

## ***The Role of Tourism Entrepreneurship Businesses in the Economic Development: An Overview***

Chhanda Biswas\*<sup>1</sup> and Mohammad Mamun-Or-Rashid<sup>2</sup>

<sup>1</sup>University Utara Malaysia, Malaysia.

<sup>2</sup>Lincoln University College, Malaysia.

### **ABSTRACT**

*Tourism entrepreneurship is considered as a recent phenomenon in the academic literature. Although the existing literature explored much on the role of entrepreneurship in the tourism industry as well as the role of entrepreneurship in the economic development, investigation of the role of tourism entrepreneurship businesses on the tourism development and consequently, on the economic development is not done extensively. The study provides a brief overview of the contribution of the entrepreneurship businesses in the economic development. Moreover, it also shortly describes the role of entrepreneurship in tourism businesses that stimulate tourism development. Thus, the study tried to explore the contribution of the tourism entrepreneurship businesses to the tourism development as well as economic development of the country. However, this study focused the three main contributions of tourism entrepreneurship businesses that require in the economic development of any country: (1) tourism entrepreneurs can create employment opportunities for themselves as well as for others (2) tourism entrepreneurship businesses can improve life standard of the people through earning more income and (3) rural development occurs through this tourism entrepreneurship businesses. Further depth study might be possible for providing some empirical evidence based on these three aspects of economic development that would investigate how employment opportunities, the standard of life as well as rural development can be possible through tourism entrepreneurship businesses. Moreover, a future study needs to explore how tourism entrepreneurship helps bring business benefits and tourism development that contribute to these three aspects of economic development.*

**Keywords:** Economic Development, Tourism Development, Tourism Entrepreneurship Business, Tourism Industry.

### **1. INTRODUCTION**

Established or larger firms are being able to a limited extent to develop their offerings that can provide unique experiences relating to creating memories, engagement and emotional involvement for tourists. Moreover, traditional hospitality services involving accommodation, food services, attractions, and entertainment are being replaced or supplemented by experience-based services and products (Solvoll, Alsos, & Bulanova, 2015). This is because tourism businesses are largely dependent on new start-up firms with the aim of offering experience-based products for tourists. Apart from this, entrepreneurship has been emphasized for meeting the increasing tourism demand with unique experience-based services and tourism businesses are thus being expanded and developed.

Furthermore, expansion of tourism businesses can make economic benefits for any country. These economic benefits include income generation through taxation of tourists, generation for

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\*Corresponding Author: [chhandabiswasuum@gmail.com](mailto:chhandabiswasuum@gmail.com)

foreign exchange and alleviation of the balance of payment problems, diversification of a nation's economy, and generation of employment opportunities especially rural and remote areas (Ekanayake, & Long, 2012).

Existing studies related to tourism entrepreneurship, tourism business as well as entrepreneurship and economic development have addressed a number of issues. As the previous academic literature examined the topics covered by tourism entrepreneurs as a type of tourist guide (Bryon, 2012); entrepreneurship as the factor for making tourism business benefits (Taskov, Metodijeski, Dzaleva, & Filipovski, 2011); tourism entrepreneurship as dynamic factor for developing social life of local communities and touristic services (Rusu, Isac, & Cureteanu, 2016). In addition, Samiei, and Akhoondzadeh (2013) showed in their study the relationship between the tourism industry and entrepreneurship and the finding revealed that entrepreneurship and innovation are the success factors for tourism and tourism development in global.

Another study of Chang (2011) explained that tourism businesses are initiated by entrepreneurs with the aim of supplying leisure and recreational opportunities for tourists. He focused in his study the role of SMEs in tourism sectors which include farm attractions, homestays, family-style restaurants and cafes and retailing stores that cater to tourists of different types of products and services. However, as above discussion, there are several studies that showed the relationship between entrepreneurship and economic development including Szirmai, Naudé, and Goedhuys (2011); Toma, Grigore, and Marinescu (2014); Piotr, and Rekowski (2009); Set (2013). On the other side, there are various studies that revealed the relationship between tourism development and economic development including Oh (2005); Honey, and Gilpin (2009); Knetsch, and Var (1976); Greiner (2010). But very few literatures explored the role of tourism entrepreneurship businesses in the economic development of the country. This study addresses the knowledge gap by providing an overview regarding how tourism entrepreneurship businesses can contribute to the economic development of the country.

