

**THE IMPACT OF TOURISM ON LOCAL ECONOMIC  
DEVELOPMENT (LED): AN ANALYSIS OF THE VAAL  
TRIANGLE REGION**

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Vanderbijlpark

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## DECLARATION

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I, Chané de Bruyn declare that

**The impact of tourism on Local Economic Development (LED): An analysis of the Vaal Triangle region**

is my own work, where all of the resources have been acknowledged and quoted by way of complete references. This study has correspondingly not been submitted for previous assessment for postgraduate studies at any other university.

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## OPSOMMING

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Regoor die wêreld blyk hoë armoede- en werkloosheidsyfers om twee van die mees kwalende kwessies in die moderne wêreld te wees. Dit is geensins anders vir Suid-Afrika nie. Die land word verhinder deur merkwaardige hoë armoede- en werkloosheidsyfers wat bydra tot die kwynende ekonomie. Alhoewel, toerisme is uitgewys as 'n moontlike oplossing om armoede en werkloosheid te verlig aangesien dit kan lei tot die skep van talle direkte en indirekte verwante werke. Talle internasionale organisasies soos die UNWTO en WTTC stel toerisme voor as kern faktor om sosio-ekonomiese bevordering te dryf, regoor die wêreld en veral vir in ontwikkelende lande. Dit word voorgestel dat as toerisme reg geïmplementeer en bestuur word, die industrie die potensiaal het om ekonomiese groei te verhoog asook om onderrig en voedselsekuriteit te verbeter. Nog te meer, kan dit selfs bydra tot omgewingsbeskerming en bewusmaking. Met dit in gedagte, die industrie word dikwels onderskat vir die potensiaal wat dit het om by te dra tot ekonomiese groei en ontwikkeling. Boonop is navorsing oor die impak wat toerisme op plaaslike ekonomieë, veral in Suid-Afrika, beperk. Dit is oor hierdie rede dat hierdie studie gepoog het om die primêre doelwit om die impak van toerisme op plaaslike ekonomiese ontwikkeling (PEO) te bereik deur die Vaaldriehoek omgewing in Gauteng, Suid-Afrika te analiseer.

In 'n poging om die bogenoemde primêre doelwit te bereik was verskeie teoretiese en empiriese doelwitte geïdentifiseer. Hierdie studie het 'n gekombineerde metode benadering gebruik wat die studie versterk het. Die kwantitatiewe gedeelte van die studie bestaan uit 'n saamgevoede paneelanalise waar jaarlikse gegewens van 2001 tot 2016 van die Vaaldriehoek geanaliseer is. Twee modelle was gebruik en getoets, waar model een uit ekonomiese groei bestaan as die afhanklike veranderlike en toerisme uitstappies, toerisme spandering en die gasvryheidsektor as die onafhanklike veranderlikes. Die tweede model bestaan uit ekonomiese ontwikkeling as die afhanklike veranderlike en toerisme uitstappies, toerisme spandering en die gasvryheidsektor as die onafhanklike veranderlikes. Die verskeie statistiese tegnieke wat gebruik is om die voorgemelde data te analiseer het beskrywende analises, korrelasie analises, eenheidsworteltoetse, Granger kousaliteitstoetse, die Johansen Fisher paneel mede-integrasie toetse sowel as die FMOLS en DOLS toetse met sekere diagnostiese toetse ingesluit. Die kwalitatiewe deel van die studie het die gebruik van semi-gestruktureerde, indiepte onderhoude wat met verskeie kern belanghebbendes van die toerismebedryf in die Vaaldriehoek ingesluit. Dit was gedoen deur 'n beter begrip te kry van wat toerisme operateurs van plaaslike omgewings beskou as potensiële areas vir ontwikkeling sowel as watter hindernisse hulle teëkom en die

ondersteuning wat hulle benodig om te groei as 'n toerisme bedryf. Die belanghebbendes het eienaars van verskeie toeristebesienswaardighede in die Vaaldriehoek, lede van die sakekamer sowel as bestuurders van hotelle en oorde in die Vaaldriehoek ingesluit.

Eerstens, die resultate van die kwantitatiewe gedeelte van die studie blyk om gesaghebbend en ondersteunend te wees van die teorie rondom toerisme en die potensiaal daarvan in ekonomieë. Die beskrywende analise het grafiese diagramme van die verskeie veranderlikes wat gebruik is voorsien om die neigings en gedrag van hierdie veranderlikes aan te dui. Die korrelasie-analise dui ook aan dat al die veranderlikes inderdaad verband hou. Die eenheidsworteltoets wat uitgevoer is dui dat daar 'n langtermyn verhouding in beide modelle voorkom. Sodoende was die Johansen Fisher paneel mede-integrasie toets gebruik met die doel om die invloed van toerisme op PEO te bepaal. Die Johansen Fisher paneel mede-integrasie toets het bevestig dat daar 'n langtermyn ekwilibriese verband tussen ekonomiese groei en toerisme sowel as tussen toerisme en ekonomiese ontwikkeling bestaan. Met die bevestiging van 'n langtermyn ewilibrum teenwoordig in beide modelle het die studie voortgegaan om die omvang van hierdie langtermyn verhouding te bepaal. Die FMOLS en DOLS resultate het die gevolgtrekking gemaak dat die toerismebedryf tot tussen 1,37 en 2,62 persent tot die ekonomiese groei kan bydra en kan verder tussen 0,87 en 1,34 persent van die ekonomiese ontwikkeling van streke bydra. Dit dui aan dat toerisme die potensiaal het om werkloosheid te verminder en verder by te dra om armoede te verlig en die lewenstandaard van mense in plaaslike gebiede te verbeter. Tweedens, die resultate van die kwalitatiewe gedeelte van die studie het meer insig aangaande die toerismebedryf in plaaslike streke gebied. In die geval van die Vaaldriehoek was die respondente van mening dat die streek ryk is aan verskeie kulturele, sosiale en natuurlike hulpbronne wat onder benut is in hulle potensiaal vir toerisme. Daarbenewens, het die antwoorde verder gedui dat 'n gebrek aan samewerking en ongeskikte infrastruktuur blyk om een van die grootste hindernisse in die ontwikkeling van die toerisme bedryf vir die Vaaldriehoek streek te wees en dat meer ondersteuning van die regering nodig is.

