investment, tourism promises to be a lucrative income-generating alternative in the rural regions, when complemented and supported by other economic sectors, especially agriculture.

## **Overview of Rural Tourism in Malaysia**

Geographically, Malaysia comprises 14 states. With a population of about 25 million in 2004, Malaysia is one of the rapidly developing countries in Southeast Asia. Malaysia's GDP has been increasing at 7.0% per annum during 2001-2005 and such momentum is expected to continue. Malaysia's growth has been spearheaded by the tertiary sector, especially tourism, which has been increasing at 8% per annum. For Malaysia, as in many other countries, tourism has emerged as one of the most dynamic and fastest growing sectors of the economy. According to the World Tourism Organisation, tourism has been a major source of foreign exchange earnings and a key employment generator in many countries worldwide.

Malaysia is one of the world's top tourism destinations during 1990-1998 (Table 1). Despite threats of SARS and terrorism, international tourist arrivals in Malaysia are expected to grow at 7.5% per annum to reach 36 million by 2020.

Table 1: World's Top Tourism Destinations (1990-1998)

Rank by Year			Countries	Tourist Arrivals (‘000)	% Change 1997-1998	% Total 1998
1990	1995	1998				
1	1	1	France	70,000	4.7	11.2
3	3	2	Spain	47,743	10.0	7.6
2	2	3	USA	47,127	-1.3	7.5
4	4	4	Italy	34,829	2.2	5.6
7	5	5	UK	25,475	-0.2	4.1
12	8	6	China	24,000	1.0	3.8
8	7	7	Mexico	19,300	-0.3	3.1
27	9	8	Poland	18,820	-3.6	3.0
10	11	9	Canada	18,659	7.9	3.0
6	10	10	Austria	17,282	3.8	2.8
9	13	11	Germany	16,504	4.2	2.6
19	15	18	Hong Kong	9,600	-7.7	1.5
21	21	20	Thailand	7,720	6.9	1.2
15	19	21	Malaysia	6,856	10.4	1.1
55	26	25	South Africa	5,981	10.0	1.0
23	23	26	Singapore	5,600	-14.3	0.9
38	27	27	Indonesia	4,900	-5.5	0.8
28	34	32	Japan	4,100	-2.8	0.7

*Source:* WTO (1998), adapted from Federal Department of Town and Country Planning Malaysia (2001), Table A6.1 pg. A6-3.

A survey by the Malaysian Tourism Promotion Board in 1999 has shown that 66% of tourists visited Malaysia for leisure and holiday purposes, including visiting friends and relatives, while another 10% were on business pursuits. Malaysia's current tourism strategy is to attract more international tourists and to encourage them to stay longer, spend more and undertake repeat visits. This strategy has been implemented through diversifying the range of tourism attractions, particularly nature, eco-tourism and rural tourism as outlined in the Eighth Malaysia Plan (2001-2005).

Malaysia is endowed with abundant rural tourism products that could be promoted to generate the rural economy and improve the livelihood of the rural community. The northern states of Malaysia, including Kedah and Penang boast several interesting sites to be developed for rural tourism (Table 2). Even the Malay village (or *kampung*) is a natural attraction, with its deep-rooted customs and traditions, the unique design of traditional timber houses, as well as local artwork and work culture (Badaruddin 1993). Still, national statistics have portrayed the evidence of serious regional imbalances between the more prosperous urbanised areas and the lagging rural areas (Table 3). Rural tourism is thus perceived as a strategy for economic regeneration to address the issues of regional income distribution in the country. The Ministry of Rural Development Malaysia has targeted the less developed states, including Kedah and Seberang Perai, Penang, for rural and regional development. The strategy includes diversifying the economic base through the development of natural resource industries such as agro-business, timber, petrochemical, non-metal mining, travel industry, cultural heritage and other service sectors including eco-tourism, agro-tourism and aqua-tourism. The image of the rural sector as being backward and lagging should be transformed into something unique, attractive and of high value.