## 2. METHODOLOGY

In the current study, the researchers relied on existing literature to explore the contribution of the tourism entrepreneurship businesses on the economic development of the country including Nemirschi, and Craciun (2010); Samiei, and Akhoondzadeh (2013); Solvoll *et al.*, (2015); Taskov *et al.*, (2011). This review study examined the concept of entrepreneurship and tourism entrepreneurship. Therefore, the researchers identified the relationship between entrepreneurship and economic development based on existing literature. In addition, the expansion of tourism businesses by the entrepreneurs can contribute to the employment opportunities, income generation and ultimately make a higher standard of life for themselves as well as many other youths and women that have been focused throughout the study.

As the study relied on existing literature, the researchers collected information by searching previous existing literatures especially from the various online database sources which include Google Scholar, Springer Link, Research Gate, Wiley, Science Direct, Taylor and Francis, JSTOR, Emerald, Scopus, Repository of Universiti Utara Malaysia Library, WorldCAT, and EBSCO HOST etc. Moreover, the researchers have tried to search the only topic related, peer-reviewed and very recently published articles. Not only articles are figured out for the purpose of this study but also conference proceedings, books, published dissertations so that the researchers can provide an extensive review of the subject areas and as well as to provide legitimate suggestions for future study.

### **3. LITERATURE REVIEW**

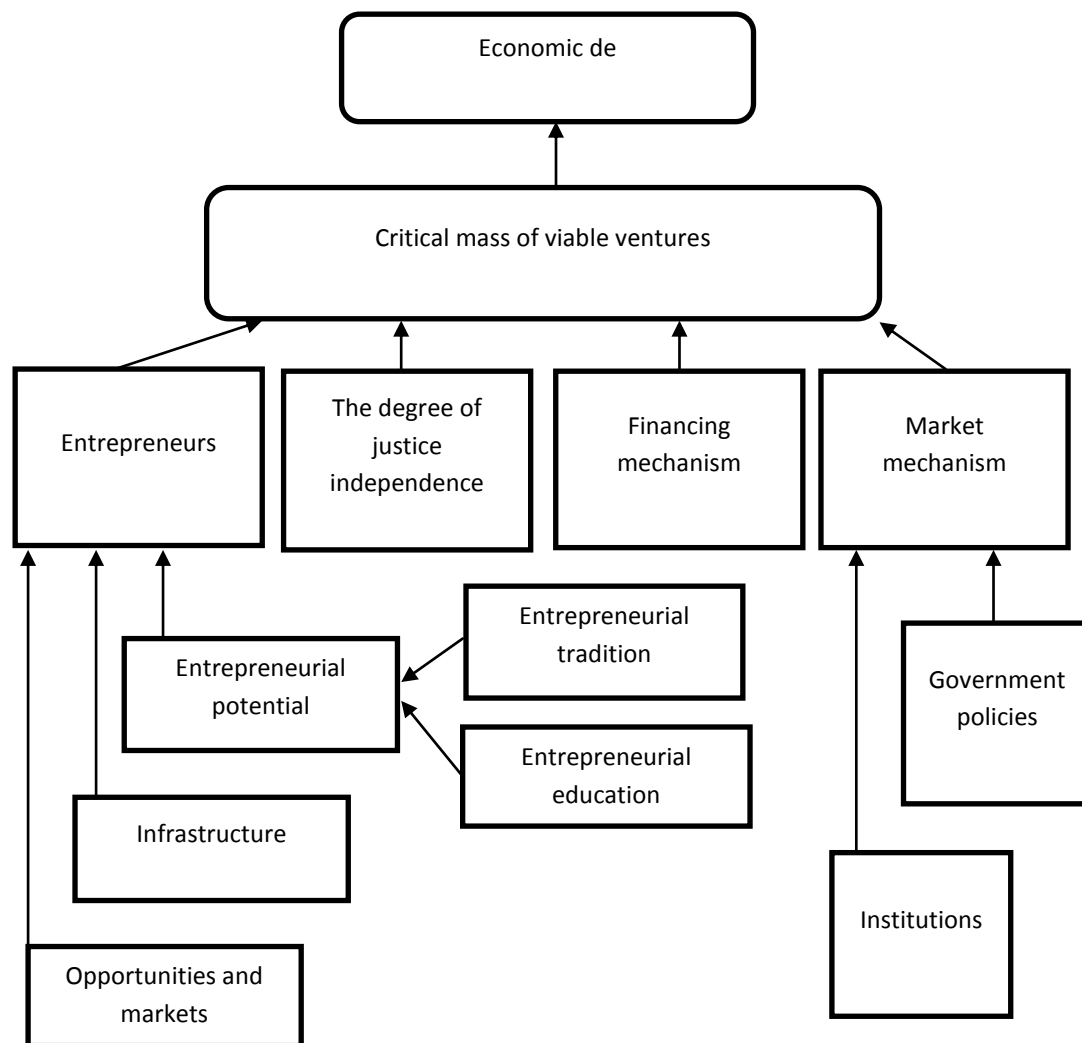
#### **3.1 Theoretical Background of Entrepreneurship**

