

The role and impact of tourism on local economic development: A comparative study

D.F. MEYER AND N. MEYER

*Department of Economics, Faculty of Economic Sciences and IT, North-West University,
Vanderbijlpark, Gauteng, South Africa.*

E-mail: daniel.meyer@nwu.ac.za; natanya.meyer@nwu.ac.za

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Abstract

The purpose of this study was to determine what role tourism plays in the economic development of local regions. Tourism is globally recognised as one of the largest and fastest growing economic sectors. In developing countries, tourism is specifically seen as a tool to promote economic development, and alleviate poverty as an alternative to other traditional economic sectors such as industrialization. The study was conducted using tourism statistical data from two geographical areas namely the Metsimaholo municipal area and the Emfuleni municipal area (region previously known as the “Vaal-Triangle”), South Africa. Secondary data were used from the Global Insight data base. Global Insight is one of the world’s largest sources of global financial, economic and sectoral data. Data obtained from this source were further analysed, refined and reported on. The results indicated that tourism trips in both areas have shown a steady growth from 2001 to 2013. Within the Emfuleni municipal area, business tourism specifically has shown rapid growth of 8.36 percent per annum, while holiday tourism has grown at a relatively slower rate of 3.31 percent. The Metsimaholo municipal area on the other hand has shown much lower tourism growth. If the two areas in the study region are compared with international standards on the percentage contribution of gross domestic product (GDP) of tourism, the Emfuleni area compares well with a 7.7 percent contribution and Metsimaholo with only a 2.2 percent contribution. Globally the contribution of tourism is between 8 to 10 percent of GDP. Tourism as a low skilled, labour intensive industry, has many benefits for local regions including poverty alleviation and a key sector for local economic development (LED).

Keywords: Tourism, role, impact, local economic development, Emfuleni municipal area, Metsimaholo municipal area, South Africa.

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Introduction

In the modern globalized world, tourism is recognised as one of the largest, fastest growing and dynamic economic sectors attracting external economic activities (Creaco & Querini, 2003; Reddy, Basha & Kumar, 2014). Many developing countries and regions have managed to grow their economies with increased economic participation through the development of tourism. Tourism is seen as a regional development tool to assist in the creation of new local economic activities (Vaugeois, 2000; Richardson, 2010). according to the united nations world tourism

organization (unwto), globally, and especially in developing countries, tourism is seen as a significant tool to promote economic development, and to alleviate poverty as an alternative to other traditional economic sectors such as industrialization (Vaugeois, 2000; Unwto, 2002). Tourism accounts for more than 29 percent of the export component of the services sector, while in the sub-saharan African region the total contribution is as high as 55 percent (Unwto, 2014). In 2014 a total of 1.1 billion tourists travelled abroad world-wide, relating to an increase of 4.7 percent from 2013. This relative high growth rate contributed significantly to the global economic recovery (Unwto, 2015). Sub-saharan Africa received 36 million tourists and South Africa received approximately 9.5 million or 26.4% of the total number of tourists in 2014 (Unwto, 2014). The high growth rates are expected to continue especially as a result of lowering oil prices.

Tourism has proven to be an effective sector for economic growth allowing for the diversification of a local economy, attracting foreign exchange investment which could lead to the improvement of the balance of payments, regional development, creation of employment and income and also the stimulation of domestic household consumption (Modeste, 1995; Creaco & Querini, 2003; Steiner, 2006). Studies in developing countries have found that a positive relationship exists between economic growth and tourism development, allowing for the establishment of new businesses, especially small businesses (Durberry, 2002).

Tourism accounts for up to 10 percent of the global gross domestic product (GDP), making it the world's largest economic sector (Sloan, Legrand & Chen, 2005; Unwto, 2015). Globally, the export value of tourism has been growing over the last two decades and tourism exports exceeded \$1.4 trillion in 2013 (Unwto, 2014). Tourism as an export sector represents approximately 6 percent of total global exports and ranks fourth of all economic sectors behind fuels, chemicals and automotive products as an export sector (Unwto, 2014).

This study investigates the role and impact of tourism on economic development in local regions. The initial hypothesis is that tourism development can lead to increased economic growth at the local level. The geographical location of this research is focused on the Metsimaholo municipal area with Sasolburg as the primary urban node situated in the Northern Free State and the Emfuleni municipal area with Vanderbijlpark and Vereeniging as the primary urban nodes, located in Southern Gauteng. The region was previously known as the "Vaal-Triangle".