Table 2: Tourist Destinations in Penang, Kedah, Perlis and Perak States, Malaysia

<i>Destinations</i>	<b>Northern States in Malaysia</b>			
	<b>Penang</b>	<b>Kedah</b>	<b>Perlis</b>	<b>Perak</b>
<b>1. Islands</b>	Pulau Jerejak Pulau Rimau Pulau Tikus Pulau Aman Pulau Betong	Pulau Langkawi Pulau Dayang Bunting Pulau Beras Basah Pulau Singa Besar Pulau Rebak Pulau Tuba		Pulau Pangkor Pulau Pangkor Laut Pulau Sembilan
<b>2. Beaches</b>	Telok Bahang Batu Feringghi	Pantai Merdeka Pantai Murni Pantai Cenang Pantai Kok Pantai Tengkorak		Telok Batik Pasir Bogak Pantai Puteri Dewi Telok Balanga Telok Nipah
<b>3. Lakes</b>	Mengkuang Dam Air Itam Dam	Tasek Pedu Tasek Muda Tasek Ahning	Tasek Melati Timah Tasoh Tasek Meranti	Tasek Banded Taman Tasek Taiping
<b>4. Rivers</b>	Sungai Juru Sungai Pinang	Sungai Kedah Sungai Muda Sungai Merbok		Sungai Kerian Sungai Perak
<b>5. Sea Parks</b>		Pulau Payar Pulau Kaca		

		Pulau Lembu Pulau Segantang		
<b>6. Recreational Parks</b>		Bukit Wang Junjung Gunung Keriang		
<b>7. Recreational Forest</b>	Bukit Mertajam Telok Bahang Pantai Keracut Sungai Tukun Sungai Terai	Telaga Tujuh Sungai Rambai Sungai Kunyit Sungai Badak Sri Perigi, Yan Lata Bukit Hijau Lata Mengkuang Lata Bayu Bukit Wang Batu Hampar Lubuk Semeling	Bukit Kubu	Kuala Sepetang Kaki Bukit Larut Kuala Won Pulau Pangkor Papan Lata Iskandar Lata Kekabu Ulu Kenas Ulu Kinta
<b>8. Forest Reserves</b>	Bukit Kerajaan Bukit Genting Bukit Relau Balik Pulau Penara Bukit Teluk Bahang Laksamana Pantai Acheh Bukit Gemuruh	Gunung Jerai Sungai Merbok Kisap Sintok Ulu Muda Pulau Tuba Pulau Singa Besar Pulau Dayang Bunting	Rimba Mas Mata Air Bukit Bintang Tebing Tinggi Perlis State Park	Bukit Hijau Bukit Larut Bukit Korbu Keledang Salong Kenderong Matang Pangkor Pulau Gula Pulau Selinsing Tanjung Burung
<b>9. Wildlife Parks</b>	Taman R-Rama Telok Bahang		Taman Buaya Perlis State Park	Deer Farm Zoo Taiping Kuala Gula
<b>10. Waterfalls</b>	Batu Feringgi Titi Krawang Bayan Lepas	Lata Asam Jawa Lata Bukit Hijau Puncak Janing Pedu Muda Sungai Muda Sungai Charok Wang Sungai Kelim Sungai Perigi Junjung Batu Hampar Sungai Batu Pahat	Genting Kabu	Lata Iskandar Lata Kekabu Lata Kinjang Lata Rawang Ulu Kinta Kuala Won Batang Padang Belah Belum Austin Falls
<b>11. Hills</b>	Penang Hill		Bukit Keteri Bukit Lagi Bukit Jernih	Bukit Larut Bukit Pangkor Bukit Kura-Kura

<b>12. Mountains</b>		Gunung Jerai Gunung Keriang Peranginan Sik Lata Mengkuang	G. Medan Gunung Perlis	Gunung Korbu
<b>13. Caves</b>			Gua Kelam Gua Katak Gua Wang Burma	Gua Tempurung Gua Kandu

Source: Norizan Md. Nor (2003).

Table 3: Incidence of Hard-core Poverty by State in Malaysia (1990 and 1997)

States	1990 (% of household)			1997 (% of household)		
	Overall	Urban	Rural	Overall	Urban	Rural
1. Johor	1.5	0.7	4.5	0.3	0.1	0.5
2. Kedah	8.4	3.5	9.1	3.9	1.0	5.5
3. Kelantan	7.2	4.7	8.1	5.8	3.8	6.8
4. Melaka	3.8	0.7	4.5	0.6	0.3	0.9
5. Negeri Sembilan	2.2	0.7	3.0	1.3	0.0	2.5
6. Pahang	2.1	0.5	2.6	0.8	0.2	1.2
7. Penang	2.1	0.5	3.1	0.2	0.2	0.3
8. Perak	4.9	0.7	6.6	0.9	0.4	1.5
9. Perlis	3.2	1.3	3.4	2.6	1.1	3.2
10. Selangor	1.1	0.7	1.3	0.4	0.2	0.9
11. Terengganu	10.4	5.8	13.4	5.2	2.3	7.6
12. Federal Territory	0.5	0.5	n.a.	0.1	0.1	n.a.
13. Sabah	9.3	1.0	11.3	1.9	0.5	2.7
14. Sarawak	3.3	0.6	5.7	0.7	0.1	1.1

Source: Government of Malaysia (2001).