The concept of entrepreneurship was first introduced in the 1700s (Nongsiej, & Shimray, 2017), since then many authors have given many definitions of entrepreneurship. Ciochina, Iordache, and Sirbu (2016) defined the term of entrepreneurship by focusing some traits of entrepreneurs including desire, motivation, and skills that are necessary to start and manage a successful business. This is the basic definition of entrepreneurship. But very few authors have given definitions of entrepreneurship in the context of development in the tourism and hospitality industry. This is because previous studies have proved to be a difficult term to define entrepreneurship on the case of development. Moreover, Taskov *et al.*, (2011) defines entrepreneurship as the entrepreneurs' ability to act as an agent of small business networks that contribute destination development. Tourism and hospitality industry attract many entrepreneurs through some small businesses operations that lead economic significance of any country.

#### **3.2 Entrepreneurship and Economic Development**

The recent academic literatures have paid much attention to the relationship between entrepreneurship and economic development. Entrepreneurs can contribute to the country's economic development by utilizing resources in a productive way. For this reason, Szirmai, *et al.*, (2011) pointed out that entrepreneurs play a role as an innovator by bringing up new goods and technologies to markets, opening up new markets, process and ideas and commercializing new knowledge.

Toma *et al.*, (2014) showed the relationship between economic development and entrepreneurship by pointing out three reasons. The first reason for this relationship is to increase the number of enterprises because entrepreneurship encourages entrepreneurship. The authors mentioned the second and third reasons that are to generate diversity and variety among enterprises in any location as well as transmission of knowledge from its points of origin to other individuals or organizations called knowledge spill-over. In addition, Wennekens, Stel, Carree, & Thurik (2010) stated that there is a relationship between entrepreneurship and economic development through generating self-employment. In the same way, Piotr, and Rekowski (2009) explained that economic development can be possible because of entrepreneurial activities particularly SMEs, through creating more job opportunities.



**Figure 1.** Theoretical model of linking economic development and entrepreneurship.

Source: (Toma *et al.*, 2014, p. 442)

According to this theoretical model, the author referred four things to reach a critical mass of viable and healthy ventures that lead economic development. These include entrepreneurs, the degree of justice freedom, financing, and market mechanism. Firstly, society needs entrepreneurs and three conditions are met for making those entrepreneurs which include entrepreneurial potential, infrastructure as well as opportunities and markets. The entrepreneurial tradition which is informally transmitted from one generation to another, as well as entrepreneurial education which can be acquired from schools and universities, are two suitable environments for growing up entrepreneurial potential. Additionally, infrastructure and market opportunities are also required for making an entrepreneur.