Literature Review

On a global scale, tourism has proven to be an economic sector that is essential in creating employment in both formal and informal sectors, improvement of quality of life, and the attraction of foreign exchange. The sector also serves as an alternative form of export, the improvement of a country or region's balance of payments and a general increase in economic activities. For these reasons, most developing countries have been focusing on tourism as an alternative for economic growth (Khalil, Kakar & Malik, 2007; Valle & Yobesia, 2009; Kruja, Lufi & Kruja, 2012).

Tourism as the world's largest industry, contributed one in ten jobs globally in 2004 (Williams & Riddle, 2004) and in 2014 this ratio changed to one job in eleven jobs (UNWTO, 2014). Tourism is playing an increasingly significant role in the economies of many developing countries. The sector contributes towards economic growth, employment and income (Reddy et al., 2014). According to the Organization for Economic Coordination and Development (OECD), the tourism sector is labour-intensive and allows for relative ease of entry into the market, with limited barriers. Policy makers have identified tourism development as a solution to employ large numbers of unemployed youth and lowly skilled people. This is dependent on people and factors such as natural resources, infrastructure and capital investment to ensure that quality services and products are delivered. A well trained labour force will ensure greater competitiveness of this sector and potentially increase the effectiveness of rapidly changing markets (OECD, 2010).

From a demand side perspective, tourism could be defined as activities of people travelling to and staying in places outside their usual environment. Tourists could be same-day or overnight visitors. Visitors in the form of tourists require a range of products and services and local enterprises supply in this need through labour, capital and material. Tourism related industries include travel brokers, transportation, accommodation, food and beverage, amusement, culture, recreation, sports, retail and financial services (OECD, 2010).

Tourism plays an important role in the employment creation process, especially in developing regions. According to Baum (1995) the following characteristics regarding employment exist within the tourism sector namely, high levels of fluctuation of demand for services and products, domination by self-employment and small family firms, labour intensity, high labour turn-over due to an image or perception of low levels of pay, low skills and long working hours, and lack of training. By addressing some of these issues, tourism development can be improved. According to the Organization of American States (OAS), tourism is expected to continue to grow due to factors such as population growth, rising incomes, globalization and integration of world economies and therefore improved methods of managing tourism can have a positive effect on the economy (OAS, 2010). The Huron Business Development Corporation (2004) listed a number of factors for

successful local economic development (LED) with a focus on the tourism sector which include political stability and commitment, investment in infrastructure, effective policies and planning, broad participation by all stakeholders, capacity, building on strengths, promotion of entrepreneurship and partnerships.

The potential of tourism to significantly contribute to economic development is based on the uniqueness of the sector. These unique factors could include the diversification of the economy, it allows for export growth, attracts people to even the most remote locations with unique culture and natural attractions, is labour intensive and supports a range of local skills from low to high skills, it promotes small-scale enterprise development, and it allows infrastructure and communication network development. A further benefit of tourism as a developmental sector is that it is usually considered to be price and income elastic. This means that minor changes in income or price could affect the sector, but prices and income are relatively stable in the tourism sector (Vaugeois, 2000; Honey & Gilpin, 2009; Richardson, 2010).

The tourism sector has strong linkages with other economic sectors and these linkages need to be optimized for accelerated economic development. Linkages with sectors such as retail, agriculture, transport and construction will enhance the local multiplier effect and eventually create better economic growth and employment opportunities (Akama & Kieti, 2007). There are however some challenges with tourism development in developing regions which include; lack of skills, poor cooperation between stakeholders and safety conditions in the area just to name a few (UNWTO, 2006a). In order to ensure sustainable tourism development that assists in economic growth, the following key strategies are proposed by the International Monetary Fund (IMF) (2006) and Honey and Gilpin (2009):

- Identify and protect natural and cultural assets that allows for the comparative advantage in tourism for a specific region.
- Ensure local participation and ownership in tourism development.
- Build capacity in institutions and infrastructure.
- Formulate a comprehensive and integrated tourism development strategy as part of the local economic development strategy including aspects such as marketing.
- Reduce crime and corruption.
- Promote domestic tourism.

