

CORRUPTION AND TOURISM DEMAND: EVIDENCE FROM THAILAND'S INBOUND TOURISM MARKET (2000–2019)

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ABSTRACT

This research investigates the impact of corruption on tourism demand in Thailand through econometric analysis. By examining panel data from twenty primary source markets spanning the years 2000 to 2019. The findings demonstrate a significant association between improvements in the Corruption Perception Index (CPI) and an increase in tourist numbers. These results have substantial policy implications, suggesting that institutional reforms and the promotion of public participation aimed at reducing corruption could effectively enhance Thailand's tourism sector and foster sustainable, long-term growth.

Keywords: Thailand, Corruption, Tourism demand, Sanding the wheels, Tourism industry

1. INTRODUCTION

1.1 Structural importance of tourism in the Thai economy

Tourism is considered one of the most dynamic and influential sectors worldwide (Forbes, 2022). Before the COVID-19 pandemic, it was a key driver of economic growth, significantly contributing to both national and international development. In 2019, international tourist arrivals reached approximately 1.5 billion, generating over USD 9.2 trillion in economic output and accounting for more than 10% of the global GDP (Forbes, 2022). In Thailand, tourism plays a vital role in economic and social development (Chulaphan & Barahona, 2018). According to Thailand's Ministry of Tourism and Sports, in 2019, the tourism sector contributed 17.79% to the country's GDP (Figure 1.1) and supported over 4.3 million jobs, accounting for 11.64% of total employment (Figure 1.2). Beyond its direct economic impact, the tourism industry has facilitated infrastructure development, regional cooperation, and the promotion of cultural exchange (Suzuki, Choomsai Na Ayudhaya & Tenain, 2020). Consequently, the Thai government has consistently regarded tourism as a key sector, integrating it into national development strategies and initiating various campaigns to sustain growth, such as the "Visit Thailand" and "Amazing Thailand" initiatives.

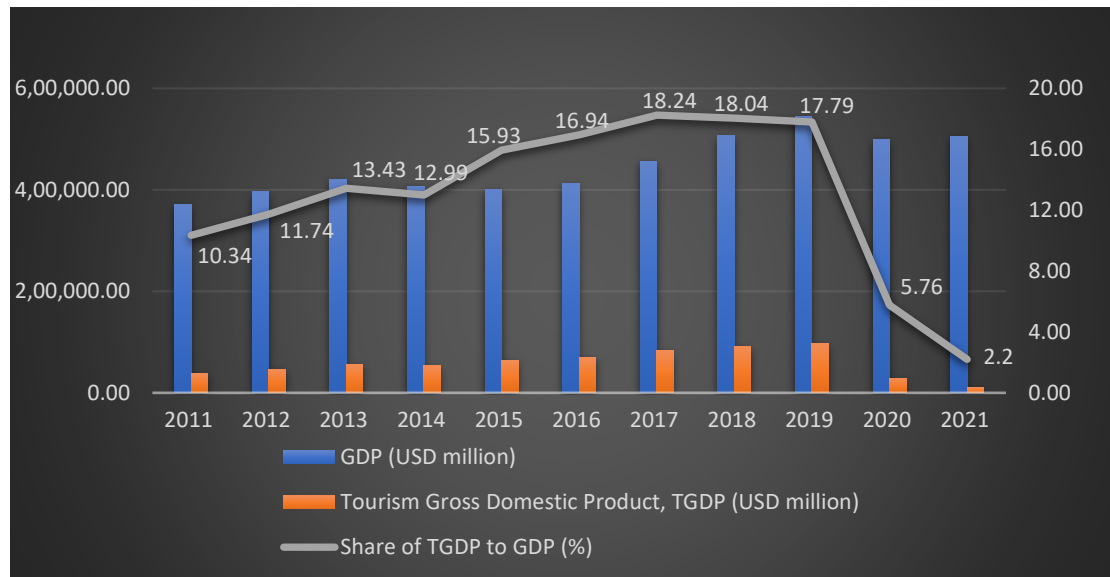


Figure 1-1: Tourism Gross Domestic Product (TGDP) and its contribution to the GDP of Thailand

Source: Tourism and Sports Economics Division, Ministry of Tourism and Sports of Thailand

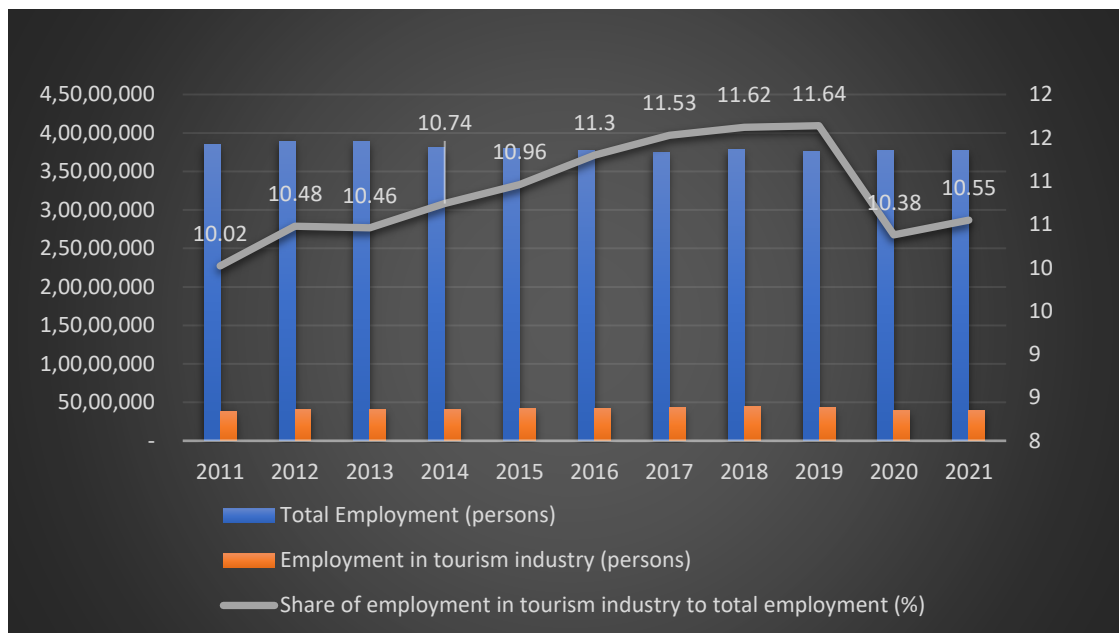


Figure 1-2: Employment in the tourism industry of Thailand in 2011-2021

Source: Economics Tourism and Sports Division, Ministry of Tourism and Sports of Thailand