Secondly, government cooperation is required so that entrepreneurs can get opportunities of the favorable economic environment to start-up a new firm or business. When the free market economy has emerged, investors face bigger risks to invest that leads higher cost of capital. In addition, the reluctance of banks is noticed to provide credit. At this situation, the government should take initiatives so that this handicap can be compensated and this would be justice. This is because the degree of justice independence is another important requirement for undertaking a healthy venture to make economic development.

Furthermore, as Toma *et al.*, (2014) commented, financing and market mechanism are conditions for attaining economic development through undertaking viable ventures. But government policies and institutions are two important issues for creating financing and market mechanisms so that finance and market go smoothly.

Thus, entrepreneurship is regarded an extremely important factor in achieving economic development of any country. Although entrepreneurial opportunities are emerging in various fields or industries which include electronic, medicine, engineering, agriculture, communication, atomic energy, telecommunication, food technology and packaging and many other areas, entrepreneurship in tourism businesses has also been expanded day by day. In the next section, entrepreneurship in tourism businesses has been discussed.

### **3.3 Entrepreneurship in Tourism Business**

Tourism entrepreneurship can be defined as various activities related to tourism, hospitality and leisure sectors by creating and operating a legal tourist's enterprise (Bagherifard, Jalali, Jalali, Khalili, & Sharifi, 2013). Previous studies those are concerned with exploring the differences between tourism entrepreneurship and other types of entrepreneurship argued that tourism entrepreneurs are motivated more for tourism business to attain the higher standard of life because of having many more opportunities as well as profits (Solvoll *et al.*, 2015). Tourism businesses are mostly seen in the light of small to medium-sized enterprises and are initiated by entrepreneurs who supply leisure and recreational opportunities for the tourists.

Entrepreneurship plays a vital role for tourism development especially in rural and ethnic communities because many hotel chains and multinational firms of rural areas are invested for staying-up in the light of small or medium-sized enterprises for the potential markets (Chang, 2011). Many researchers previously investigated the competitive advantages of small tourism businesses. This is because they have emphasized the importance of high-quality entrepreneurship for the small tourism business survival and growth. Therefore, these type of small businesses with low capital investments become sustainable only depending on skill and characteristics of the entrepreneurs (Taskov *et al.*, 2011).

Entrepreneur starts-up small and medium-sized enterprises and sell goods and services to the tourists through their entrepreneurship qualifications. Thus, the tourism industry of many countries has created business potential and diversification of tourism products and services through the tourism SMEs that are involved in the tourism businesses. Basically, tourism businesses consist of five main industry groups: foods and beverages, recreation and entertainment, transportation, accommodation and travel services (Set, 2013). Currently, tourism SMEs is the vital issue in the academic literature. According to Set (2013), tourism SMEs play a big role in generating income to the industry that consequently contributes to the economic development of any country. This section leads to the discussion about the tourism entrepreneurship businesses that can contribute to the economic development.

## **4. TOURISM ENTREPRENEURSHIP BUSINESS AND ECONOMIC DEVELOPMENT**

Entrepreneurship is vital for the creation of the new organization or new business. While entrepreneur starts-up tourism-related business, it is referred as tourism entrepreneurship business. Tourism entrepreneurship facilitates entrepreneurs to make employment that helps them to generate income and develop their standard of living. According to World Travel and Tourism Council (2016), travel and tourism businesses create 370 million employment opportunities in total which is equal to 1 in 9 of all employment in the world. Similarly, World Tourism Organization (2012) stated that tourism businesses stimulate the local economy through promoting entrepreneurship and the growth of SMEs. Tourism-related demand for

goods and services can make new job opportunities for locals particularly for women and youth that ultimately can contribute to the poverty reduction of any country.

Szirmai *et al.*, (2011) added that tourism businesses develop rural communities because entrepreneurs can start-up new farm or businesses in rural or remote areas. As many more tourist destinations are growing up apart from urban, employment opportunities for rural communities particularly for women and youths are becoming possible. Consequently, the unemployment rate can be reduced. Furthermore, no any country can make development keeping rural population unemployed. By this way, tourism entrepreneurs help to bring rural development through solving unemployment problems that ultimately bring economic development of any country.