In developing countries and regions with high levels of unemployment and poverty, pro-poor tourism can make a difference in poor communities. Pro-poor tourism provides local poor or marginalized people with the ability and position to obtain economic benefits without excluding them from opportunities. Benefits could be obtained through employment and establishing of small tourism related businesses, benefits from infrastructure such as roads, water, electricity and communication and lastly empowerment through participation and decision making (Sloan et al., 2005).

Role and impact of tourism on local economic development 201

There are three ways in which tourism could reduce poverty in a specific locality. Firstly, through direct impacts such as wages, employment and training, secondly, through indirect impacts such as value chains from sub-sectors including food, construction, transportation, and many other sectors. Evidence indicates that the indirect impact of tourism could be adding approximately 60 percent on top of the direct impacts of tourism. Lastly, tourism has a range of dynamic impacts including livelihood strategies for households, improved business climate for small business development, and infrastructure development (Ashley, De Brine, Lehr & Wilde, 2007). According to Ashley et al. (2007), tourism as an industry has a substantial impact on local people and local economies in developing countries. It is estimated that earnings of low skilled people within a specific geographic tourism area are approximately equivalent to a quarter of tourist spending within that area. This suggests that poor or low income earning tourist labourers benefits directly from tourist spending.

Tourism's economic impact is felt in many economic sectors, but as a sector its boundaries of contribution is difficult to define. Most local economic sectors are in some way linked to tourism. Tourism entails all services and goods that are provided specifically for visitors that would not have used such goods and services otherwise. According to the Organization of American States (OAS, 2010), the tourism spending multiplier effect is equal to 1.60, meaning that for every one unit of currency spent on tourism, the impact on the total economy is equal to 1.6 units. Tourism can also benefit the local economy in terms of value-added services and products, especially for countries with effective domestic agricultural sectors. To further increase value-added benefits of tourism, travel services must be mostly owned and managed by local people.

Tourists usually travel to high quality environmental regions which usually exclude industrial areas, but include regions of natural beauty within a rural setting. Tourism could therefore be a driving force in rural regions with limited industrialization, but with some agricultural value. A strong linkage with the agriculture sector will also limit leakages through large scale imports of products. In rural settings, agri-tourism can add to the viability of small commercial farming. Agri-tourism includes farm tours, farm guest-homes, entertainment such as festivals, petting farms and other events. Toader, Sofica, Petrescu, Negrusa and Balint, (2012) found in rural Romania that rural tourism requires innovative activities for success. Examples of such innovation include product innovation through the introduction of new products and events and improvement in current products, organizational innovation with improved collaboration between local stakeholders and lastly marketing innovation such as tourism fairs and the use of social media. Tourism compares favourably with other economic sectors as an employment generator (Goleman & Boyatzis, 2008). It was estimated by OAS that 1.15 jobs are created for every room in the tourism sector and for every one job created directly within the tourism sector, two other jobs are created in other sectors of the local economy (Vaugeois, 2000; OAS, 2010). The

OAS (2010) listed valuable attributes that could result in a successful tourism destination. Table 1 lists a summary of the various attributes.

Table 1: Tourism destination attributes for success

Climate	Natural resources	Infrastructure	Amenities	Culture	Socio-economic and political
<ul style="list-style-type: none"> • Temperature • Rainfall • Humidity • Sunshine hours 	<ul style="list-style-type: none"> • Beaches • Lakes • Rivers • Forests • Mountains • Flora & Fauna 	<ul style="list-style-type: none"> • Basic essential services such as electricity, water, waste removal and sewer. • Roads • Telecommunications • Railways • Ports • Airports 	<ul style="list-style-type: none"> • Accommodation • Institutions • Restaurants • Shopping • Sports and recreation • Entertainment • Wildlife and zoo's • Health 	<ul style="list-style-type: none"> • Historic features • Theatres • Art • Museums • Festivals events 	<ul style="list-style-type: none"> • Stable or government • Political stability

Source: OAS, (2010).

According to Kruja et al. (2012), developing countries need to implement focused policies regarding tourism to ensure optimal results. Policy aspects that need to be prioritized include a suitable trained workforce and a focus on foreign direct investment. Specific pre-conditions for successful tourism development are listed as sustainable tourism, basic infrastructure, local ownership, relevant legislation and regulations, law enforcement, availability of statistics and public-private partnerships. Local government needs to be involved in tourism through the provision of inclusive policy frameworks and regulations, marketing efforts, building of partnerships with the private sector, increased capacity, provision of training, and the creation of an enabling environment for small businesses to prosper (Ashley et al., 2007).