Thailand's strategic pivot to prioritize tourism following the 1997 Asian Financial Crisis turned the tourism sector into a major contributor to the economy. In 2019, it generated USD 60.5 billion to the economy, with international visitors peaking at 39.9 million (Department of Tourism, Ministry of Tourism and Sports of Thailand, 2024). The sector's multiplier effect benefits transportation, hospitality, retail, and cultural industries, distributing economic gains across the nation. The government's initiatives under the 12th National Economic and Social Development Plan (NESDP) aim to focus on high-value tourism sectors, such as medical tourism and eco-tourism, thereby reducing dependence on mass-market tourism.

1.2 Corruption in Thailand

Corruption in Thailand remains widespread and ingrained, affecting both public agencies and private businesses. According to Transparency International's Corruption Perceptions Index (CPI), Thailand consistently ranks below the ASEAN average, indicating a high perceived level of corruption. As depicted in Figure 1.3, Thailand's CPI score is 36 out of 100, which is below the ASEAN average and the global averages of 41.2 and 43.0, respectively, reflecting a significant degree of corruption within the public sector.

Kriangsak Chareonwongsak (2004) observed that the entrenched and persistent nature of the corruption system in Thailand can be attributed to the following structural factors:

1. Extensive safeguards heavily guard the political and bureaucratic systems. Political and administrative institutions are shielded by multiple layers of authority and regulation, making oversight and accountability challenging.
2. Civil society demonstrates a deficiency in strength and leadership in the fight against corruption. The lack of robust, organized civic movements and effective leadership constrains the public's capacity to challenge and prevent corrupt practices.
3. Deeply ingrained societal values function as impediments, cultivating behaviors that facilitate corruption, such as patronage practices. Cultural norms, including patron-client relationships and informal reciprocity, contribute to the tolerance of corruption and undermine rule-based governance.
4. There exists a deficiency in public-mindedness; members of society persist in lacking a robust ideological commitment and awareness of the common good. A weak sense of collective responsibility and low civic consciousness among citizens leads to apathy toward corruption and limited support for reform initiatives.

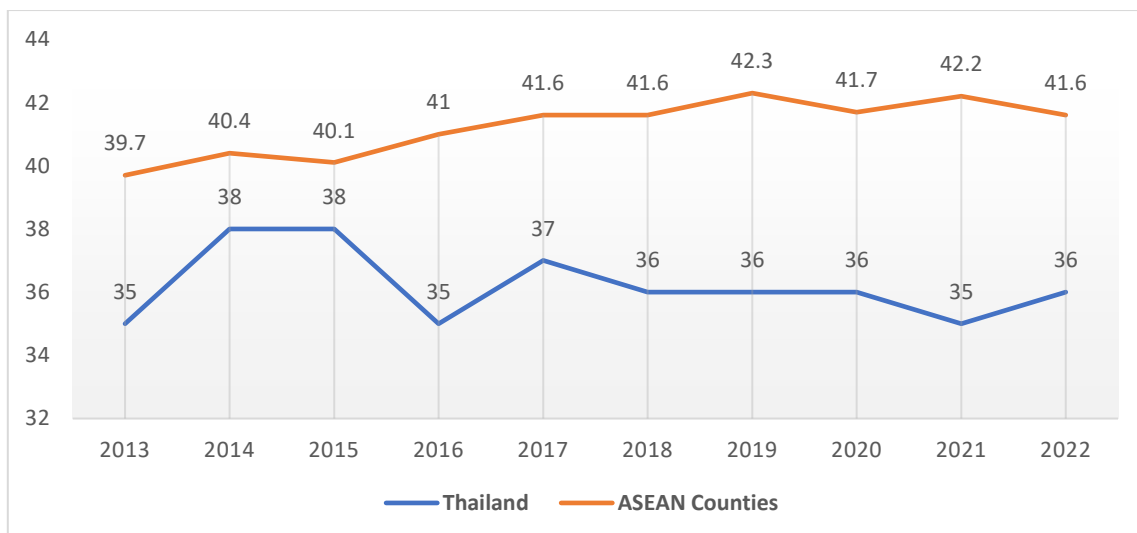


Figure 1-3: Corruption Perception Index (CPI) in Thailand and ASEAN countries in 2013-2022 (Index scale; 100 = very clean, 0 = highly corrupt)

Source: Transparency International

Corruption in Thailand is fundamentally rooted in structural, cultural, and institutional issues, rather than solely in individual misconduct. Addressing this challenge requires comprehensive legal reforms, a shift in social values, active civic engagement, and increased public awareness. Effective anti-corruption initiatives must incorporate strategies that enhance transparency, empower civil society, and cultivate a collective dedication to the public interest.

1.3 Corruption as a structural barrier in the tourism industry

Thailand is among the world's top destinations, renowned for its vibrant culture, beautiful landscapes, delicious food, and friendly hospitality. The country actively markets its distinctive attractions to boost tourism benefits. However, despite these advances, Thailand's tourism sector encounters ongoing structural and institutional issues, with corruption remaining a primary challenge.