### Case Studies of Rural Tourism Initiatives in Kedah and Seberang Perai, Penang

Kedah is the oldest state in Malaysia. Some of the earliest known Stone Age artefacts and sites were found in the Bujang Valley, believed to be the remains of a 6<sup>th</sup> century Hindu kingdom. Maharaja Derbar Raja, the ruler of Kedah during the 12<sup>th</sup> century who converted to Islam and changed his name to Sultan

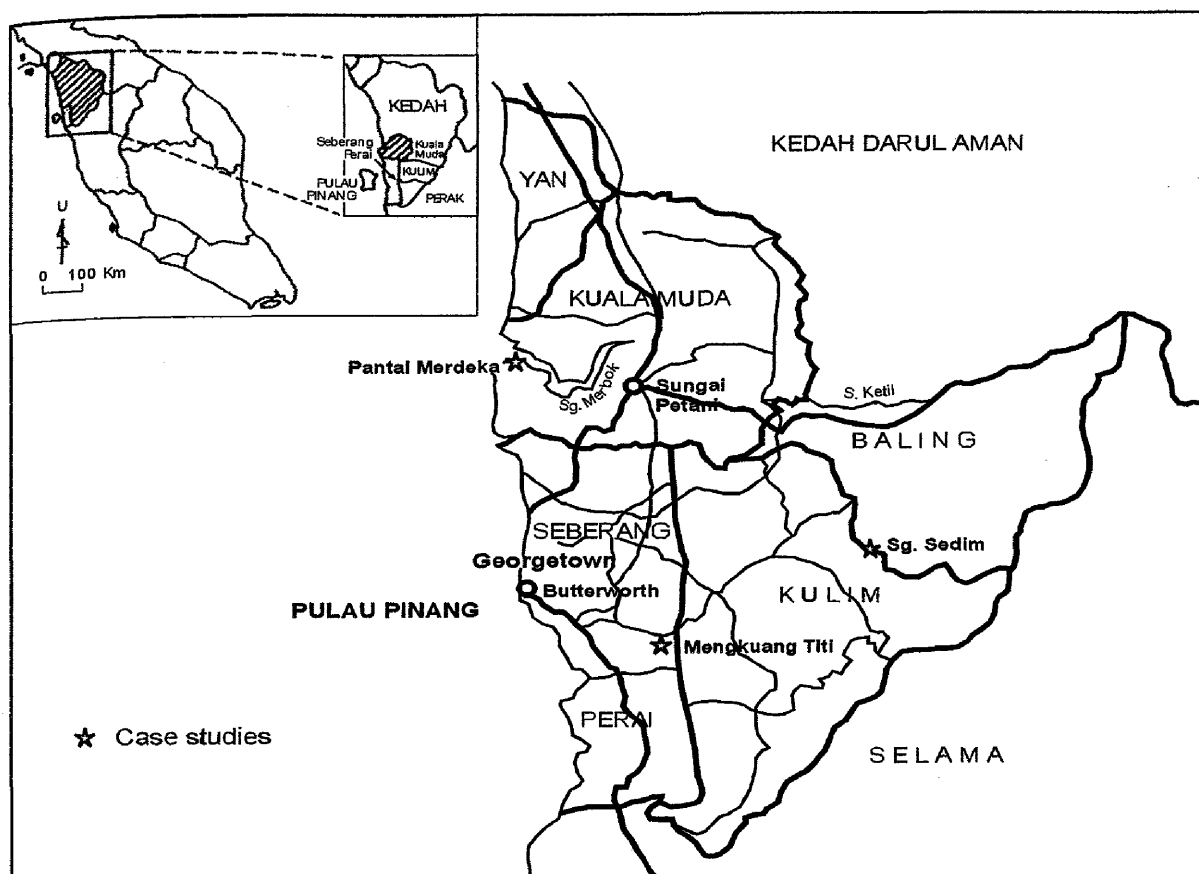
Muzaffar Shah, marked the beginning of an Islamic Sultanate in Kedah. Predominantly an agricultural state, Kedah is known as the “Rice-bowl of Malaysia”, a term that reflects the aesthetic significance of the flat expanse of paddy fields against a backdrop of rolling hills. Today, under the Action Plan for a Developed Kedah 2010, the State is geared to utilise its human, capital and natural assets to shift its economic thrust from agriculture to industry. However, agriculture and tourism sectors remain integral to its economy.