Die studie het algeheel het gevind dat toerisme 'n noemenswaardige, positiewe impak op die ekonomiese groei en ontwikkeling in plaaslike streke het en kan sodoende PEO merkwaardig beïnvloed. Daarom, wanneer dit op 'n volhoubare wyse ontwikkel en bestuur is, kan dit gebruik word as 'n manier om werkloosheid en armoede te beveg en sodoende die lewens van gemeenskappe te verryk. Alhoewel, daar moet wel gelet word dat regeringsondersteuning, gemeenskapsbetrokkenheid, voldoende infrastruktuur, publieke-private sektor vennootskappe en beskerming van hulpbronne noodsaaklik is om suksesvolle ontwikkeling van die toerismebedryf in enige streek te verseker.

**Sleutelwoorde:** Toerisme, ekonomiese groei, ekonomiese ontwikkeling, plaaslike ekonomiese ontwikkeling (PEO), Vaaldriekhoek, Suid-Afrika

## SUMMARY

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Across the world high poverty and unemployment rates prove to be two of the most pressing issues faced in the modern world. This is no different for South Africa. The country is plagued by significantly high poverty and unemployment rates, contributing to a dwindling economy. However, tourism has been cited as a possible solution to alleviate poverty and unemployment as it could lead to the creation of numerous direct and indirect linked jobs. Numerous international organisations such as the UNWTO and WTTC propose tourism as key factor for driving socio-economic advancement, across the world and especially for developing countries. It is reasoned that if tourism is implemented and managed correctly, the industry has the potential to increase economic growth, improve education, food security and as a result contribute to alleviate poverty. Furthermore, it could even contribute to environmental protection and awareness. With this being said, the industry is often over-looked in its potential to contribute to economic growth and development. Furthermore, research on the impact tourism has on local economies, especially in South Africa, has been limited. It is for this reason that this study aimed to achieve the primary objective to determine the impact of tourism on local economic development (LED), by analysing the Vaal Triangle region in Gauteng, South Africa.

In an effort to achieve the aforementioned primary objective, various theoretical and empirical objectives were developed. This study employed a mixed method approach, which strengthened the study. The quantitative part of the study consisted of a pooled panel analysis, where annual data from 2001 to 2016 from the Vaal Triangle were analysed. Two models were used and tested, where model one consisted of economic growth as the dependent variable and tourism trips, tourism spending and the hospitality sector as the independent variables. The second model consisted of economic development as the dependent variable and tourism trips, tourism spending and the hospitality sector as the independent variables. The various statistical techniques employed to analyse the aforesaid data included descriptive analyses, correlation analyses, unit root tests, Granger causality tests, the Johansen Fisher panel co-integration test as well as the FMOLS and DOLS tests with certain diagnostic tests. The qualitative part of the study included the use of semi-structured, in-depth interviews that were held with various key stakeholders of the tourism industry within the Vaal Triangle. This was done in order to gain a deeper understanding of what tourism operators in local regions perceive as potential areas for development as well as what obstacles they encounter and the support they need in order to grow as a tourism industry. The stakeholders included owners of various tourist attractions in the Vaal

Triangle, members of the business chamber as well as managers at hotels and resorts in the Vaal Triangle.

The results from the quantitative part of the study proved to be influential and supportive of the theory surrounding tourism and its potential in economies. The descriptive analysis provided graphical diagrams of the various variables used, to showcase the trends and behaviour of these variables. The correlation analysis also suggested that all of the variables are indeed correlated. The unit root tests that were conducted suggested that there was a long-run relationship present in both models. As a result, the Johansen Fisher panel co-integration test was utilised with the aim of determining the impact of tourism on LED. The Johansen Fisher panel co-integration test provided validation that there is a long-run equilibrium liaison between economic growth and tourism as well as between tourism and economic development. With the confirmation of a long-run equilibrium present in both models, the study proceeded to determine the magnitude of this long-run relationship. The FMOLS and DOLS results concluded that the tourism industry could contribute between 1,37 to 2,62 per cent to economic growth and further contribute between 0,87 and 1,34 per cent to the economic development of regions. This indicates that tourism does have the potential to decrease unemployment and furthermore contribute to alleviate poverty and improve the standards of living for people in local regions. The result from the qualitative part of the study provided more insight regarding the tourism industry in local regions. In the case of the Vaal Triangle, the respondents were of the opinion that the region is rich in various cultural, social and natural resources that are underutilised in their potential for tourism. In addition, the responses gained further showcased that a lack of cooperation and inadequate infrastructure seem to be the largest obstacles in the development of the tourism industry of the Vaal Triangle region and that more government support is needed.

Overall the study found that tourism does have a significant, positive impact on economic growth and development in local regions and as a result could significantly impact LED. Therefore, when it is developed and managed in a sustainable manner, it could be used as a tool for combatting unemployment and poverty and in so doing enriching the lives of communities. It should, however, be noted that government support, community involvement, adequate infrastructure, public-private sector partnerships and the protection of local resources are imperative to ensure the successful development of the tourism industry in any region.

**Keywords:** Tourism, economic growth, economic development, local economic development (LED), Vaal Triangle, South Africa

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## LIST OF ABBREVIATIONS

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AC	Autocorrelation
ADF	Augmented Dickey-Fuller
ANTOR	Association of National Tourist Offices and Representatives
ATLAS	Association for Tourism and Leisure Education and Research
ATTA	Adventure Travel Trade Association
AR	Autoregressive
CSR	Corporate Social Responsibility
DF	Dickey-Fuller
DOLS	Dynamic Ordinary Least Squares
ESKOM	Electricity Supply Commission
EU	European Union
FMOLS	Fully Modified Ordinary Least Squares
GDP	Gross Domestic Product
GSTC	Global Sustainable Tourism Council
GTEF	Global Tourism Economy Forum
GVA-R	Gross Value Added by Region
HDI	Human Development Index
IMF	International Monetary Fund
IPS	Im, Pesaran and Shin
ITP	International Tourism Partnership
IUCN	International Union for Conservation of Nature and Natural resources
ISCOR	Iron and Steel Corporation

KPSS	Kwiatkowski, Phillips, Schmidt and Shin
LDC's	Least Developed Countries
LED	Local Economic Development
LLC	Levin, Lin and Chu
MTA	Medical Tourism Association
NDC's	Nationally Determined Contributions
NDT	National Tourism Department
NGO	Non-Governmental Organisation
NMSRT	National Minimum Standard for Responsible Tourism
NNI	Net National Income
NTSS	National Tourism Sector Strategy
NWU	North West University
OECD	Organisation for Economic Cooperation and Development
PDF	Probability Density Function
PP	Phillips-Perron
RGDP	Regional Gross Domestic Product
SAA	South African Airways
SABS	South African Bureau of Standards
SASOL	South African Coal Oil and Gas
SAT	South African Tourism
SA-TOUR	South African Tourist Co-operation
SATSA	Southern Africa Tourism Services Association
SDG's	Sustainable Development Goals