Empirical studies (e.g., Dreher & Gassebner, 2011; Saha & Yap, 2013; Poprawe, 2015) have explored the relationship between corruption and tourism performance. Poprawe (2015) argued that corruption negatively influences tourist behavior by reducing trust in institutions, increasing perceived risk, and damaging the international image of the host country. Tourists may be discouraged from traveling to destinations perceived as corrupt due to concerns about safety, transparency, and the reliability of services. Similarly, Lau and Hazari (2011) and Fernanda and Conceição (2019) mentioned that the tourism industry requires a healthy economic environment to operate, and thus it can be adversely affected by corruption. Conversely, Dreher and Gassebner (2011) and Saha and Yap (2013) have suggested that in specific contexts, corruption may facilitate quicker service delivery or more flexible procedures, potentially attracting some categories of tourists. These mixed findings indicate that the relationship between corruption and tourism is multifaceted and may vary across different institutional, cultural, and geographical settings.

In the context of Thailand, documented instances of immigration officers soliciting unofficial payments, commonly referred to as "tea money" for visa-on-arrival (VOA) services and passport control processing, particularly from Chinese, Indian, and Malaysian tourists, highlight the influence of petty corruption on the tourist experience. While such informal payments are not sanctioned by law, they may expedite entry procedures and potentially encourage an increase in tourist arrivals. Nonetheless, corruption may also deter tourism. As demonstrated by Das and Dirieszao (2010) and Ekine (2018), corruption can harm a country's international reputation and increase perceived risks among potential visitors, prompting them to consider alternative destinations with comparable attractions but perceived as having lower levels of corruption.

Considering the economic importance of the tourism sector and the ongoing challenges associated with corruption, this research aims to analyze the influence of corruption on international tourist demand in Thailand. Specifically, the study investigates whether corruption exerts a predominantly negative impact on tourist arrivals and whether the magnitude of this impact varies according to the corruption levels in the tourists' countries of origin. By addressing these questions, the study aims to contribute to the scholarly discourse on tourism and governance, and to provide evidence-based recommendations for policymakers seeking to enhance Thailand's tourism competitiveness sustainably and transparently.

2. THEORETICAL FRAMEWORKS

2.1 The definition of corruption

The International Transparency (2023) characterizes corruption as the misuse of authority for personal benefit. Such corruption undermines democratic processes and economic development, while simultaneously exacerbating social division, poverty, inequality, and environmental degradation. The definition provided by International Transparency aligns with that of the World Bank (2023), which describes corruption as the misuse of public office for private gain. This encompasses a wide range of behaviors, including bribery and embezzlement of public funds. Although corruption is a global phenomenon, it tends to be more prevalent in countries with weak institutions, frequently marked by instability and violence. Furthermore, corruption can be

classified into two types: public and private. Public corruption refers to misconduct by public officials, whereas private corruption involves activities within the private sector or between demanders and suppliers (Olusegun, 2009; Andzenge, 2021).

2.2 Theoretical foundations

2.2.1 Theory of Consumer Behavior: Demand Behavior

Previous studies (Tang & Tan, 2016; Fateh, 2017; Tang, 2018) have used consumer behavior theory to analyze and predict tourist demand. Originating in the 1940s–1950s, this theory examines how individuals decide to buy goods and services, highlighting income and price as key factors. Income: Higher income generally boosts purchasing power, leading to increased demand, including for tourism. Conversely, lower income limits consumption. Price: Consumers compare cost with perceived benefits. Higher prices often decrease demand, while lower prices can encourage it. In tourism, travel costs directly influence demand levels.

The theory of consumer behavior also considers perceived value. Consumers often base their decisions on how they view the product's value alongside its price and their income. Several factors, including marketing and branding, can affect this perception. When it comes to tourism demand, the country's image, tourism campaigns, and other variables may influence travel decisions.

2.2.2 Grease the Wheels and Sand the Wheels: Impact of Corruption on Tourist Demand

Corruption influences tourism in both negative and positive ways, explained through two competing hypotheses: “sanding the wheels” and “greasing the wheels” (Poprawe, 2015; Demir & Gozgor, 2017). Sanding the Wheels: Corruption creates uncertainty, raises costs, and harms a destination's image (Ekine, 2018), deterring tourists, particularly from low-corruption countries. Hypothesis: Countries with lower levels of corruption attract more tourists, as corruption negatively impacts the tourism sector. Greasing the Wheels: Conversely, corruption may enhance efficiency by bypassing bureaucratic delays (Saha & Yap, 2015; Dreher & Gassebner, 2011). For instance, minor bribes can expedite visa processes. Hypothesis: Countries with higher levels of corruption may attract more tourists, as corruption facilitates tourism-related procedures.

3. RESEARCH METHODOLOGY

3.1 Empirical model

According to Tang (2018), the widely accepted framework for modeling and understanding inbound tourist demand is the theory of consumer behavior. This theory states that income, prices, and various other factors influence tourist demand. In the case of Thailand, the general form of the tourist demand function can be written mathematically as follows:

$$TD_{it} = f(GDP_{it}, PI_{it}, X_{it}) \quad (1)$$

Where TD_{it} represents the tourist demand in Thailand measured by the number of tourists from source country i in year t , and GDP_{it} represents GDP per capita of source country i in year t . PI_{it} is the price of tourism in Thailand measured by Thailand's consumer price index in year t relative to the consumer price index of the source country i in year t . X_{it} is a set of factors affecting tourist demand. Regarding the objectives of this study, X_{it} identifies the independent variables, which include corruption and a set of other control variables, such as word-of-mouth, exchange rate, inflation rate, political turmoil, quality of institutions (as measured by the Worldwide Governance

Indicators), and relative corruption. To estimate inbound tourist demand, the general form of the tourism demand function can be outlined as follows:

$$TD_{it} = \beta_0 GDP_{it}^{\beta_1} PI_{it}^{\beta_2} X_{it}^{\theta} e^{\varepsilon_{it}} \quad (2)$$