Vaugeois (2000) lists a number of strategies to maximize the benefits of tourism in developing countries. Such strategies include attracting more visitors to the region and to minimize the leakages of money and jobs within the region. In developing countries the government must in some cases take on the role of initiator and entrepreneur (Shurland & Clark, 1998). Other strategies include, promoting import substitution within the region by providing incentives, subsidies and grants to local businesses.

According to the Unwto (2000), and Ashley, Roe and Goodwin (2001) a number of successful tourism strategies have in the past been implemented to create employment and income opportunities within the local sphere. Some of these successful strategies include the promotion of employment for especially the poor, establishment of small tourism enterprises, supply of goods and services to tourism businesses, creation of partnerships with local government and increased participation of local communities, environmental management and investment in local infrastructure.

Methodology

Research design

Both qualitative and quantitative approaches were used in this study. A literature review was conducted on tourism related issues, including the importance of tourism for economic development, and the effect it can have on the alleviation of unemployment and poverty. This formed the theoretical or qualitative basis of this study. Data from the Global Insight (2013) data base was utilized and this formed the quantitative part of this study.

The study area

As this is a comparative study, two geographical regions formed the study area namely, Emfuleni local municipality and Metsimaholo local municipality. Both municipal areas are situated within South Africa, north and south of the Vaal River. The Emfuleni local municipal area, located in the Gauteng province, has an estimated population of 721 663 in an area of 966km² and the Metsimaholo local municipal area, located in the Free State province, has a population of approximately 149 108 within a 1 717km² area (Local Government Handbook, 2013).

Instrument, procedures and data analysis

Secondary data was used for the purpose of this study. Global Insight is one of the world's largest sources of global financial, economic and sectoral data. The data is accurate and up-to-date and includes economics, development and marketing information for each municipal area and province in South Africa. Data obtained from this source was further analysed and grouped into the various discussion sections within this study (Global Insight, 2013).

Ethical considerations

Ethical research principles were followed regarding the analysis and interpretation of the data. Data was reported true and accurate and no figures or estimates were fabricated.

Results

When an analysis on tourism is conducted, the number of trips to and from a specific area should be analyzed. The following section analyses the number of holiday / leisure trips, business trips, visits to friends and relatives, other trips for example for medical and religious purposes and the combined total trips made within the Metsimaholo municipal area and the Emfuleni municipal area.

Table 2: Summary of all tourism related trips

	Year	(1) Holiday/Leisure Trips (% of total trips)	(2) Business Trips (% of total trips)	(3) Visits to Friends/Family (% of total trips)	(4) Other Trips (% of total trips)	(5) Total Trips
Emfuleni municipal area	2001	32 185(12.6%)	27 877(11%)	160 652(63%)	34 086(13.4%)	254800
	2005	25 595(7.6%)	28 634 (8.6)	244 818(73.1%)	35 734(10.7%)	334 781
	2010	43 402(10.0%)	45 952(10.6%)	309 287 (71%)	36 770(8.4%)	435411
	2013	46 052(9.6%)	58 187(12.1%)	335 785(69.9%)	40 601(8.4%)	480625
Metsimaholo municipal area	2001	16 085(20.6%)	11 874(15.2%)	44 811(57.5%)	5 210 (6.7%)	77 980
	2005	16 720(18.3%)	15 661(17.3%)	53 283(58.4%)	5 531 (6%)	91 195
	2010	19 065(12.7%)	18 513(12.3%)	106 872(71.1%)	5 820 (3.9%)	150270
	2013	9 691 (5.3%)	20 765(11.4%)	146 368(80.3%)	5 560 (3%)	182384

Source: Own compilation from Global Insight, (2013).