SIDS	Small Island Developing States
TBCSA	Tourism Business Council of South Africa
TEP	Tourism Enterprise Partnership
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNWTO	United Nations World Tourism Organization
WLS	Weighted Least Squares
WTTC	World Travel & Tourism Council
WWF	World Wide Fund

# CHAPTER 1

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## BACKGROUND TO THE STUDY

### 1.1 INTRODUCTION

The tourism sector is one of the world's largest industries and one of the fastest growing economic sectors (Seghir, Mostéfa, Abbes & Zakarya, 2014:1613). Tourism has become one of the major players in international commerce and at the same time it acts as one of the main sources of income for many developing countries, such as South Africa (UNWTO, 2016a). While some countries in the world are succeeding in decreasing unemployment and poverty, there are still more than 65 per cent of the world's population living on less than \$2 per day, per person (Todaro & Smith, 2015:216). This includes South Africa where the poverty and unemployment levels are obstacles to reach sustainable economic growth. The poor often find themselves restricted and not able to get out of the poverty trap due to a lack of skills and knowledge (Ashley, De Brine & Wilde, 2007:4). Tourism development is regarded as one approach that has the potential to aid marginalised communities and people in overcoming this stagnation (Butler & Rogerson, 2016:267). According to Meyer and Meyer (2015:198) tourism, as an alternative to traditional economic sectors such as manufacturing and construction, can act as a tool to alleviate poverty and promote economic development especially in developing countries.

Tourism can be defined as the movement of people from one place to another, for more than one night due to various reasons, such as medical, cultural, recreational and business engagements (Pedrana, 2013:94). In addition, Harrill (2004:252) defines tourism as all forms of travel, which unlike other industries infuses communities through its influence on a community's environment, employment, land use and social structures. Samini, Sadeghi and Sadeghi (2011:31) state that tourism acts as a driving engine for economic growth and economic activity. Furthermore, tourism creates employment opportunities, therefore increasing income and government tax revenues, increases an area's export, which in turn increase gross domestic product (GDP) and therefore economic growth (Samini *et al.*, 2011:28; Zuo & Huang, 2017:2). As a result, this growth leads to an increase in the diversification of a region and creates a competitive edge for regions (Meyer & Meyer, 2015:198). Diversification of local economies is important especially for local regions that are only depended on one or two economic sectors as these regions are highly vulnerable to economic shocks and business cycle fluctuations (Pedrana,

2013:92). In such cases, the diversification of a local economy minimises the vulnerability of that particular area to economic disturbances.

It should be noted that there is indeed a difference between economic growth and economic development. Economic growth (GDP) can be seen as the increase of a country's national income and national output, whereas economic development digs deeper into how this growth affects people and their actual standards of living (Pettinger, 2011). Tourism plays an integral part in regional and Local Economic Development (LED). LED is a pro-active process in which local people from all sectors of the community work together to stimulate local commercial activity, which results in a sustainable, growing local economy (Trousdale, 2005:2). Local tourism development is just as important and is the starting point for LED (Nedbank, 2011).

What sets LED apart from other strategic planning processes, is that government allows local communities and important stakeholders to participate in the policy-making process of promoting local economic growth and development (Rodriguez-Pose & Tijmstra, 2005:4). The practice of LED ensures that those policy-makers, who do not always have all of the information available to them about the specific community in which they operate in, will be able to make more informed policy decisions (Cunningham & Meyer-Stamer, 2005:2). Therefore, policy-makers will be able to make better informed decisions regarding policy implementation due to the fact that they will be aware of the challenges faced on ground level.

It is important to start at a local level when promoting tourism, which once again highlights the importance of LED. Strategies, policies and other action plans are needed in order to boost a region's tourism, because without feasible goals and objectives all efforts aimed at promoting tourism development in local areas may not be as effective (Conlow, 2009:22). Tourism companies and the sector itself can also enable communities to work together and form an integrated system that will help promote regional, local development as well as the development of new businesses and NGO's (Non-Governmental Organisation's) (Western, 2008:50). Moreover, it will allow for the training of individuals that will increase their productivity, skills, knowledge and most importantly their employability. In addition to the aforementioned, the benefit of improved tourism activities is that it may aid areas that have experienced industrial economic crises, or other sector slowdowns as seen in the Vaal Triangle area (Pedrana, 2013:92). The steel industry found itself on the brink of shutdown due to cheaper Chinese imports that threaten the local steel industry and companies such as ArcelorMittal was forced to cut thousands of jobs over multiple plants in the past few years (Tsheole, 2015). The reason that tourism can aid areas that have experienced industrial economic crises such as the Vaal Triangle

region, is because it allows not only for the economic conversion of activities (for example cultural districts and industrial museums), but also for a new way of steering LED, particularly due to acting as a catalyst for LED (Pedrana, 2013:92). Tourism allows poorer communities who are rich in history and cultural heritage to cultivate their unique assets and allow them to generate income (Honey & Gilpin, 2009:9). Not only does tourism lead to economic benefits, but also many non-economic benefits. Non-economic benefits include capacity building and the mitigation of natural resources and improved environmental awareness (Mowforth & Munt, 2003:20). It can therefore also play an important role in the protection of natural resources, since it allows for people to be educated on their responsibilities and contribution to sustainability (Creaco & Querini, 2003:2). Sustainability has become a key focus point of development worldwide, where climate change is affecting everyday life in numerous ways. Unregulated tourism development can lead to environmental degradation, which in turn has a negative impact on a region's growth (Creaco & Querini, 2003:1).

Another important aspect regarding tourism is that it will not only benefit one section of the community, but that it forms linkages with many other economic sectors (Richardson, 2010:3). These linkages could induce a multiplier effect, which leads to new related and unrelated local employment opportunities as well as contributing to the area's development (Akama & Kieti, 2007:736). This increase will help to stimulate the local demand and consumption (Steiner, 2006:162) and the revenue gained from tourism activities can benefit marginalised groups (Bandyopadhyay & Tembo, 2010:40). The multiplier effect deals with the notion that tourism does not only impact the specific sector itself, but also lead to a spill-over effect that encompasses numerous other economic sectors, through which economic benefits and a variety of skills are spread to a wider section of the community (Samini *et al.*, 2011:29).