The corruption measurements for this study are the Corruption Perception Index (CPI) of Thailand, as reported by Transparency International, and the relative corruption (RCOR), which is the difference between the CPI of the source country i and Thailand in year t . As this difference increases, it indicates that country i is less corrupt compared to Thailand. This study aims to test the hypothesis that as relative corruption grows, Thailand will attract fewer tourists from country i . This is also supported by the “sanding the wheels” hypothesis, which suggests that corruption has a negative impact on the tourism industry. Therefore, a country with higher corruption levels is likely to receive fewer tourists than a country with lower corruption levels. The formula for relative corruption is shown below:

$$RCOR_{it} = CPI_{it} - CPI_{Tt} \quad (3)$$

To analyze the influence of corruption on tourist demand, the tourism demand econometric model is formulated as follows.

$$\begin{aligned} \ln TD_{it} = & \beta_0 + \beta_1 \ln GDP_{it} + \beta_2 PI_{it} + \theta_1 \ln EX_{it} + \theta_2 INFLA_{Tt-1} + \theta_3 \ln TD_{it-1} \\ & + \theta_4 POLI_{Tt} + \theta_5 \ln WGI_{Tt} + \theta_6 COR_{it} + \theta_7 RCOR_{it} + \varepsilon_{it} \end{aligned} \quad (4)$$

Where \ln is the natural logarithm and ε_{it} is the error term. EX_{it} represents the exchange rate measured by a unit of currency of tourist source countries i to Thai baht in year t . $INFLA_{Tt-1}$ represents the inflation rate in Thailand in the previous year, this study used a lagged term based on the assumption that tourist will plan their trip in advance. TD_{it-1} represents the number of tourists from each major tourist source country i to Thailand in the previous year, is the lagged dependent variable employed to gauge the influence of word-of-mouth as most of the tourists consider the information provided by media, social media, colleagues, families, and friends when making a plan for traveling. $POLI_{Tt}$ is represented the political turmoil in Thailand in year t , is a dummy variable, assigned the value of “1” if there is political turmoil during the year and “0” otherwise. Political turmoil can lead to concerns about safety and security as tourists may be hesitant to visit a destination experiencing political unrest. WGI_{Tt} represents the Worldwide Governance Indicators, including (i) Control of Corruption (G_COR), which shows the extent to which public power is used for personal benefit., (ii) Rule of Law (G_LAW), which expresses how confidently people accept social rules, legal requirements, the police, and property rights., (iii) Government Effectiveness (G_GOVEFF), which demonstrates the quality of policies formulation and public service, (iv) Political Stability and Absence of Violence/Terrorism (G_POLI), which indicates the likelihood of political instability and/or violence motivated by political issues, including terrorism, (v) Regulatory Quality (G_REG), which represents the government’s capacity to create and implement effective policies and regulations, and (vi) Voice and Accountability (G_VOICE), which illustrates the degree to which voters are free to participate in choosing their government, together with freedom of speech and access to media. The values of each worldwide governance indicator are expressed as a percentile rank (0-100), which represents a nation's position relative to all other nations. Higher percentile means the country has a higher rank (higher is better). Each variable of the Worldwide Governance Indicators will be included in the model separately to

examine its individual effects on tourism demand. COR_{Tt} is the corruption perception index of Thailand in year t , and $RCOR_{it}$ represents the relative corruption, is the difference between the Corruption Perception Index of the tourist source country i and Thailand in year t .

To investigate the following research questions: (1) Is the impact of corruption on tourist demand in Thailand mainly negative? and (2) Do the effects of corruption on tourist demand vary across source countries (countries with high vs. low levels of corruption)? This study uses a panel fixed effects estimation method to perform the analysis.

3.2 Data source

Balanced annual panel data for 20 major tourism source countries, as listed by the Ministry of Tourism and Sports of Thailand, from 2000 to 2019 (pre-COVID-19 period), are used to analyze tourist demand in Thailand. This study uses data up to 2019 only, as the COVID-19 pandemic (2020-2022) led to a sharp decline in international arrivals to Thailand due to lockdown measures implemented by the Thai government. Therefore, excluding data from the pandemic years helps provide a clearer baseline for the analysis. The definitions of variables and data sources are shown in Table 1 in the Appendix section. The countries listed by the Ministry of Tourism and Sports of Thailand as primary sources of tourists include China, Malaysia, Korea, Singapore, Russia, Japan, the UK, USA, Australia, India, Hong Kong, Laos, Vietnam, Germany, France, Cambodia, Taiwan, Indonesia, the Philippines, and Myanmar.

Table 3-1: Descriptive statistics

Variables	Observations	Mean	SD	Max	Min
TD	400	875,508.01	1,245,143.23	11,138,658.00	37,180.00
COR	400	35.00	1.84	38.00	32.00
GDP	400	20,228.68	19,366.43	68,156.39	301.51
PI	380	-0.35	15.94	62.36	-60.54
EXCHANGE	400	100.05	9.49	123.15	88.05
INFLATION	380	2.08	1.72	5.46	-0.90
TD _{t-1}	380	829,774.40	1,143,856.71	10,625,167.00	37,180.00
POLITICAL	400	0.45	0.49	1.00	0.00
G_COR	400	43.21	4.39	51.32	36.05
G_LAW	400	53.94	5.48	67.66	47.39
G_GOVEFF	400	62.336	2.50	68.29	58.37
G_POLI	400	24.50	18.49	65.60	9.47
G_REG	400	57.74	3.86	65.76	50.96
G_VOICE	400	36.50	14.17	63.18	19.80
RCOR	400	16.86	24.57	61.00	-32.00

Source: By the author

4. FINDINGS

4.1 Fixed Effect estimation of Tourism demand

Table 4-1 presents the country fixed effects estimation of the tourism demand model, which includes the government indicators as separate variables. The first column of Table 4-1 presents a regression of per capita log tourist arrivals on the log-lagged corruption variable. Recall that a higher value of COR indicates a lower level of corruption; therefore, the sign of the coefficient of the variable COR is expected to be positive, indicating that fewer tourists will visit highly corrupted countries. The coefficient of the variable COR, lagged corruption, is positive and significantly different from zero at the 1% and 5% levels. This indicates that countries with lower levels of corruption attract a higher number of inbound tourists.