Holiday / Leisure trips

If the growth rates from 2001 until 2013 are calculated, only the Emfuleni municipal area has shown positive growth regarding the number of holiday/leisure trips. The Metsimaholo municipal area had a negative growth rate of -39.7 percent (average decline in growth rate of -3.1 % per annum) whilst the Emfuleni municipal area experienced growth of 43 percent (average positive growth rate of 3.3% per annum). From 2001 to 2005, Metsimaholo area had a slight increase in trips and from 2005 to 2010 a steady increase of 14.0 percent. A sharp decline in trips of 49 percent was experienced between 2010 and 2013. This could be as a result of neglect of the area from the local municipality regarding provision of services, lack of pollution management, poor maintenance of infrastructure and lack of marketing of the area. It could also be due to political unrest, strikes, violent protests and economic decline within the area. The image of this area has been negatively affected due to all the reasons as listed. Leisure / holiday trips made up 12.6 percent of total trips to the Emfuleni area during 2001 and 9.6 percent during 2013. For the Metsimaholo area these figures were 20.6 percent in 2001 and declined to 5.3 percent in 2013. The contribution of the holiday / leisure trips to total tourism trips have declined for both areas from 2001 to 2013.

Business trips

Both areas showed a significant growth in the number of business trips from 2001 to 2013. The Emfuleni municipal area experienced an increase of 108.7 percent (average positive growth rate of 8.4% per annum) and the Metsimaholo area reported a growth rate of 74.9 percent (average positive growth rate of 5.8% per annum). The increase in business trips to the Metsimaholo area could be due to business visits to Sasol Industries (Pty) Ltd and the sharp increase in trips to the Emfuleni area could be due to many hotels and conference facilities in the area, the academic institutions (North-West University (NWU) and Vaal University of Technology (VUT)) and due to the positive inputs and marketing done by the Vanderbijlpark Business Chamber. Rising business opportunities could also be considered as a reason. In the

Role and impact of tourism on local economic development 205

Metsimaholo area business trips made up 15.2 percent of total trips during 2001 and although growth in business trips increased annually, the percentage contribution to total trips decreased to 11.4 percent in 2013. In the Emfuleni area business trips contributed to 11 percent of total trips during 2001 and increased to 12.1 percent in 2013.

Visits to friends and family trips

Both areas showed a significant growth in the number of visits to friends and relatives from 2001 to 2013. The Emfuleni area experienced an increase of 109 percent (average positive growth rate of 8.4% per annum) and the Metsimaholo area had the highest growth rate of 226.6 percent (average positive growth rate of 17.4% per annum), of visits to friends and relatives from 2001 to 2013. Most trips made to the Emfuleni area and the Metsimaholo area was for the purpose of people visiting friends and relatives. During 2001, 63 percent of total trips made to the Emfuleni area were by people visiting friends and family and this figure grew to 69.8 percent during 2013. Within the Metsimaholo area these figures were 57 percent during 2001 and grew to 80 percent of in 2013. These trips have a limited contribution to the GDP of an area if compared to holiday / leisure and business trips as people visiting friends and family will normally tend to spend less money in the specific area. For this reason, these figures will be excluded from the discussion section.

Other trips such as for religious, medical and other purposes

Both areas showed a lower growth rate than in the other categories but still reported a positive growth rate from 2001 to 2013. The Emfuleni area experienced an increase of 19.1 percent (average positive growth rate of 1.5% per annum) and the Metsimaholo area did not reach double digits in growth in the number of other trips (6.7% or average positive growth rate of 0.52% per annum). In the Emfuleni area, other trips, for example medical and religion purposes, made up 13.3 percent of total trips during 2001 and 8.4 percent during 2013. For the Metsimaholo area other trips made up 6.7 percent during 2001 and decreased to 3 percent during 2013 as a proportion of total trips. The total region is not well known for world standard medical or large scale religious facilities.

Total trips

Both areas showed growth in the number of total trips from 2001 to 2013. The Emfuleni area experienced an increase of 88.6 percent (average positive growth rate of 6.82% per annum) and the Metsimaholo area had growth of 133.9 percent (average positive growth rate of 10.3% per annum) if all the categories are taken into account. These high growth levels were mainly due to visits by friends and family to the study area. If the category, visits to friends and family, are excluded from the calculations, Emfuleni's real tourist growth rate from 2001 to 2013 was 53.8 percent (average

positive growth rate of 4.14% per annum) and for Metsimaholo only 8.6 percent (average positive growth rate of only 0.66% per annum).

Number of trips per origin

The following section analyses the number of trips per origin for domestic tourists, international tourists and total tourists. The analysis includes data for 2001, 2005, 2010, and 2013.