In the South African scenario, it is important to gain a deeper understanding of the impact of tourism on the economic growth and development of communities. This necessitates the need to analyse and measure how many, if any, marginalised communities are in actual fact benefited by the development of tourism and how inclusive tourism growth really is (Hanekom, 2015:1). Inclusive tourism may be defined as tourism operators that incorporates marginalised groups into their operations, and where these groups share in the benefits of tourism (Butler & Rogerson, 2016:265).

The aforementioned prompted the importance of this study. Hence, this study aims to investigate the impact of tourism on economic growth (GDP) and LED through analysing the Vaal Triangle area. It should be noted that the Vaal Triangle consists of the local municipal areas of

Metsimaholo and Emfuleni and for the rest of the study are referred to as the Vaal Triangle region.

## 1.2 PROBLEM STATEMENT

More often than not, tourism is overlooked as one of the most important economic sectors (Richardson, 2010:2). Many governments do not perceive tourism as an important and significant sector to contribute towards economic growth and development, which often results in a lack of empirical research to advise policymakers (Croes & Vanegas, 2008:94). Tourism creates opportunities that are spread across the economy, through sectors such as retail, construction, manufacturing, telecommunications, and directly in travel and tourism companies (WTTC, 1999:1). In addition, local tourism development holds many opportunities for local areas, both economically and socially (Milne & Ateljevic, 2001:370).

According to StatsSA (2016) tourism's direct contribution to South Africa's economy (GDP) was a mere 3 per cent in 2016, which merely emphasises how underutilised this sector is. Although tourism's importance in South Africa, with regard to its potential in promoting economic development, has received more attention, there is, however, limited academic research on the industry's precise impact on economic growth and development in the country (Phiri, 2016:33). Studies done on the relationship between tourism and economic growth found that regions grow faster when they are highly specialised in tourism activities (Lanza & Pigliaru, 2000:68).

However, limited studies exist that investigate the relationship between economic development and tourism (Samini *et al.*, 2011:28). More so, even less research is available on how tourism influences economic development on a regional, local level, specifically when looking at its impact on human development, job creation and the amount of people above the poverty line. Although recent studies have found evidence supporting the notion that tourism has an impact on economic growth, it is not to say that this new found economic growth has a trickle-down positive effect on the people in the particular community. Therefore the main missing link is the establishment of empirical evidence suggesting that tourism does indeed contribute to poverty reduction (Croes & Vanegas, 2008:95). The indicator used to measure human development is known as the Human Development Index (HDI). The HDI may be defined as an index that measures the average accomplishments of a country in achieving the three basic measurements of human development namely, a decent standard of living, a healthy and long life and access to knowledge for all (UN, 2013:225). Therefore, it is an index used to determine whether or not

human development has taken place and to what extent (Rivera, 2017:226). As there is no clear index to measure economic development, the aforementioned variables (human development (HDI), job creation and the number of people above the poverty line) was converted into an economic index for the purpose of this study, which will allow one to determine the impact tourism has on economic development.

As Butler and Rogerson (2016:268) assert, tourism has the potential to empower young people and women as well as marginalised populations. Tourism allows for job opportunities for all people regardless of their level of education, age, gender and race. This is because the industry plays a particularly important role in areas that struggle with low levels of per capita GDP, high unemployment rates and competition from cheap imports, since it also allows for skills development and employment opportunities (Samini *et al.*, 2011:31). Therefore, once again emphasising the importance tourism has on the multiplier effect, due to the direct and indirect economic benefits that tourism creates (Meyer & Meyer, 2015:200). The multiplier effect can be explained as an initial capital investment, leading to various direct and indirect economic opportunities. Despite this, local governments often fail to prioritise tourism and realise its potential contributions to LED (Croes & Vanegas, 2008:94). As a result, policy decisions are usually aimed at achieving unrealistic goals that is not within the community's skills framework. Hence, the community should be incorporated into the development processes to ensure that the benefits arising from tourism development are spread equally throughout the local economy. It often happens that stakeholders from developed countries dictate those from developing nations on the best ways of improving tourism development (McLachlan & Binns, 2014:99). This usually results in high leakages within the tourism industry, high levels of foreign ownership, high inequality, loss of resources, cultural loss as well as spatial unevenness (McLachlan & Binns, 2014:100). High leakages refers to when the benefits resulting from the tourism industry are not spread through to the local economy, rather to an external and sometimes international beneficiary. With this being said, tourism needs to be recognised as important because it will give people without high skills and knowledge a chance to earn a salary, improve their skill set and their overall standard of living, which ultimately could contribute to economic growth and development (Lanza & Pigliaru, 2000:60).

As is evident from the aforementioned, there have been limited research based on investigating the synergies that arise from developing the tourism industry (Rivera, 2017:221). Therefore, the aim of this research study is to determine the link between tourism and local economic growth

(GDP) as well as the influence it has on economic development on a local level. This was achieved by analysing key indicators in the Vaal Triangle area.

### **1.3 THE OBJECTIVES OF THE STUDY**

The following primary, theoretical and empirical objectives were identified for this study:

#### **1.3.1 Primary objective**

The primary objective of this study is to investigate the impact of tourism in LED by analysing the Vaal Triangle area.

#### **1.3.2 Theoretical objective**

In order to achieve the primary objective, the following theoretical objectives are set:

- To assess the history of tourism and the various types of tourism.
- To review the various institutions governing tourism development.
- To review literature on the importance of sustainable tourism development.
- To review literature studies on the link between tourism, regional and LED and economic growth.
- To conduct a literature review on the importance of tourism, analysing both the advantages and disadvantages.
- To analyse the development theories most applicable to this study.

#### **1.3.3 Empirical objectives**

The main empirical objectives established in order to achieve the primary objective of the research study are:

- To conduct a regional analysis identifying trends in several indicators within the study regions.
- To analyse the relationship between tourism and LED in the study regions.
- To analyse and measure the impact of tourism on economic growth and development.
- To develop strategies, guidelines and recommendations on how to improve tourism's contribution to economic development in the study region.

## **1.4 RESEARCH METHODOLOGY**

In an effort to conduct the theoretical background of the study, various secondary sources were used. These included the use of journal articles, books, Internet sources, news articles, government reports and other theses and dissertations.