In Table 4-1, which encompasses eight specification models, the corruption coefficient ranges from 0.796 to 1.096. A coefficient of 0.796 (1.096) signifies that an increase of 1 point (on a scale of 0 to 100) in Thailand's Corruption Perception Index, indicating a cleaner perception regarding corruption levels, correlates with an average increase in tourist demand of 0.796% (1.096%), corresponding to approximately 140,081 to 192,611 additional international tourists. This relationship remains highly significant when controlling for GDP per capita (GDP), Price Index (PI), Exchange rate (EXCHANGE), Inflation rate (INFLATION), Tourism Demand of the previous period (TD_{t-1}), Political turmoil (POLITICAL), Governance indicator (G_COR, G_LAW, G_GOVEFF, G_POLI, G_REG, and G_VOICE) and Relative corruption (RCOR). This finding also suggests that increased efforts to combat corruption will likely boost tourism demand in Thailand, as corruption often leads to inefficiencies in government operations and delays in processing requests to lure bribes. As a result, corruption frequently hinders and delays the application process for travel permits and visas, ultimately affecting demand for tourism. Moreover, the statistics show that international tourist arrivals to Thailand dropped by 6.54% or approximately 1.74 million tourist arrivals between 2013 and 2014, when the corruption index of Thailand seriously declined from 44.5 to 37.0 in 2014, and revenue decreased by 2.85% or approximately 1,012.01 million USD.

Table 4-1: Fixed effect estimations of tourist demand

Dependent variable: Tourist Demand (TD)

Variable/ Model	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
COR	0.796** (2.010)	1.062*** (2.636)	0.937** (2.318)	0.659 (1.524)	0.920** (2.320)	0.109 (0.237)	1.096*** (2.624)	1.036*** (2.675)
GDP	0.813*** (0.044)	0.850*** (13.121)	0.865*** (12.143)	0.831*** (12.260)	0.887*** (12.549)	0.848*** (13.118)	0.848*** (12.893)	0.849*** (13.550)
PI	- 0.006*** (-4.803)	- 0.006*** (-4334)	- 0.005*** (-4.067)	- 0.006*** (-4.591)	- 0.005*** (-3.928)	- 0.006*** (-4.497)	- 0.006*** (-4.390)	- 0.006*** (-5.052)
EXCHANGE	0.684** (2.177)	0.842*** (2.665)	0.743*** (2.345)	0.628** (1.947)	0.854*** (2.670)	1.569*** (3.574)	1.268*** (3.066)	0.884*** (2.872)
INFLATION	-0.020** (-2.067)	-0.019** (-2.046)	-0.017* (-1.689)	-0.019** (-1.996)	-0.014 (-1.470)	-0.007 (-0.684)	-0.018** (-1.893)	- 0.025*** (-2.641)
TD _{t-1}	0.002**	0.001	0.001*	0.002**	0.002**	0.002**	0.001*	0.001***

	(0.491)	(1.583)	(1.822)	(1.974)	(2.116)	(2.180)	(1.567)	(1.809)
POLITICAL	-0.076**	-	-0.058*	-0.070**	-0.045	-0.061*	-	-
	(-2.165)	0.105***	(-1.157)	(-1.959)	(-1.205)	(-1.725)	0.096***	1.105***
		(-2.886)					(-2.642)	(-3.020)
G_COR		0.580***						
		(2.855)						
G_LAW			0.403*					
			(1.937)					
				0.363				
G_GOVEFF				(0.787)				
G_POLI					0.099***			
					(2.407)			
G_REG						1.258***		
						(2.856)		
G_VOICE							0.221**	
							(2.156)	
RCOR								-
								0.120***
								(-4.801)
Constant	0.052	-4.113**	-2.798	-0.860	-2.156	-	-4.787*	-1.831
	(0.044)	(-2.207)	(-1.335)	(-0.522)	(-1.456)	7.036***	(-1.893)	(-1.524)
						(-2.569)		
No. of countries	20	20	20	20	20	20	20	20
No. of periods	19	19	19	19	19	19	19	19
No. of obs.	380	380	380	380	380	380	380	380
R-Squared	0.912	0.914	0.913	0.913	0.914	0.914	0.914	0.918

Notes: The *t* statistics are shown in parentheses, with *, **, and *** indicating significance levels of $p < 0.10$, $p < 0.05$, and $p < 0.01$, respectively

Source: By the author

The coefficient of GDP is positive and highly significant, indicating that Thailand attracts more international tourists as their income increases. Specifically, a 1% rise in GDP results in an average increase of about 0.9% in tourist demand in Thailand, which translates to roughly 157,592 additional international tourists on average. Similarly, the number of internal tourists from the previous period (TD_{t-1}), used as the lagged dependent variable to assess word-of-mouth effects, has a positive coefficient. This suggests that a 1% increase in the number of internal tourists in the prior period correlates with about a 0.002% rise in tourist demand to Thailand, driven by positive feedback, reviews, and stories shared by friends, colleagues, relatives, and social media about traveling in Thailand.

Tang (2018) mentioned that tourist demand (TD) is a function of income, pricing, and other control variables. For this study, the Price Index (PI), inflation rate, and exchange rate are independent variables used to measure the cost of traveling (price); therefore, the coefficients of PI and inflation are expected to be negative, as an increase in the cost of traveling typically results in decreased

travel activity. The affordability of the destination country is a fundamental factor influencing tourist preferences. Specifically, a one-unit increase in the price index and inflation rate is associated with a roughly 0.6% and 2.5% decrease in tourist demand in Thailand, respectively.

The exchange rate coefficient is expected to be positive because the depreciation of the Thai currency (Thai Baht) against a weighted average of several foreign currencies increases the purchasing power of travelers' home currencies. The exchange rate is one of the most important factors in international tourism, as travelers have more purchasing power when their home currency's value is higher than that of the destination. The coefficients of EXCHANGE range from 0.628 to 1.569, indicating positive and highly significant values. A coefficient of 0.628 (1.569) means that a 1% depreciation of the Thai Baht against a weighted average of several foreign currencies would lead to a corresponding increase of 0.628% (1.569%) in tourism demand in Thailand. This is because international tourists gain more purchasing power with their home currency relative to the Thai Baht.