Historical records showed that the Portuguese first discovered Penang Island in the 16<sup>th</sup> century and named her *Pulo Pinaom*, probably due to the *pinang* or betel nut palm found on the island. Penang was later established as the first British settlement in the Far East in the 18<sup>th</sup> century. Following negotiations with the Sultan of Kedah, Francis Light took possession of the island in 1786 and named it the Prince of Wales Island. Geographically, Penang today comprises two sections: the more densely populated and developed island, and the rapidly developing Seberang Perai mainland. Penang is one of the leading states in Malaysia with a GDP per capita of RM 10,867 (US\$2,860) in 2000. This figure is higher compared to the Malaysian average of RM 7,593 (US\$1,998) and the Kedah average of RM 5,423 (US\$1,427) during the same period (Government of Malaysia 1996). Penang’s booming economy is driven primarily by the industrial and services sectors, particularly tourism. According to SERI (2003), Penang is renowned for its numerous tourist attractions. For instance, agro-tourism sites are located at Kampung Mengkuang Titi, Pulau Aman and Kampung Seronok, whilst eco-tourism activities are found at Pantai Kerachut and Pantai Acheh. However, all these rural tourism sites are generally underdeveloped and lacking in tourist amenities.

This paper highlights three case studies of rural tourism initiatives in Kedah and Seberang Perai, Penang, undertaken as a measure to improve the economic livelihood of the rural inhabitants. These rural tourism initiatives are (a) white-water rafting at Sungai Sedim, Kulim, Kedah; (b) beaches at Pantai Merdeka, Kedah; and (c) agro-tourism at Kampung Mengkuang Titi, Seberang Perai, Penang. The locations of these rural tourism attraction sites are shown in Figure 1. Each rural tourism initiative is discussed in turn in the following sections.



Figure 1: Location of Case Studies  
(Sungai Sedim, Pantai Merdeka and Kampung Mengkuang Titi)



Source: Fatimah (2003).

### a) White-water Rafting at Sungai Sedim, Kulim, Kedah

Sungai Sedim is located a short distance away from large, rapidly growing population centres in northern Malaysia such as Butterworth (40 km), Georgetown (60 km) and Sungai Petani (20 km). Sungai Sedim is an exciting tourist destination and recreation centre in Kedah, boasting a 13 km stretch of fast-flowing waters and rapids, which are excellent for white-water sports activities (Photo 1 and Photo 2). Kayaking, canoeing, rafting, camping, mountain climbing and jungle tracking are recommended activities in the area, but visitors are cautioned against swimming due to the strong currents.

Several jungle tracks are also available in the area, leading to nearby peaks such as Mount Inas, Mount Bintang Utara, Mount Bintang and Bintang Range. The area is rich in flora and fauna of lowland dipterocarp forest such as *meranti*

*seraya, meranti tembaga, meranti melantai* and non-dipterocarp species such as *kulim, terap keledang* and *bintangor*.

Photo 1: Rafting at Sungai Sedim

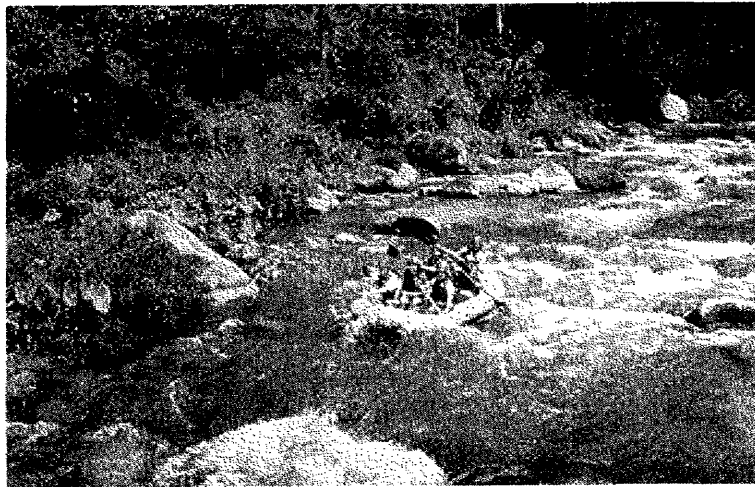
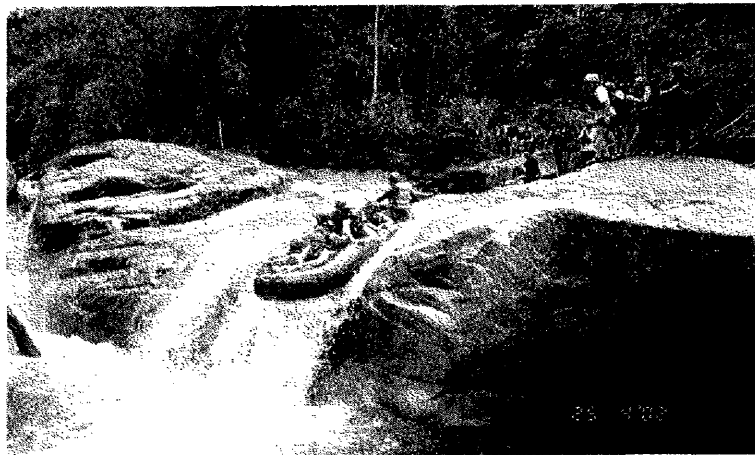