### **1.4.1 Study region**

The focus area, as mentioned earlier, is the Vaal Triangle region. This area was chosen due to the following reasons. Firstly, it is situated on the periphery of the Johannesburg economic region, secondly, it is rich in cultural and historical events. Thirdly, the area is situated next to a major water body namely the Vaal River contributing to its touristic potential and lastly the area shows potential for tourism development, especially when looking at the aforementioned characteristics. The Vaal Triangle region consists of the Emfuleni Local Municipal area (Gauteng Province) and the Metsimaholo Local Municipal area (Free State Province). It is located approximately 120 km from Pretoria and 80 km from Johannesburg (Local Government Handbook, 2016) and both municipalities are situated on the banks of the Vaal River. Consequently the region has several opportunities for economic and tourism development. The Vaal Triangle region has well-developed entertainment venues, sport facilities, shopping centres, hotels and guesthouses and restaurants (Meyer, 2015). The area enjoys an admirable climate and it has an abundance of fauna and flora, contributing to the true beauty and diversity of the South African nature. The Vaal Triangle has relatively good infrastructure and can benefit from being so closely located to Johannesburg, the economic hub of Africa (Meyer, 2015). The leading economic sector in the area is the manufacturing sector, especially in the production of chemicals and steel. The major companies include SASOL, Arcelor-Mittal Steel plant, Cape Gate, the Ferromanganese plant of Samancor and DCDDorbyl Heavy Engineering (Local Government Handbook, 2016).

### **1.4.2 Research design and procedure**

The methodology included a quantitative and qualitative approach, including a detailed literature review and data analysis. Firstly, a thorough literature assessment is conducted on the importance of tourism and the role it plays in LED. The review started off by looking at global tourism and then focused on the South African local level. The literature review acted as support for the study on its importance to develop the tourism sector in local regions, which could aid in LED. This included secondary sources such as journal articles, books, local government reports and Internet sources. Furthermore, contributing to the qualitative section, semi-structured

interviews were held with various key stakeholders in the Vaal Triangle region in order to gain a deeper understanding of the tourism industry in this region. As Creswell (2012:22) points out, a mixed method approach is favoured in studies where the amalgamation of both quantitative and qualitative methodologies provide a better understanding of the research problem than what they would have identified when used alone. Furthermore, one is able to develop an intricate depiction of social phenomena's through the assessment of the quantitative (outcomes) and qualitative (processes) aspects of the research topic (Greene & Caracelli, 1997:7).

Secondly, the quantitative section of the study made use of secondary data from Global Insight which was used to test the impact and relationship between tourism and the region's economic growth and development. This was done because there are relatively few studies that examine the empirical link between tourism and economic growth and development on a local level (Croes & Vanegas, 2008:96). Equally so, research on the relationship between economic growth and economic development resulting from tourism is not common (Cárdenas-García, Sánchez-Rivero & Pulido-Fernández, 2015:206).

### **1.4.3 Statistical analysis**

The data collected from Global Insight was analysed by using the statistical software E-views. Global Insight is one of the world's largest sources of financial, sectorial and economic data (Global Insight, 2017). During the statistical analysis, a pooled panel analysis of the two municipal areas in the region was conducted, whereby two relationships were analysed in order to determine the impact of tourism on LED and GDP.

The first relationship tested was the link between tourism and economic growth (GDP). GDP is the dependent variable (Y), where tourism spending, total tourism trips and the hospitality sector (restaurants and hotels) are the independent variables (X). The second relationship investigated was the link between tourism and economic development. The variables used to determine economic development and converted into an economic development index, are the HDI, job creation and the number of people above the poverty line.

With regard to testing both relationships within a pooled panel analysis, the first step was a unit root test. The unit root tests was used to test whether or not the data are stationary or not, and at what level. A previous analysis on the relationship between tourism and economic growth signalled the possibility of a long-term relationship, where the variables were all stationary on level I (1). Secondly, a correlation test was run to determine if the relationship is significant. The third step is a Granger causality test, which determines the directional relationship between the

variables. With regard to the possible long run relationship, the Fisher- Johansen Co-integration test was used to determine if there may be a possible long run relationship between tourism and economic growth, as well as economic development, where from FMOLS (Fully Modified Ordinary Least Squares) and DOLS (Dynamic Ordinary Least Squares) tests were used to determine coefficients. Under this method, statistical tests such as serial correlation, heteroscedasticity and normality tests were run in order to ensure the validity and stability of the results.

## **1.5 VALUE OF THE RESEARCH**

Tourism viewed as an engine for economic growth have shown many positive effects on developing countries, especially with regard to creating employment opportunities, stimulating domestic consumption, generating income as well as foreign exchange income (Richardson, 2010:3). The issue with promoting tourism as a whole is that it needs to start at a local level, which highlights the importance of LED. LED is a continuous process of identifying and utilising local resources to promote sustainable social and economic development in communities (Department of Economic Development and Tourism, 2006:2)

The results could aid in filling the gap in literature on the impact of tourism on economic growth, particularly on local level, as well as whether or not it has a trickle-down effect on economic development in local regions. This could help local government and stakeholders gain valuable insight into how tourism could possibly be used as a tool in job creation, alleviating poverty and grow an inclusive community. Furthermore, recommendations on developing and promoting sustainable tourism are provided, which together with the findings could act as a new information source for policy developers.

## **1.6 ETHICAL CONSIDERATIONS**

The study was conducted in an ethical manner, where the theory and statistics were reported on truly, and referenced according to the North-West University Harvard Style. Data were reported on accurately and truthful, and the statistic estimates were not falsified. The participants in the semi-structure interviews were kept anonymous, where participation was voluntarily and the interviewees could have withdrawn at own will. The interviews were recorded with the consent of the participants and the questions were open-ended to ensure unbiased discussions. The study has been cleared by the ethical review committee under the following clearance number ECONIT-2017-011.

## **1.7 CHAPTER CLASSIFICATION**

This study on the importance of tourism on LED and GDP consists of the following sections:

### **Chapter 1: Background to the study**

This chapter introduces the aim of the study, which is the importance of tourism on LED. It gives a background to the study and defines concepts surrounding tourism, LED and GDP as well as state the problem with regard to the main research objective. Furthermore, the methodology that was utilised for the study is explained in this chapter.

### **Chapter 2: A Comprehensive literature review on tourism**

The literature review in Chapter 2 includes a short assessment on the history of tourism both globally and locally, as well as some of the institutions involved in governing tourism. Moreover, it provides a thorough review on the importance of sustainable development and tourism, as well as the influence tourism has on achieving economic growth. In addition, it provides an in-depth view into the current tourism outline in South Africa. This chapter assists to form the background of the study.