Political turmoil is a key control variable to consider when examining the relationship between corruption and tourist demand. It can cause concerns about safety and security, making tourists hesitant to visit a destination experiencing unrest due to safety fears. Political turmoil and conflicts among political groups in Thailand have been significant issues over the past 15 years, impacting everyday life and economic activities, especially in tourism. In this study, political turmoil (designated as POLITICAL) is represented as a dummy variable, assigned a value of "1" if turmoil occurs during the year and "0" if not. The coefficient for POLITICAL ranges from -0.058 to -1.105, indicating negative effects with large, statistically significant values. A coefficient of -0.058 (-1.105) indicates that if political turmoil occurs during the year, tourist demand in Thailand decreases by approximately 5.80% to 11.05% compared to periods of peace.

Among the several governance indicators included in the models, it was found that government effectiveness (G_GOVEFF) does not significantly affect tourism demand in Thailand. This implies that visitors may prioritize other factors over public service quality or policy implementation when choosing Thailand as a destination. However, all other governance indicators, such as control of corruption (G_COR), the rule of law (G_LAW), political stability and absence of violence (G_POLI), voice and accountability (G_VOICE), and regulatory quality (G_REG), are positively related to tourism demand and are statistically significant. Besides economic factors that influence tourism demand, as previously discussed, control of corruption is the second most important variable in understanding this demand. A 1% increase in control of corruption is estimated to raise tourism demand for Thailand by approximately 0.60%, with significance at the 1% level. This also indicates that efforts to reduce corruption can boost traveler demand, with a magnitude of 0.60, which is less than regulatory quality (1.258) but greater than the rule of law (0.403), political stability, and absence of violence (0.099), as well as voice and accountability (0.221). Therefore, the significant impact of regulatory quality, rule of law, political stability, absence of violence, and voice and accountability on tourism demand suggests that good governance is likely to enhance tourism in Thailand.

Relative corruption (RCOR), which measures the difference in corruption levels between the source country and Thailand, is another variable used to evaluate the impact of corruption on tourism demand. Consequently, a negative coefficient is expected, indicating that fewer tourists will travel to Thailand from countries that are less corrupt than Thailand. The results support this idea: in model 8, the coefficient for relative corruption (RCOR) is -0.120, statistically significant at the 1% level. This implies that Thailand can attract more tourists, especially from less corrupt countries, if it reduces its level of corruption. Since most less-corrupt countries also tend to have

higher income levels, implementing anti-corruption policies is crucial for the Thai government if it wants to attract more tourists from less-corrupt nations and increase tourism revenue.

5. CONCLUSION, POLICY IMPLICATIONS, AND POLICY RECOMMENDATIONS

5.1 Conclusion

Three corruption-related variables are employed to assess the influence of corruption on tourism demand: the Corruption (COR), Control of Corruption (G_COR), and Relative Corruption (RCOR). Among these, the primary variable of interest is the Corruption (COR). The estimated coefficients for all three variables exhibit the anticipated signs and are statistically significant at the 1% and 5% levels. The findings of this study indicate that corruption has a negative impact on the number of tourists visiting Thailand, and tourists from less corrupt countries are less likely to visit Thailand as corruption levels in the country increase. These results imply that diminishing corruption in Thailand could enhance the country's appeal to international tourists.

Furthermore, since the findings reveal a negative relationship between corruption and tourism demand, this supports the "sanding the wheels" hypothesis, which suggests that corruption hinders economic activities, such as tourism. This finding contradicts the "greasing the wheels" hypothesis, which proposes that corruption can facilitate certain processes. Overall, the results suggest that tourists are more likely to visit countries perceived as having lower levels of corruption, highlighting the importance of good governance in promoting tourism.

5.2 Policy implications: Marketing campaigns and addressing corruption in the tourism industry.

The findings of this study demonstrate that combating corruption is not solely a matter of governance but also a crucial component of economic development, particularly within the tourism sector. Policy measures should be multifaceted and implemented in a progressive manner.

Short-term implications

- **Segment-Specific Marketing:** Agencies such as the Tourism Authority of Thailand (TAT) and the Ministry of Tourism and Sports, whose mission is to promote and develop Thailand's tourism, should utilize insights into the impact of corruption to create targeted marketing campaigns and development plans. Since corruption affects tourist perceptions differently across source countries, a uniform promotional strategy is inadequate.
- **Focus on Digitalization:** As Thailand progresses in digital development, it is advisable for the government, particularly the Immigration Bureau, to leverage technology to mitigate corruption associated with permit issuance, licensing, and payment procedures. Digital solutions enhance transparency, facilitate contactless face-to-face interactions, and enable real-time verification.
- **Enhanced Monitoring and Reporting:** It is essential to establish a user-friendly platform that enables tourists to report corruption, track recovery efforts, and collect satisfaction data. Currently, the Thailand Tourist Police Application (TTPB-APP) implements such digital tools for tourists, although the Tourism Authority of Thailand (TAT) has not adopted similar measures. TAT's existing application, the "Amazing Thailand APP," solely provides tourism information. It would be advantageous for the Amazing Thailand APP to operate in conjunction with or be linked to the TTPB-APP, thereby increasing convenience for tourists and reducing the need to download multiple applications. The implementation of these digital tools can further enhance transparency and accountability within the tourism industry, thereby improving the country's image in the eyes of tourists.

Long-term implications

- **Policy Integration:** Anti-corruption initiatives must be incorporated into the national development strategy formulated by the government and integrated into the tourism development plans overseen by the Ministry of Tourism and Sports.
- **Independent Oversight Bodies:** The establishment of autonomous agencies responsible for monitoring and evaluating anti-corruption progress is essential, supported by regular reviews and policy adjustments.
- **Tourism Code of Conduct:** Develop a nationwide guideline for all tourism operators, whether they're in the public or private sectors, to ensure high standards of service and ethical practices. This helps create a welcoming and trustworthy environment for visitors.
- **Public Awareness Campaigns:** Public awareness campaigns should aim to inform tourists, tourism sector workers, and local communities about the adverse effects of corruption. Such initiatives should promote values and foster a culture that condemn corruption in all its forms.