Table 3: Summary of tourism trips per origin

	Year	(1) Domestic Tourists (% of total trips)	(2) International Tourists (% of total trips)	(3) Total Tourists
Emfuleni municipal area	2001	208 621 (81.9%)	46 179 (18.1%)	254 800
	2005	290 466 (84.5%)	53 252 (15.5%)	343 718
	2010	322 653 (74.1%)	112 779 (25.9%)	435 432
	2013	319 011 (66.4%)	161 614 (33.6%)	480 625
Metsimaholo municipal area	2001	65 996 (84.6%)	11 983 (15.4%)	77 979
	2005	80 190 (85.8%)	13 220 (14.2%)	93 410
	2010	126 144 (83.9%)	24 126 (16.1%)	150 270
	2013	152 792 (83.8%)	29 593 (16.2%)	182 385

Source: Own compilation from Global Insight, (2013).

Domestic tourists

Both areas showed steady growth in the number of domestic tourist trips from 2001 to 2013. The Emfuleni area experienced an increase of 52.9 percent (average positive growth rate of 4.07% per annum) from 2001 to 2013 and the Metsimaholo area's growth exceeded 100 percent at 131.5 percent (average positive growth rate of 10.16% per annum). Although the Metsimaholo area had a higher growth rate in domestic tourist than Emfuleni, the Emfuleni area had three times more trips during 2001 and double the number of tourists during 2013.

International tourists (Table 3, Column 2)

Both areas showed growth in the number of international tourist trips from 2001 to 2013. The Emfuleni area experienced a growth rate of 250 percent (average positive growth rate of 19.23% per annum) and the Metsimaholo area 147 percent (average positive growth rate of 11.3% per annum) from 2001 to 2013. With regards to the percentage of total trips, visits from international tourists to the Metsimaholo area remained relatively constant over the various years (figures in brackets) whereas the Emfuleni area had a sharp increase in the proportion of international tourists visiting the area from 2010 to 2013 (increase from 18.1% during 2001 to 33.6% during 2013 of total tourists). This could be due to an increase in business and academic opportunities.

Tourism spending

The following sub-section analyses tourism spending including total tourism spending, percentage of GDP spending and per capita spending for the years 2001, 2005, 2010, and 2013.

Table 4: Total Tourism Spending (R1000) as % of GDP and per capita spending

	Year	(1) Total Tourism Spending (R1000)	(2) Total Tourism Spending as % of GDP	(3) Average Tourism Spending per Capita (Rand)
Emfuleni municipal area	2001	639 348	6.1%	991
	2005	1 050 981	6.3%	1 579
	2010	1 790 405	6.5%	2 538
	2013	2 634 851	7.7%	3 286
Metsimaholo municipal area	2001	185 785	1.9%	1 529
	2005	241 550	1.5%	1 851
	2010	489 734	1.6%	3 327
	2013	855 917	2.2%	4 932

Source: Own compilation from Global Insight, (2013).

Total tourism spending

Both areas showed growth in total tourist spending from 2001 to 2013. The Emfuleni area experienced an increase in total tourism spending of 312.1 percent (average positive growth rate of 24% per annum) from 2001 to 2013, and the Metsimaholo area 360.7 percent (average positive growth rate of 27.75% per annum). If the total tourism spending for the areas are compared, expenditure in the Emfuleni area was 3.5 times that of the Metsimaholo area in 2001 and three times higher than the Metsimaholo area in 2013.

Total tourism spending as percentage of GDP

The Metsimaholo area showed steady growth in tourism spending as a percentage of GDP however, this increase was much lower than what was experienced in the Emfuleni area. Both areas experienced an increase in the contribution of tourism to the GDP of the area from 2010 to 2013 (Metsimaholo area 2.2% and Emfuleni area 7.7%). The reason for this growth in contribution to GDP is that primary and secondary sectors showed a decline in growth during this period and the tourism sector also grew faster than any other sector in the region.

Average tourism spending per capita

The Metsimaholo area has a higher per capita expenditure on tourism than the Emfuleni area. Both areas had a steady increase in average tourism spending per capita between 2001 and 2013. The Metsimaholo area's spending per capita grew by 222.5 percent (average positive growth rate of 17.1% per annum) from 2001 to 2013 and the Emfuleni area grew by 231.6 percent (average positive growth rate of 17.8%

per annum). The larger per capita spending recorded in the Metsimaholo area could be due to the much smaller total population and the higher GDP due to the significant economic impact of Sasol Industries (Pty) Ltd has on the area.