### **Chapter 3: Development theories, regional analysis and empirical studies**

This chapter provides an analysis of three of the most applicable development theories to this study, namely the theories of Big Push, Porter's Cluster Theory and Romer's Endogenous Growth Theory. Furthermore, it includes a regional analysis of the chosen study area namely the Vaal Triangle. The overview includes the history of the Vaal Triangle and its various characteristics and potential in tourism development, both economically and naturally as well as the analysis of the economic profile of the Vaal Triangle. Lastly, this chapter includes a review of previous studies that have investigated the relationship between tourism and economic growth in other countries, which may act as a support base for this study.

### **Chapter 4: Research methodology**

The main purpose of this chapter is to highlight the design of the statistical part of this study in an effort to achieve the empirical objectives. The methodology discusses the methods used to collect the data as well as the statistical procedures that were used to process the data. Furthermore, the qualitative part of the study, which included semi-structured interviews, is discussed.

## **Chapter 5: Results and discussion**

Forming the core of the study, this section includes a statistical analysis of the data obtained from Global Insight, where it was processed through E-views by running a co-integration test, together with its various subtests. In addition, the results from the interviews are also presented in this section. The results obtained from the aforementioned analysis's is analysed and discussed in full.

## **Chapter 6: Recommendations and conclusion**

Through analysing all of the statistical data, literature assessments and interviews possible answers to the theoretical and empirical objectives set in the methodology are answered. From analysing the data of the region, possible best practice principles arised from the study that could pave the way for recommendations on how to improve tourism in the region. Furthermore, through analysing the results from the interviews, recommendations are made on how to improve tourism's profile in LED and emphasise the role it plays in contribution to economic growth and development.

### **1.8 CLASSIFICATION OF TERMINOLOGY**

The following are some of the main topic specific terminology that is used throughout this study:

- **Tourism** – People travelling from one abode to another that does not form part of their usual location, for various reasons (UNWTO, 2008; Pedrana, 2013:94).
- **GDP** – is the monetary value of all of the final services and goods produced by a particular country over a specific time period (Bojanic, 2012:52).
- **Economic growth** – when there is an increase in the trend level of a country's GDP (Fourie & Burger, 2011:12).
- **Economic development** – the continuous increase in the income of all of the members of society, to an extent where they are free from material needs (Department of Economic Development and Tourism, 2006:2).
- **Local Economic Development (LED)** – the term refers to the partnership between local government, community and the private sector, where they manage their resources and develop territorially based strategies primarily intended to increase economic growth and creating jobs (Rodríguez-Pose & Tijmstra, 2005:3).

- **Sustainable** – refers to the consumption of resources in such a way that it is not consumed faster than what it takes for the resources to be renewed or replenished (Coetzee, 2004:12).
- **Sustainable development** – refers to development that entails the protection of natural resources and ecosystems for future generations (Laflamme, 2008:62).
- **Sustainable tourism** - tourism that adheres to the numerous needs of tourists, the industry and the community while at the same time minimising the negative effects on the environment and social economy (Minciu, Pădurean, Popescu & Hornoiu 2012:99).
- **International tourism** – the tourism industry outside of South Africa’s borders.
- **Unemployment** – in broad terms refers to those individuals who are able to work yet do not have work and are actively in search of work (Dornbusch, Fischer & Startz, 2014:155).
- **Poverty** – a situation where individuals are unable to meet their basic needs such as clothing, food, shelter and health care (Todaro & Smith, 2015:4).
- **Economic leakages** – when the revenue gained from tourism spending does not remain in the local destination, as quite often the ownership of key tourist attractions belongs to owners in other countries (Sandbrook, 2010:125).
- **Human development** – the process of improving the capabilities of all individuals in a country and/or community (Rivera, 2017:221).
- **Human Development Index** – a measure of human development, which includes a summary of the average of a decent standard of living, a long life and being knowledgeable (UNDP, 2016).
- **Climate change** – the changes occurring in the climate such as decreased rainfalls, higher average temperatures, increased droughts and an increase in storms and the intensity thereof (NASA, 2017).
- **Community participation** – when the community in a region is directly involved in the development programmes in that region, including governance and planning (Williams, 2006:197).

## 1.9 SYNOPSIS

Tourism is increasingly being recognised as a key economic driver and the industry holds numerous untapped benefits. With this being said, many governments and scholars do not yet view this industry as a potentially effective tool to combat unemployment and poverty. Adding to this, research on the impact tourism has on a local level has been very limited internationally

and in South Africa. Hence, this study has the aim to determine the impact that tourism has on LED and whether or not it could indeed be used as an effective tool in economic growth and development.

This chapter presented a brief outline of the imminent topic and provided an explanation of the outcomes that are addressed in this study. A gap in the literature was identified as there are several studies investigating the link between tourism and economic growth on a global scale, yet there are merely a handful of studies that investigate the impact tourism has on economic development. Even less research is available on the impact tourism has on economic development in local regions. Therefore, the aforementioned themes prompted this study. Secondly, in an effort to gain a deeper understanding of what goes on behind the scenes in the tourism industry of a local community, key stakeholders were interviewed.

The chapter further included an outline of the primary, theoretical and empirical objectives set out in this study. Moreover, a brief description of the methodology used was provided in order to accomplish the various objectives. The end of this chapter concluded with addressing the ethical considerations pertaining to this study as well as providing a brief clarification of some of the main terminology that is used in this study. The subsequent chapter, Chapter 2, aims to address some of the theoretical objectives mentioned in Section 1.3.2, which includes a comprehensive review of tourism, both internationally and nationally.

## CHAPTER 2

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### A COMPREHENSIVE LITERATURE REVIEW ON TOURISM

#### 2.1 INTRODUCTION

Poverty has its worst exposure in developing countries, where these countries form part of the frailest segment of the international community (Croes & Vanegas, 2008:94). High income countries, that accounts for more or less 16 per cent of the global population, generated around 55 per cent of global income in 2010, where low income countries generated a mere 1 per cent of global income even though they epitomise around 72 per cent of the global population (UN, 2013:25). For that reason inclusive growth should be sought after in an effort to address inequality, where a change in the development approach in countries is also needed (Giampiccoli & Saayman, 2016:3). As Giampiccoli and Saayman (2016:3) surmise, inclusive growth can be explained as a phenomenon where the benefits of economic growth is shared equitably in order to increase opportunities, capabilities and incomes of households in the country. As a result integrated development approaches are required (Clark, 2013:11).