Photo 2: River Rapids at Sungai Sedim



The Kedah State Government has planned to transform the wild water rapids in the Sungai Sedim recreational forest into a prime sports water destination in the region (Sekaran 2000). The International Canoe Federation has recognised Sungai Sedim as an excellent spot for white-water adventures. Several international and national events have been held at the rapids including the Kedah International Wild Water Challenge 1999, the Malaysian International Outdoor Challenge 2000, the Kedah Open Challenge 2000, and the Mount Bintang Challenge 2001. Several packages are available for the adventure tourists who are keen on white-water pursuits. In lieu of a growing tourist demand, the government has allocated RM 3 million (US\$789,474) to upgrade the river stretch and provide more world-class facilities.

There is no doubt that the commercial white-water industry could contribute substantially to diversify the Kedah economy, especially in the remote regions, as recreation and tourism have grown to become an important source of employment, income and pride in the local community. However, incidents of physical deterioration and user conflicts reflect a norm amidst competition for scarce resources. With a booming popularity of water sports, the relevant authorities, including Kulim Municipal Council, Department of Forestry, Department of Drainage and Irrigation, and the local operator company, who are responsible for preserving high-quality river experiences and providing adequate public access, are now faced with the outcomes of such indiscriminate development. Potential problems include overloaded public services, congestion, pollution, and degraded river carrying capacity.

Future challenges confronting the authorities involve the capacity to nurture the overall socio-economic benefits of an expanding white-water industry, whilst protecting the common property resources and the quality of the visitors' experiences. Such multiple goals may well lead to conflicts and compromises; but the State has since recognised its pervasive role in managing commercial rafting to ensure its long-term viability. Some critical management issues include access for other river users, public safety, and the environmental impact of heavy river usage. A blueprint of an integrated management plan for commercial river use could well provide local policy-makers and resource managers with a framework to establish an acceptable standard, which responds to changes in the recreation setting as well as accommodates long-term monitoring and evaluation of natural resource conditions in the State of Kedah.

### ***b) Beaches at Pantai Merdeka, Kedah***

The name Merdeka, which means 'independence', makes the beach a crowd puller, especially on Malaysia's Independence Day which falls on 31 August. Besides this patriotic name, the enchanting white and sandy beach, which stretches for 1 km with Mount Jerai in the background, is the only beach on mainland Kedah that is suitable for swimming (Photo 3). Located in the district of Kuala Muda, Pantai Merdeka is in close proximity to Kedah and Penang urban centres, approximately 60 km south of Alor Setar, 30 km from Sungai Petani, 40 km from Butterworth and 60 km from Georgetown. Water in the area is relatively shallow and safe for picnickers. This spot is also popular among tourists en route to Tanjong Dawai, a seafood products haven. For a fare of RM 1.50 (US\$0.40) per passenger, visitors can take a leisurely boat ride from Pantai Merdeka to Tanjong Dawai to purchase locally-made seafood products such as dried fish, anchovies, crackers, cookies, cakes and *belacan* (shrimp paste) at a bargain (Photo 4). Visitors can also visit traditional fishing villages, experience

the village lifestyles, and savour the variety of seafood and other local delicacies sold at nearby food stalls.

Photo 3: Bathing at Pantai Merdeka



Photo 4: Seafood Products at Tjg. Dawai



Those seeking for more adventures can go kayaking, canoeing, water skiing and sailing along the Pantai Merdeka coastline. One can also go kayaking or boating to Pulau Sayak or along Merbok River, which is located at the mouth of Pantai Merdeka. Here, one can enjoy a breathtaking panorama of Mount Jerai and the mangrove forest along its banks right to where the saline waters end, a

distance of 50 km from the coast. The Merbok River Mangrove Forest Reserve houses one of the most species-diverse mangrove forests in the world that is home to approximately 30 species of true mangroves.