By implementing these policy implications, Thailand can enhance its reputation as a reliable and attractive tourist destination. The reforms will not only increase visitor confidence and the country's image but also promote sustainable economic growth and governance development.

5.3 Policy recommendations: Dealing with corruption at the national-level

Corruption in Thailand's government persists despite efforts, deeply rooted in society and linked to policy conflicts and cronyism. These issues often breach ethics and harm citizens. Society must urgently reform its ethical outlook, especially by eradicating patron-client relationships and addressing cronyism where personal interests override integrity. Guidelines for tackling corruption are outlined.

- Reducing the size and structure of the government and improving the quality of institutions

When the government becomes too large and complicated, it creates many opportunities for corruption. Reducing bureaucratic procedures and simplifying administrative layers will decrease the likelihood of corruption and enhance the efficiency of follow-up processes. Strong and transparent institutions are crucial; Thailand needs to improve its management systems and ensure accountability among the individuals within these organizations.

- Enhancing laws to combat corruption effectively

The Thai government should establish a comprehensive legal framework, regularly update anti-corruption laws, and implement ongoing monitoring to address new challenges and close gaps. Gathering feedback from stakeholders like civil society can evaluate effectiveness. Educational campaigns can raise public awareness of legal issues, highlight corruption consequences, and encourage reporting, fostering transparency and engagement.

- Encouraging public participation and granting press freedom in investigating corruption cases to enhance accountability.

Thailand encourages public participation in fighting corruption through legal measures, ethics, and awareness. Corruption isn't always by officials; some involve the public, especially in citizen-facing agencies (Skchot Sutisa, 2020). Raising awareness aims to protect public interest and discourage exploitation. Citizens' organizations monitor officials, but their numbers are limited, and many Thais see corruption as less critical, feeling uninvolved. Changing perceptions is vital, as people are most affected by corruption. Supporting press freedom, with oversight, helps expose

issues. An empowered media can scrutinize government actions, promote better decision-making, and increase awareness of corruption risks.

- Strengthening public and private anti-corruption agencies to ensure robust enforcement and advocating for measures promoting transparency.

The Office of the National Anti-Corruption Commission (NACC), a constitutional organization of Thailand, and the Anti-Corruption Organization of Thailand (ACT), a non-governmental organization, represent the two primary anti-corruption agencies within Thailand. The establishment of these entities aims to prevent and combat corruption through comprehensive investigations, the imposition of penalties on offenders, and acting as a deterrent by enforcing stringent consequences. These agencies strive to enhance transparency and accountability within the public sector, raise public awareness about the adverse impacts of corruption, protect whistleblowers, promote international collaboration, and support the development of effective anti-corruption legislation and policies. Strengthening these agencies is vital for augmenting the efforts to eradicate corruption across the public domain. They serve as specialized units tasked with investigating and preventing corrupt practices. Equipping them with adequate resources, independence, and authority is essential for conducting thorough investigations and encouraging a culture of responsibility. Such enhancements are crucial for fostering public trust, deterring corrupt activities, and establishing an environment systematically aligned with anti-corruption objectives. Ultimately, these measures will contribute to the cultivation of a society that is transparent, accountable, and ethical.

- Launching anti-corruption campaigns to instill moral ethics in people and to actively combat corruption

The government and anti-corruption agencies should launch campaigns against corruption, using social media, posters, TV, radio, documentaries, and films to educate and involve the public. They should organize activities like competitions, conferences, and seminars to promote public participation and sharing perspectives. These diverse media methods can reach wide audiences, raise awareness, and build collective resolve.

The collaboration between national and tourism sector-specific agencies is vital for implementing anti-corruption initiatives. While policy recommendations guide strategy, clear roles for TAT, NACC, and ACT ensure smooth cooperation across tourism and governance sectors. Building on these roles fosters transparency and accountability in policy and daily practices.

Table 5.1: Specific Roles for Key Agencies in Anti-Corruption and Tourism Governance

Agency	Primary Role	Specific Actions
Tourism Authority of Thailand (TAT)	Tourism promotion and branding	- Create tailored marketing campaigns emphasizing transparency and safety. Include anti-corruption messages to build trust. Develop user-friendly digital channels for tourists to share feedback and lodge complaints, making the process easier and accessible.
National Anti-Corruption Commission (NACC)	Legal enforcement and oversight	- Investigate high-level corruption across sectors like tourism. - Provide legal frameworks and policy guidance for anti-corruption and support government agencies with monitoring tools and compliance systems.

Anti-Corruption Organization of Thailand (ACT)	Civic engagement and monitoring	- Launch nationwide campaigns to raise awareness about anti-corruption efforts, support whistleblower protection and civic reporting platforms, and collaborate with communities and media to monitor public sector integrity.
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Source: By the author

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APENDIX**Table 1: Number of international tourists, length of stay, average expenditure, and tourism revenue in Thailand from 2000 to 2019.**

Year	Number of international tourists	Average Length of stay (Days)	Average Spending/person/day (USD)	Revenue (USD)
2000	9,508,623	7.70	96.26	7,112,246,073
2001	10,061,950	7.93	84.35	6,730,746,117
2002	10,799,067	7.98	87.37	7,529,887,337
2003	10,004,453	8.19	90.97	7,454,061,701
2004	11,650,703	8.13	121.82	11,538,870,309
2005	11,516,936	8.20	116.78	11,029,131,191
2006	13,821,802	8.62	121.53	14,479,710,897
2007	14,464,228	9.19	123.71	16,444,965,776
2008	14,584,220	9.51	133.44	12,706,376,000
2009	14,149,841	8.99	116.98	14,880,580,000
2010	15,936,400	9.12	128.71	18,706,030,000
2011	19,230,470	9.64	137.33	23,898,306,650
2012	22,353,903	10.02	141.34	30,293,349,754
2013	26,546,725	9.85	150.23	37,165,794,335
2014	24,809,683	9.83	148.06	36,108,312,808
2015	29,923,185	9.47	150.14	46,929,146,538
2016	32,529,588	9.56	148.80	52,608,599,034
2017	35,591,978	9.52	159.23	58,972,753,623
2018	38,178,194	9.29	163.72	60,423,059,581
2019	39,916,251	9.26	166.58	61,571,884,058