Since the 1950s the tourism sector has been progressively spreading into all regions of the world (Pulido-Fernández & López-Sánchez, 2011:268). Scott and Gössling (2015:270) suggest that the geography of tourism has grown to reach a similar distribution between developed and developing countries. More and more countries are utilising tourism as an engine for economic growth and especially developing countries are seen to be benefiting from doing so (Zuo & Huang, 2017:1). During recent years, international organisations have proposed tourism as a tool to assist developing countries to reduce their high levels of poverty (Hawkins & Mann, 2007: 349)

This chapter consist of a comprehensive literature review on tourism in an effort to address the theoretical objectives set out in Chapter 1. Firstly, this includes a brief overview of tourism's history as well as an analysis of the different types of tourism. Secondly, organisations involved in tourism and their responsibilities towards tourism development are addressed. Whereafter as tourism is largely dependent on its community and the environment, where poverty is also known to have an effect on the environment (Croes & Vanegas, 2008:96), sustainable development and its link with tourism is addressed. Lastly, the chapter includes an analysis of the various economic aspects of tourism, stressing the potentially beneficial impact of tourism on economic growth and development

## 2.2 THE HISTORY OF TOURISM

During recent decades many countries have started to place tourism on the forefront of economic discussions, where in actual fact it has been around for thousands of years. The United Nations World Tourism Organization (UNWTO) defines tourism as “a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which imply tourism expenditure” (UNWTO, 2008).

Due to the sudden surge of research on the impact of tourism on economies around the world, the tourism industry is portrayed as a relatively new field, when quite arguably it has been around for more than 2000 years (Towner, 1995:339). Historically, travelling from one place to another was most common under the more affluent communities and probably some of the first leisure travellers originated from Rome and Greece (Towner, 1995:339). Romans started spending their summers away from home and so leisure travelling became all too common. However, as Watson (2015) notes, the fall of the Roman Empire meant that safe travels were not possible and therefore these types of leisure travels diminished. Nonetheless, during the middle ages tourism again made its appearance as the practice of religious pilgrimage were encouraged by many societies. The 17<sup>th</sup> and 18<sup>th</sup> centuries saw the emergence of spa's and grand tours, which gave way to more widespread and regular tourism activities (Towner, 1995:339). In 1772 the word *tourist* appeared in print for the first time in a book written by Griffiths and Griffiths (Westcott, 2015). Theobald (1998:6) suggested that the word *tour* is derived from Latin and Greek words for turn and circle, suggesting that tourist and tourism epitomise the activities of people circling away from home, and then returning again. With the rise of industrialisation during the 18<sup>th</sup> to 19<sup>th</sup> centuries came a wealthier middle class and therefore leisure tourism boomed, causing international tourism as we know today to take shape (Watson, 2015). From the 1950s the arrival of commercial aeroplanes and jets accelerated the movement of travellers and many claim this as the start of modern tourism (Towner, 1995:340). The dawn of the jet age begun, with the first commercial air flights commuting between England, South Africa and Sri Lanka and mass tourism was born (Flightglobal, 2002). This, as a result, has also had a profound impact on the tourism industry in South Africa, where the country has enjoyed decades of experience in the tourism industry (Phiri, 2016:32). According to Grundlingh (2006:104) developments in the tourism industry of South Africa can be traced back to 1947, due to the formation of the South African Tourist Co-operation (SA-TOUR), which saw the tourism

industry recognised as an essential part of the economy and not merely a way of recreation. The SA-TOUR was formed as a separate entity to that of the public South African Railways and Harbours, which previously dealt with tourism (Grundlingh, 2006:32). Up to the 1980s studies relating to tourism have mostly revolved around marketing activities (Agarwal, 1999:519). However, from the 1990s with the recognition of tourism's importance in economic activity, the development of tourism-led economic development policies started (Pedrana, 2013:92).

There are limited examples of tourism-related events that are documented as part of tourism history, but in spite of this, the vast variety of events that took place in the past are mostly overlooked. As Towner (1995:340) explains it, large scale events happening in the larger, more developed countries are well-documented, whereas small-scale, informal events tend to go unnoticed, which leads to the modern view of tourism history is being too narrow and simplistic.

As can be seen tourism has been in existence for thousands of years. In conclusion, what the tourism industry of today and the tourism of the past still have in common is the fact that, as Towner (1995:342) state, "Tourism is more the story of significant variations in different cultures at different times in different places".

### **2.3 THE DIFFERENT TYPES OF TOURISM**

There are numerous factors that influence the movement of travellers around the world (Frerichs, 2012:11). Through travelling, people are able to experience new cultures, meet new people and see the world. Therefore, one can conclude that travelling holds many other purposes for tourists than simply travelling for the joy of visiting new places. For that reason there are different types of tourism that classifies tourists according to why they choose a particular destination. These different types include: leisure tourism, business tourism, sports tourism, ecotourism, culture tourism, health tourism and religious tourism (HRI, 2007). Despite these categories, it should be noted that there is no concrete demarcations of tourism, as these different types regularly overlap one another and a tourist will most likely experience more than one of these types during their travels. For this reason, the different classifications of tourism can be seen as a mere guideline to distinguish between tourists in an area.

The first group is *leisure or recreational tourism*, which is most probably the first thing associated with the thought of tourism. This type of tourism deals with tourists travelling to different places to unwind and escape their regular day-to-day activities. These tourists often go to theme parks, camping grounds and beaches (Nicholls, 2012:4). The second group is *business tourism*. This group deals with those business travellers who annually attend congresses,