#### **4.1 Tourism Entrepreneurship Business, Tourism Development, and Economic Development**

Empowerment of the local community is vital to make informed and perfect decisions about tourism development. Considerable investment by the entrepreneurs especially, entrepreneurs from the local community, can bring tourism development. According to Taskov *et al.*, (2011), to make the successful development of the tourism sectors, it is very crucial to understand the relationship between tourism entrepreneurship businesses and tourism development. For this reason, the authors emphasized on the community participation through entrepreneurial activities so that development for the tourism sectors can be possible successfully for any country.

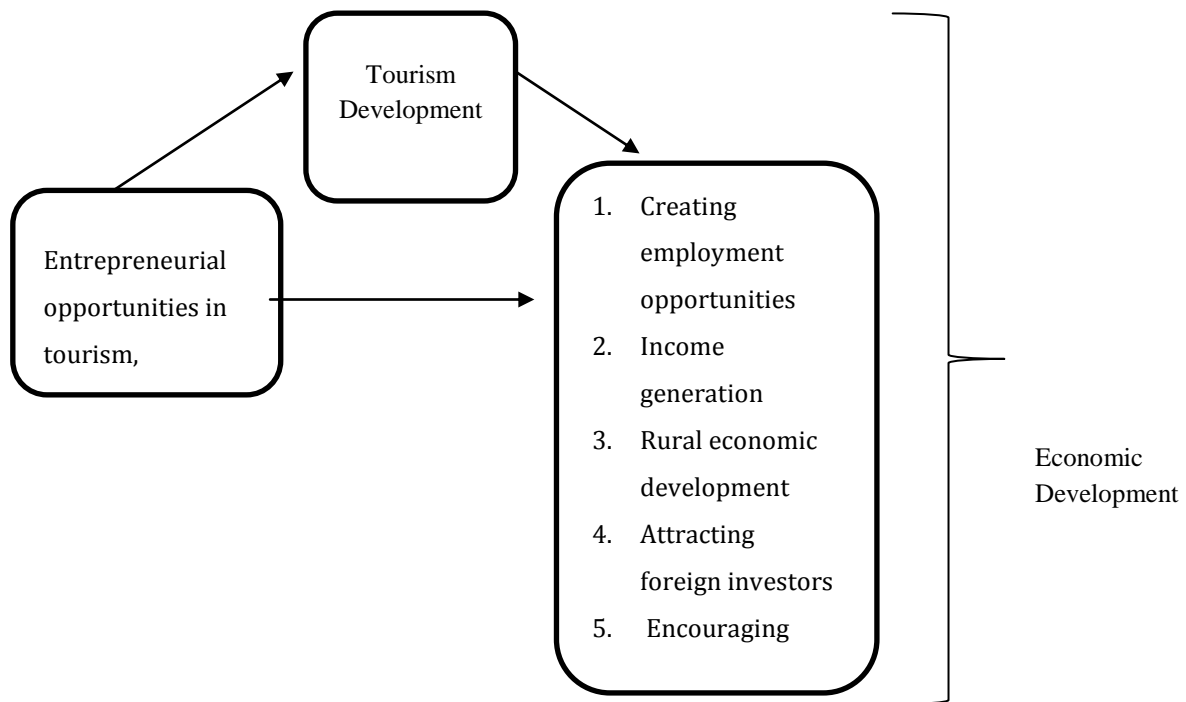
Local people offer services or sell products to local and foreign tourists. By this way, they act as the entrepreneurs and make small business development. Moreover, they attract tourists by providing services and facilities through creating SMEs and thus, tourism destinations become flourished because of more tourists' arrival. More tourists' expenditures make help to flourish the tourist destinations. Consequently, tourism development is possible. Thus, tourism entrepreneurship businesses made by local entrepreneurs are linked with tourism development (Othman, & Rosli, 2011). Apart from this, tourism development brings economic development. Employment opportunities for many unemployed people can be possible in many tourist destinations and thus, tourism development contributes to the poverty reduction of any country by increasing their per capita income. As poverty is generally seen in the rural areas, rural development is thus possible (Cobbinah, Black, & Thwaites, 2013).