Source: Ministry of Tourism and Sports of Thailand (2025)

Table 2: Corruption Perception Index of Thailand and the 20 tourist source countries

Countries	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Thailand	35	34	37	35	38	38	35	37	36	36
China	35	36	39	40	36	37	40	41	39	41
Malaysia	44	43	49	50	52	50	49	47	47	53
Korea	54	54	56	55	55	54	53	54	57	59
Singapore	93	92	87	86	84	85	84	84	85	85
Russia	21	24	28	28	27	29	29	29	28	28
Japan	78	80	74	74	76	75	72	73	73	73

UK	76	78	74	76	78	81	81	82	80	77
USA	71	71	73	73	74	76	74	75	71	71
Australia	87	88	85	81	80	79	79	77	77	77
India	33	31	36	36	38	38	40	40	41	41
Hong Kong	84	84	77	75	74	75	77	77	76	76
Laos	21	22	21	26	25	25	30	29	29	29
Vietnam	27	29	31	31	31	31	33	35	33	37
Germany	79	80	79	78	79	81	81	81	80	80
France	68	70	71	71	69	70	69	70	72	69
Cambodia	21	21	22	20	21	21	21	21	20	20
Taiwan	58	61	61	61	61	62	61	63	63	65
Indonesia	28	30	32	32	34	36	37	37	38	40
Philippines	24	26	34	36	38	35	35	34	36	34
Myanmar	14	15	15	21	21	22	28	30	29	29

Source: Transparency International, 2025

Table 3: Descriptions and data sources of variables

Variable	Description	Data source
Tourist Demand (<i>TD</i>)	Number of inbound international tourists to Thailand	Tourism and Sports Economics Division, Ministry of Tourism and Sports of Thailand
Corruption (<i>COR</i>)	Corruption Perception Index (CPI) of Thailand	Transparency International
Relative Corruption (<i>RCOR</i>)	The difference in the Corruption Perception Index (CPI) of the source country and Thailand	Transparency International
GDP per Capita (<i>GDP</i>)	Real GDP per Capita (in constant 2015 USD)	World Bank
Price of tourism in Thailand (<i>PI</i>)	The price of tourism in Thailand is determined by comparing Thailand's Consumer Price Index (CPI) to the Consumer Price Index of the tourist's source country.	World Bank
Word of mouth (<i>TD_{t-1}</i>)	Number of inbound international tourists to Thailand in the previous year.	Ministry of Tourism and Sports of Thailand
Exchange rate (<i>EX</i>)	Thailand's Real Effective Exchange Rate is a measurement of a currency's value relative to a weighted average of several foreign currencies.	International Monetary Fund, International Financial Statistics.
Inflation (<i>INFLA</i>)	Inflation rate in Thailand.	International Monetary Fund
Political turmoil (<i>POLI</i>)	Political crisis in Thailand (e.g., a street protest, military coup),	1. Legislative Institutional Repository of Thailand

	situations that lead to political unrest.	2. King Prajadhipok's Institute 3. Thai News Agency
Worldwide Governance Indicators (<i>WGI</i>)	Worldwide governance indicators of Thailand, consist of 6 indicators; (1) Control of Corruption (<i>G_COR</i>), which shows the extent to which public power is used for personal benefit. (2) Rule of Law (<i>G_LAW</i>), which expresses how confidently people accept social rules and legal requirements. (3) Government Effectiveness (<i>G_GOVEFF</i>), which demonstrates the quality of policies formulation and public service. (4) Political Stability and Absence of Violence/Terrorism (<i>G_POLI</i>), which indicates the likelihood of political instability and/or violence motivated by political issues, including terrorism. (5) Regulatory Quality (<i>G_REG</i>), which represents the government's capacity to create and implement effective policies and regulations. (6) Voice and Accountability (<i>G_VOICE</i>), this represents the extent to which people have the freedom to choose their government, as well as the freedom of speech and a free press.	World Bank

Source: By the author

Table 4: The expected sign of the estimated coefficient, value of the index, and interpretation for each explanatory variable

Variables	Value of index/indicator	The expected sign of the estimated coefficient	Interpretation
COR_{Tt}	A higher value indicates a lower level of corruption.	Positive	If the corruption level in Thailand is low, Thailand will get more international tourists.
$RCOR_{it}$	A higher number denotes a bigger difference in levels of corruption between Thailand and the tourist source country.	Negative	If Thailand could decrease corruption, it would get more tourists from less-corrupt countries.
GDP_{it}	A higher value indicates a higher income.	Positive	Thailand will get more international tourists if the income of tourists increases.

PI_{it}	A higher value indicates a higher cost of travel.	Negative	If the price of tourism in Thailand is high, Thailand will get fewer international tourists.
TD_{t-1}	A higher value indicates that tourists have received more positive feedback or information about Thailand.	Positive	If tourists receive more positive feedback and information about traveling in Thailand, Thailand will attract more international tourists.
EX_{it}	A higher value indicates depreciation of the Thai baht, meaning tourists will receive more Thai baht.	Positive	A depreciation of the Thai Baht leads to an increase in the number of international tourists visiting Thailand.
$INFLA_{Tt-1}$	A higher inflation rate indicates a higher price of goods and services in Thailand.	Negative	If the inflation rate in Thailand is high, Thailand will get fewer international tourists.
$POLI_{Tt}$	1= if there is a political unrest event, 0 = otherwise	Negative	If there is a political unrest situation in Thailand, the country will receive fewer international tourists.
WGI_{Tt}	A higher value indicates a higher quality of institutions.	Positive	If Thailand's institutional quality is high, the country will attract more international tourists.

Source: By the author