Pantai Merdeka also offers both diving and sport fishing off its coast, especially at Pulau Bidan, Pulau Island, Pulau Songsong and Pulau Bunting. In addition to the camping facilities available at Pantai Merdeka, Pulau Bidan with its 1 km long and half kilometre wide beach also makes a perfect camping ground. At RM 80 (US\$21) per package, visitors can take a boat ride to the surrounding areas of Pantai Merdeka such as Pulau Sayak, Telok Amboi, Telok Nipah and Tanjung Puteri. At Pulau Sayak, visitors can indulge in a variety of activities, from visiting the historical tomb of Tengku Kudin (one of the early Kedah Rulers) to observing and learning how prawns are bred using state-of-the-art technology.

Pantai Merdeka, which is shaded by tall palm trees and coastal beach strand forest, is rich in flora and fauna. The vegetation here consists mainly of *Hibiscus* and *Pandanaceae* species. Several types of local birds such as *merbah*, *punai* and *merpati* can be found in the area. Besides bird watching and seashore fishing, activities such as jungle tracking and rock climbing are also ideal in Pantai Merdeka, especially at Penjara Hill which is located at the northern part of the beach. Penjara Hill is famous for its Sang Gelembai<sup>1</sup> myths and is also a historical and archeological site where the Buddhagupta<sup>2</sup> inscriptions were found. This discovery has confirmed that Sungai Mas was an ancient Kedah coastal state, functioning as a major entrepot harbour during the 4<sup>th</sup> century. Penjara Hill was once possibly used as a guard post for maritime activities in Merbok Bay and the Straits of Malacca. Sungai Mas Archeological Museum is another tourism attraction located about 10 km from Pantai Merdeka.

Notably, Pantai Merdeka has a diverse range of tourism products that can be developed as income-generating alternatives for the local folks. To achieve such ends, cooperative efforts among all stakeholders in both public and private sectors should be pursued and strengthened. Local participation should be expanded through appropriate mechanisms to explore and promote heritage and cultural attractions, leisure and sports-related activities, and educational tourism opportunities available at Pantai Merdeka. The State Government and Sungai Petani Local Authority, as custodians of Pantai Merdeka, should play a prominent role in ensuring that the basic infrastructure and regular maintenance

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<sup>1</sup> Sang Gelembai also called Gedembai was a famous cursor in the old Malay legend.

<sup>2</sup> Buddhagupta is a stone inscription artifact which could be related to the formation of ancient Kedah coastal state. Other findings in Sungai Mas historical sites were numerous pieces of ceramics, glass and beads from China, West Asia, India or local, the ruins of temples dedicated to Hindu gods and Buddha, and structures of sunken towns and harbours.

are provided to meet the visitors' needs and requirements, including cleanliness, safety, comfort, and an array of activities (Fatimah 2003). Integrated, low-density, environment-friendly developments such as information kiosks, chalets and homestay attractions should be encouraged on Pantai Merdeka.

In addition, the State should strictly enforce legislative measures to safeguard the Merbok River mangrove forests. In line with the tenets of eco-tourism, the mangrove area should be preserved and rehabilitated as an educational forest for academic visits and research pursuits. The Merbok Mangrove Forest Reserve management should follow in the footsteps of the Matang Mangrove Forest Reserve operations, located in Taiping about 150 km south of Merbok River. Here, the Department of Forestry has successfully implemented sustainable management of the Matang Mangrove Forest to ensure continuous production of mangrove timber (Federal Department of Town and Country Planning Malaysia 2001).

### **c) Agro-tourism at Kampung Mengkuang Titi, Seberang Perai, Penang**

Located some 30 km away from Malaysia's second largest city, Georgetown, Kampung Mengkuang Titi is a promising agro-tourism destination, well-known for its wide array of agricultural-based activities. Comprising about 1,000 inhabitants, Kampung Mengkuang Titi is a typical Malay *kampung* (village) based on agrarian economy. In 1996, the village was selected in a nationwide exercise as one of the agro-tourism sites to be developed under the Integrated Agricultural Development Program (IADP) administered by the Ministry of Agriculture Malaysia. One of the main objectives of IADP was to diversify the agricultural-based products in order to generate additional income for the rural folks.