### **5. DISCUSSION ABOUT THE EMPIRICAL FINDINGS**

Tourism is regarded as a dynamic factor because it stimulates economic development by generating opportunities for entrepreneurship. Rusu *et al.*, (2016) described a link between entrepreneurship and local businesses that have a major role in the development of tourism. Bagherifard *et al.*, (2013) also explained that tourism entrepreneurship consists of various activities which include tourism, hospitality and leisure and recreational sectors. However, tourism development contributes to the development of the local communities, small businesses as well as individual entrepreneurs that can play a key role in the economic development. In addition, the tourism industry has attracted more foreign investors than any other industries. The Government can also help for entrepreneurial opportunities by creating various regulations so those entrepreneurial activities can be run by both foreign investors and natives (Rusu *et al.*, 2016).

Furthermore, interest in tourism entrepreneurship can stimulate rural economic development because reliance on agriculture has been reducing. It can be said that tourism industry is being recently replaced by agricultural industry. Therefore, tourism entrepreneurship businesses

encourage women for employment opportunities (Nemirschi, & Craciun, 2010). Thus, tourism entrepreneurship also contributes to solving the unemployment problem. However, tourism entrepreneurship increases the life standard of the entrepreneurs by generating more income and solving their unemployment problems. Above all the discussion, the relationship can be shown in this study that is given below the figure 2:



**Figure 2.** The relationship among tourism entrepreneurship business, tourism development, and economic development.

## 6. CONCLUSION AND RECOMMENDATIONS OF THE STUDY

The study's findings report that entrepreneurship helps create economic development through various SMEs activities. Basically, entrepreneurs take initiative for these activities that can create self-employment for themselves as well as employment opportunities for others. Hence, they can increase their living standard through earning more income (Toma *et al.*, 2014; Piotr, & Rekowski, 2009). Similarly, this study also focuses that tourism entrepreneurs are engaged with various tourism, hospitality and leisure related activities which are involved in SMEs and thus, they create employment opportunities for unemployed persons. In addition, such types of tourism activities by entrepreneurs attract many foreign investors that can stimulate economic development. Therefore, rural economic development might be possible because of creating employment opportunities for rural people especially for women (Nemirschi, & Craciun, 2010; Rusu *et al.*, 2016).

Many researchers have identified the relationship between entrepreneurship and economic development as previously discussed in the 3.2 section (Szirmai *et al.*, 2011; Wennekers *et al.*, 2010). Even, previously many authors explained about a link between tourism development and economic development (Samimi, Sadeghi, & Sadeghi, 2013; Jenkins, 2015). But very few studies are made to explore the relationship between tourism entrepreneurship businesses and economic development. For this reason, this study will contribute to the researchers as well as

enrich the literature regarding how tourism entrepreneurship businesses contribute to the economic development. Moreover, this study will also be beneficial for governments to be more aware of tourism entrepreneurship to solve unemployment problems of their countries. Not only governments but also potential tourism entrepreneurs will be encouraged when they will be informed that tourism entrepreneurship businesses can make employment opportunities for them and increase their living standard.

However, in line with previous researchers, this study focuses the three main contributions of tourism entrepreneurship businesses that require in the economic development of any country: (1) tourism entrepreneurs can create employment opportunities for themselves as well as for others (2) tourism entrepreneurship businesses can improve life standard of the people through generating more income and (3) rural development can be possible through this tourism entrepreneurship businesses. Further depth study might be possible for providing some empirical evidence based on these three aspects of economic development that would investigate how employment opportunities, the standard of life as well as rural development can be possible through tourism entrepreneurship businesses. Moreover, the future study needs to explore how tourism entrepreneurship helps bring business benefits that contribute to these three aspects of economic development.

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