Discussion

The aim of the study is to investigate the role and impact of tourism on economic development in local regions. In a fast changing modern world, the service and knowledge sectors of the economy creates mostly high skilled jobs, while traditional economic sectors such as manufacturing, mining and agriculture are struggling to create jobs for mostly lower skilled workers. From the literature review, it seems one sector that has the right attributes to adapt to rapid changes, is the tourism sector, which could provide job opportunities for lower and highly skilled workers.

The study area, which includes the Emfuleni municipal area and the Metsimaholo municipal area, are both traditional manufacturing and industrial focused economies, with Arcelor-Mittal South Africa (AMSA) located in the Emfuleni municipal area and Sasol Industries located in the Metsimaholo municipal area. The study region is economically highly concentrated on the steel and chemicals industries. Over the last decade or so, these two manufacturing giants have contracted in terms of operations, output and employment. These contractions are having a negative impact on local economies. Over the last decade, local economies had to adapt and diversify. Tourism has played a major role in the diversification of the economy. Tourism has proven to be an alternative to revitalize local economies in the face of industrial decline. The two municipal areas are divided by the Vaal River which is also one of the major natural tourist attractions in the region. Most tourist attractions and facilities are located along the river. Table 5 provides a summary of growth figures within the two municipal areas and sectors as discussed in the previous section.

Table 5: Average annual growth comparison for various tourism components (2001 to 2013)

	(1) Holiday / Leisure Trips (%)	(2) Business Trips (%)	(3) Other Trips (%)	(4) Domestic Tourists (%)	(5) International Tourists (%)	(6) Total Trips including visits to friends and family (%)	(7) Total trips excluding visits to friends and family (%)
Emfuleni municipal area	3.3	8.4	1.5	4.1	19.2	6.8	4.1
Metsimaholo municipal area	-3.1	5.8	0.5	10.2	11.3	10.3	0.7

Source: Own compilation from Global Insight, (2013).

Role and impact of tourism on local economic development 209

The combined total tourism trips to the study region have shown a steady annual growth of 7.6 percent from 2001 to 2013. But of more importance, especially in the Emfuleni municipal area, business tourism has shown rapid growth at an average growth rate of 8.4 percent per annum, while holiday tourism has grown by 3.31 percent over the period. These relative higher growth rates recorded in the Emfuleni area, if compared to the Metsimaholo area could be due to the strategic locality of the area north of the Vaal River close to Johannesburg and the number of quality hotels and recreational facilities in the region.

The Metsimaholo municipal area has shown lower tourism growth in both business and holiday tourists over the same period due to the fact that the area is located further away from Johannesburg and is affected by significant service delivery and political unrest. When all the various categories are included within the total number of trips, it seems that the Metsimaholo area had a higher growth rate than the Emfuleni area (10.3% compared to 6.8%, Table 5, Column 6). But as explained before, tourists visiting friends and family hardly contribute to significant growth in GDP. When this category is excluded from calculations, a significantly different result is reported. The Emfuleni area experienced an average annual growth rate of 4.1 percent and the Metsimaholo area a mere 0.7 percent (Table 5, Column 7).

In terms of domestic and international tourist trips, the Emfuleni area had a ratio of 4:1 for domestic versus international tourist trips in 2001, which changed to 2:1 in 2013. In this municipal area, domestic trips have decreased over the last few years, while international trips have shown an increase. This could be attributed to the range of alternative options available to domestic tourists in and around the Gauteng Province, while international tourists find local hotels and facilities accessible within close range of the OR Tambo International Airport. The Metsimaholo municipal area had a steady ratio of approximately 5.7:1 for domestic versus international tourist trips for the years analysed. The Emfuleni areas has therefore been more successful in attracting more international tourists to the area if compared to the Metsimaholo area.

Tourism spending as a percentage of GDP is an important indicator of the levels of diversification of a local economy. Both local economies under investigation have shown significant levels of increased diversification with declining manufacturing sectors, but growing tourism sectors. The Emfuleni municipal area has a tourism spending level of three times that of the Metsimaholo municipal area although both economies have similar GDP sizes. The Emfuleni area is located closer to Johannesburg, the economic hart land of Gauteng province and this leads to more opportunities. The Emfuleni area also has higher levels of infrastructure provision, a number of hotels of international standards, better supporting facilities, the existence of two higher education institutions, major retail centres, conference facilities and medical services.