Set amidst green paddy fields, coconut, rubber, and oil palm trees, the village scene of Kampung Mengkuang Titi offers a refreshing change from the chaos of city life. Apart from enjoying the countryside and the architectural styles of Malay traditional timber houses, tourists can partake the typical *kampung* lifestyles. Activities can range from rubber tapping and plucking oil palm fruits and coconuts, to mat weaving, making traditional delicacies such as cakes and *satay* (barbecued marinated meat cuts), preparing traditional ointments and medicines, and participating in past-time activities and games. Other interesting pursuits include recreational activities along jogging trails, visits to tropical fruit farms, and homestay programmes. The serene *kampung* ambience blended with the unique Malay traditional cultures, lifestyles and hospitality have proven to be an asset for Kampung Mengkuang Titi (Photo 5 and Photo 6).

Photo 5: A Malay Traditional House



Photo 6: Playing Traditional Musical Instruments in the Kampung



Since its inception, the number of tourist arrivals in Kampung Mengkuang Titi has been quite encouraging (Table 4), bringing in substantial additional income to the local villagers. In certain circumstances, the number of tourists visiting the agro-tourism sites has been deliberately kept low. This is to ensure that the village would be able to maintain its quaint atmosphere and that the villagers could carry out their daily routines with minimal interruption. Nonetheless, the diversity and genetic traits found in the village could be enhanced through an integrated marketing concept and strategy. For instance, the sale of local produce should not be constrained to only tourists visiting the site, but also to penetrate the markets in the surrounding communities and urban centres.

Table 4: Tourist Arrivals in Kg Mengkuang Titi, Seberang Perai, Penang

Year	Number of Tourists	Income Generated (RM)
1997	64	1,920
1998	75	2,250
1999	81	2,430
2000	57	2,850

Source: Penang Integrated Agriculture Development Project, at <http://iadppg.moa.my/pmu/agrotourism/latar.html>.

The notion of visiting a farmstead for vacation has caught the attention of holiday-makers worldwide. Whilst eco-tourism draws adventure tourists into the remote areas, agro-tourism, on the other hand, encourages producers to invest and manage the natural and cultural resources on their property through viable production techniques, leading to the enhancement of biodiversity (SAI Platform 2003). Agro-tourism thus advocates sustainable, small-scale farm holdings, be it organic, traditional or other types of small landholders, to maintain their natural and cultural landscapes, and to pursue the benefits of environmental tourism. In the case of Mengkuang Titi, the Federal Government through the Ministry of Agriculture has provided financial initiatives and technical assistance to improve the productivity of rubber, oil palm, coconut and fruit smallholders, whilst maintaining sustainable farming practices.

Diversity in agro-tourism practices is meaningful and appealing when it is presented within its socio-cultural context, where tourists can purchase farm products with an understanding of their traditional production techniques, unique craft-making processes, or in the context of local festivities. In many developed nations, agro-tourism represents a symbiotic tie between agriculture and tourism (Murphy 1991), and is widely utilised as a tool to manage natural resources through sustainable cultivation practices, including soil management, animal health and protection, and the enhancement of waterways and the surrounding environment. Reduced chemical use, preservation of native vegetation and traditional erosion control measures are benefits accruing from sustainable farming practices (SAI Platform 2003).

Agro-tourism, which showcases the traditional lifestyles and work cultures of the rural community, has made Kampung Mengkuang Titi and other countryside destinations a popular site for holidays and excursions. Policy-makers and leaders of Kampung Mengkuang Titi in particular should be updated on the visitor profiles and expenditure structures in order to realistically evaluate decisions related to local tourism development. Community leaders and others involved with rural tourism development should also be informed of the



economic impacts of visitors to the community. The direct economic impact may include increase in sales, employment, payroll and tax revenues. Other non-monetary benefits include improved public and recreational facilities, expanded social and cultural opportunities, and a sense of pride in one's community. Kampung Mengkuang Titi may well emulate the success of other more advanced communities in their sustainable agriculture practices and the diversification of income potentials to secure a promising future.

## **Policy Implications and Conclusion**

The rural entity is rather like an ecosystem. An ecosystem is essentially an element of nature that regulates the interface and interactions between living creatures and non-living matters to produce an exchange of materials between them (Odum 1970). Tourism, including rural tourism, can be perceived as part of this ecosystem since it involves tourists' interactions and communications with the living and non-living components at destination areas to experience a tourism product; and to subsequently generate an exchange of revenues amongst stakeholders (Murphy 1991). Hence, adopting an ecological community approach in rural tourism is deemed most appropriate as this reflects an intimate understanding of the interdependency that exists within the rural tourism system, and specifically within the host community in fulfilling its hospitality function in a viable manner (Murphy 1991).

This paper has deliberated on the three case studies of white-water rafting at Sungai Sedim, Kulim, Kedah; beaches at Pantai Merdeka, Kedah; and agro-tourism at Kampung Mengkuang Titi, Seberang Perai, Penang. All the case studies have portrayed the interdependency of the key components in the rural tourism sphere. These components are the environment, accessibility, economics, as well as social, cultural and management considerations. Based on the potentials of these destinations, the state and local authorities concerned should ensure that all aspects of the key components and their interrelationships are carefully understood and monitored. The performance of these key components should also be gauged against selected indicators bearing specified target settings. Some of the proposed indicators are shown in Table 5.

Based on this ecological perspective, the potential impacts of change brought about by tourism development in the rural areas may be better estimated and tolerated to a certain extent by the local people and authorities concerned. The host community's resource attractions, namely natural and cultural heritage, that form the basis of the rural tourism industry should be safeguarded and preserved to satisfy the requirements of a renewable resource industry. Any physical development, preferably of a non-obtrusive and lower-density nature, should be conducted in accordance with the proposed plan to strike a balance

between tourism, public space and conservation zone. Tourist facilities and public amenities should also be upgraded to meet acceptable standards. In any event, public opinion and political will should be strengthened to ensure that rural tourism initiatives receive long-term government support.

Table 5: Proposed Indicators for Sustainable Rural Tourism

• Environmental indicators	<ul style="list-style-type: none"> <li>• carrying capacity of water resources</li> <li>• potential for multiple use of natural resources</li> <li>• ways to improve and control accessibility to tourism site</li> <li>• percentage of households with proper waste treatment</li> <li>• percentage of households engaged in waste recycling</li> </ul>
• Economic indicators	<ul style="list-style-type: none"> <li>• share of tourism contribution to local tax base</li> <li>• share of different economic activities in total tax base (to gauge economic diversity)</li> <li>• number of job generation in tourism activities</li> <li>• ratio of local employees to foreign workers</li> <li>• sale volume of local produce</li> </ul>
• Socio-cultural Indicators	<ul style="list-style-type: none"> <li>• percentage of local involvement in training and education in tourism field</li> <li>• participation in on-the-job training in tourism field</li> <li>• ratio of renewable energy use among households</li> <li>• percentage of local people engaged in new enterprises such as homestays, handicraft displays, herb gardens etc.</li> <li>• changes in sustainable farming practices</li> </ul>
• Management Indicators	<ul style="list-style-type: none"> <li>• existence of formal measures to control development planning and implementation</li> <li>• level of satisfaction among tourists</li> <li>• number of repeat visits by tourists</li> <li>• satisfaction of local people engaged in tourism activities.</li> <li>• local perception of tourist impact on local community</li> </ul>

It is evident from the discussion that the goals and strategies for rural tourism development are complex and multidimensional, incorporating environmental aspects and concerns for community livelihood, as well as the need to satisfy visitors' requirements and expectations. The global trend towards sustainability has affected the attitudes of tourists, especially those from the developed nations. International tourists, in general, have become more

educated, more environmentally concerned and more experienced. Hence, their expectations have become higher, demanding only authentic and worthwhile experiences.

In any case, rural tourism in Malaysia has an array of potential offerings for such tourists, including natural elements (such as forests and mountains), as well as indigenous local attributes (such as customs, traditions and folklore). It is important for the Malaysian tourism authorities to assess the potentials, strengths and weaknesses of the variety of local rural tourism products in search of potential global niche markets. The identification of rural-tourism priority districts nationwide as documented in the Malaysian National Physical Plan is considered most timely in the interests of local resource protection and management (Federal Department of Town and Country Planning Malaysia 2005).

More importantly, the general perception of rural areas as being backward and lagging should be transformed into an image of excitement and dynamism. Rural tourism sites may be developed but with certain restrictions. The countryside should remain isolated, quaint and unique, yet be upgraded and worthy for repeat visits. The rural community, particularly the younger generation, should undergo a period of education and training, and be integrated into the new rural enterprises to help generate alternative income sources. Collaborations between government agencies as well as private sector and non-governmental organisations should be increased to help support the management and operation of these newly established rural endeavours.

There are however many pitfalls along the way. Admittedly, mobilising the human capital and bringing about structural transformation have been the major challenges of rural tourism development in Malaysia. Issues of environmental management, local participation, effective legislation, global marketing and realistic planning are all equally crucial in realising the goals of sustainable rural tourism. However, the Malaysian Government has been committed to improving the quality of life of the rural folks, partly through strategic development in rural tourism. It is hoped that the adoption of an ecological community approach in rural tourism development would enhance the ultimate goal of achieving sustainable rural tourism in Malaysia, particularly in the States of Kedah and Seberang Perai, Penang.

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