The following section provides some insight on the impact of tourism on the local economy. If the two areas in the study region are compared with regards to international standards regarding the percentage contribution of tourism to GDP, the Emfuleni area compares well with a 7.7 percent contribution in 2013. Globally the contribution of tourism is between 8 to 10 percent of GDP (Williams & Riddle, 2004). The Emfuleni area has a number of tourist facilities of international standard as well as globally recognised industries and higher education institutions of importance. In the Metsimaholo area tourism had a contribution of only 2.2 percent in 2013 due to the lack of globally recognised tourism facilities, except for Sasol Industries, which attracts international visitors.

Internationally, low income earners benefit from tourism spending and 25 percent of spending is channelled to low income earners within the industry in a region. In the study region close to 50 percent of households are living in poverty. Tourism will therefore, in theory, also benefits the local poor in the study area as it is considered a low skills job creation industry. As stated by OAS (2010), 1.15 jobs are created per room in the accommodation section of tourism. The industry is highly labour intensive and will also benefit large numbers of local low skilled people.

According to the Vaal Research Group (2002), tourism has comparative advantages if compared to other sectors. Data regarding tourism multipliers compared to manufacturing is indicated in Table 6. Tourism has significant advantages regarding backward linkages in supporting sectors such as agriculture (OAS, 2010), and an employment multiplier potential of 14.0 in the local area compared to a 5.1 multiplier for the manufacturing sector (Vaal Research Group, 2002).

Table 6: Tourism multipliers in the study area

Multiplier components	Tourism sector (%)	Manufacturing sector (%)
Backward linkages	87.2	49.1
Forward linkages	42.6	33.5
Employment multipliers	14.0	5.1
Income multipliers	0.64	0.23
GDP multipliers	0.94	0.40

Source: Vaal Research Group, (2002).

The tourism sector has many benefits for local economies and communities. The major benefits include assistance with economic growth, foreign investment, trade balance, job creation and diversification. The sector also allows for high participation levels for poor and unskilled people through labour intensive employment and income. Income leads to alleviation of poverty and improvement of quality of life. Tourism has low levels of barriers to open a business and allows for small business development. Finally, tourism also increases domestic household consumption and facilitates the improvement of infrastructure and communication networks.

Recommendations

Tourism can play an important role in the economic development of local regions. To maximize the impact and role of tourism in local economic development (LED), focused and integrated local policies and strategies are required as part of LED strategies. It is the function of local government to provide an enabling environment for local business and communities to prosper. Local government needs to be involved in LED and therefore also in the tourism sector which is one of the main strategies of LED. Local government needs to be actively involved as entrepreneurs and indirectly as local coordinators of the industry. A tourism strategy needs to consist of various components such as provision of training, provision of access to funding, and supply of grants and incentives to support local small business development and local supply. Further strategy components include provision of infrastructure, building of capacity regarding institutions, partnership formation, providing of information regarding tourism market developments, and increased and coordinated marketing of the region including the arrangement of events. The promotion of the area to attract foreign visitors and domestic weekend tourism must be intensified. Finally more strategies regarding tourism development can include environmental management and improvement, limitation of crime and corruption, and reducing of unnecessary regulations and red-tape.

Conclusion

The initial hypothesis of the research was that tourism development can lead to accelerated economic growth. This study confirmed that increased tourism activity, such as experienced in the Emfuleni area and to a limited extent in the Metsimaholo area, can lead to a higher spending, diversification of the local economy and increased economic growth. The study further pointed out that many social issues such as poverty, unemployment and lack of skills training can be improved with growth within the tourism sector of a region. Tourism has high multiplier impacts and acts as an “export” sector within the local economy due to the fact that it attracts spending from outside of the region. Tourism can be promoted if the area is properly marketed and if the area is well maintained with a quality environment. Local government needs to create an enabling environment for small business and other stakeholders to operate in by the promotion and development of entrepreneurship. The industry could significantly contribute to the employment of low skilled youth and entrepreneurship development which are two of the major problems in South Africa. Finally, the research identified many benefits of tourism for development of local regions such as economic growth, poverty alleviation, an improved trade balance, job creation and a more diverse local economy. Tourism was also identified as one of the main strategies as part of a LED strategy.

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Role and impact of tourism on local economic development 213

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