business exhibitions, meetings and other business related events outside of their place of residence (ICCA, 2017). Business tourists are known to be less cost-sensitive than leisure tourists and as a result can spend on average twice as much per day. According to a report by the World Travel and Tourism Council (WTTC) (2017d:6) business tourism constituted 33,8 per cent of travel and tourism's contribution to GDP in South Africa in 2016, and is expected to increase by 2,6 per cent per annum to R123,6 billion in 2027. *Sports tourism*, the third group, is concerned with the travelling of tourists to certain areas that are known for a particular sporting facility. It includes tourists who travel to compete in certain sporting events as well as those who travel to an area to attend a sporting event such as a rugby match or the Olympics, to name but a few (EXSA, 2013). The fourth group, *ecotourism*, incorporates tourists who travel to see the wildlife in different destinations and to enjoy the aesthetics of nature (Briney, 2017). What sets this kind of tourism apart from the others is that it places particular emphasis on sustainability, therefore being environmentally responsible, and it is more often than not advantageous to the local community. *Cultural tourism* is another type of tourism, which sees tourists travelling to different areas with the main objective of experiencing and getting to know the community's unique history and culture (Csapó, 2012:205). Tourists under this group normally attend local ceremonies and festivals in an effort to better understand the people, their practices and beliefs of the particular community. Seen as a relatively new type of tourism, *health or medical tourism* is where the main reason for travelling is to improve one's health (ITC, 2014:1). Tourists may travel to other countries due to that country's specialisation in the treatment of certain ailments such as cancer (Herrick, 2007:6). Tourists may also travel to other destinations in an effort to improve their physical appearance or fitness levels. The last group of tourism is known as *religious tourism*. This type of tourism deals with people travelling to different places to attend religious ceremonies (SIGA, 2012:2). For example, some Catholics are known to go on pilgrimages in the Holy Land to experience the paths where Jesus walked.

From the above-mentioned it is evident how these different forms of tourism cannot be isolated entirely as mentioned earlier, as they are all intertwined at some point or another. Therefore, tourists will most likely experience more than one of the above-mentioned types on one of their trips, highlighting the direct and indirect effects of tourism, which is further examined in the coming chapters.

## **2.4 GOVERNMENTS AND OTHER AGENCIES' ROLE IN TOURISM**

Tourism has become one of the major role-players in international business and at the same time it acts as one of the main income sources for many developing countries (UNWTO, 2016a).

However, with this said, the tourism industry can have negative externalities on the community, such as congestion, loss of natural landscape and environmental and cultural degradation (Brokaj, 2014:103). These potential negative externalities will most likely be aggravated with a lack of well-designed policies and strategies to effectively manage tourism development. Therefore, in order for tourism to prosper, governments must be responsible for implementing a supportive regulatory, physical, fiscal and social environment in which development will be possible in a sustainable manner (WTTC, 2015:8).

The following section includes a discussion on some of the main tourism organisations internationally and nationally, which are concerned with the promotion and development of sustainable tourism, as well as identifying the role governments and agencies play in promoting tourism.

#### **2.4.1 International organisations governing sustainable tourism development**

Global agencies monitoring and promoting the tourism industry are continuously involved in promoting government and private sector participation in tourism development (Udumo, Arikpo & Ekpo-Eloma, 2013:2). These agencies are actively involved in developing guidelines and international standards for governments to ensure that the adverse impacts of the industry can be reduced worldwide (WWF, 2001:3). The following section includes a brief overview on some of the international agencies involved in promoting the tourism industry globally.

##### **2.4.1.1 The World Tourism Organisation (UNWTO)**

The World Tourism Organization (UNWTO) is a division under the United Nations agency responsible for the promotion of tourism as a driver for inclusive development, economic growth and environmental sustainability, which offers support and guidance in developing tourism policies worldwide (UNWTO, 2016a). According to UNWTO (2016b) the organisation is committed to utilising tourism as a tool to achieve the Sustainable Development Goals (SDG's) aimed to reduce poverty worldwide. The UNWTO currently consist of 157 countries, six associate members and 500 affiliate members (USF, 2017). These members consist of various tourism associations, local tourism authorities, educational institutions and the private sector. Through the memberships the agency aims to promote sustainable and competitive tourism policies, generate market knowledge and through technical assistant programmes provide tourism and educational training to use tourism as an effective tool for economic development (UNWTO, 2016b). The agency also heartens members to implement the Global Code of Ethics for Tourism. This code is concerned with alleviating poverty, promoting world respect and

peace, as well as maximising tourism's socio-economic contribution, while at the same time minimising the potential negative effects of tourism development on the environment (EMCC, 2016:1). This code is seen as unique because usually these codes consist of only recommendations. However, the Global Code of Ethics for Tourism includes mechanisms for the implementation of the codes' provisions (Coetzee, 2004:36). In addition, the ethics set out in this code is constitutional, making the Global Code of Ethics for Tourism one of the first international codes of its class (Coetzee, 2004:36).

As mentioned earlier, the tourism sector is one of the world's largest industries and one of the fastest growing economic sectors (Creaco & Querini, 2003:1). With the business volume of tourism seen to equal, and in some instances even surpasses that of food, automobiles and oil exports the importance of promoting and furthering tourism initiatives is vital. Hence, given ever more complex international and national markets, the UNWTO assists destinations in ameliorating their sustainable positions, especially that of developing countries, where they stand to benefit from sustainable tourism. Some of the key outcomes of various conferences and summits held by the UNWTO that showcases the transformative power of tourism include:

- **Rio+20 United Nations Conference on Sustainable Development** – This conference, held in 2012, highlighted how tourism can contribute significantly to the three pillars of sustainable development.
- **UN Habitat II** – During these discussions, held on a regular basis, the aim is to promote linkages between tourism and sustainable urbanisation.
- **65<sup>th</sup> session of the United Nations Assembly, held in 2010** – Throughout the assembly tourism was identified as a resolute in the promotion of ecotourism, the Global Code of Ethics as well as in the importance of sustainable tourism for Small Island Developing States (SIDS).
- **Samoa Pathway** – This summit held in 2014 dealt with the sustainable aspect of tourism in coastal areas, fisheries and aquaculture as well as renewable energy.
- **Istanbul Programme of Action** – This summit held in 2014 saw tourism forming part of discussions relating to the importance of marine and coastal resources as well as access to the coast for economic growth in LDC's (Least Developed Countries)
- **The 105<sup>th</sup> conference of the Executive Council of the UNWTO**- was held in May 2017, in Madrid, Spain, where the main focus was on the challenges and current tendencies that the tourism industry faces (UNWTO, 2016b).

The UNWTO continues to offer support and leadership to members of the tourism industry and with their efforts, inclusive development and sustainability are starting to receive the recognition it deserves.

#### **2.4.1.2 The World Travel and Tourism Council (WTTC)**

In 1991 a number of travel and tourism company's management teams came to the conclusion that the tourism sector's contribution to job creation and economic growth are not being recognised for its full potential, and so the World Travel and Tourism Council (WTTC) was established (WTTC, 2017e). WTTC is a global organisation that acts as a platform for the major role-players in the travel and tourism industry (which includes tour operators, airlines, car rentals, hotels and so forth) allowing them to voice their opinions to other international bodies and governments (WTTC, 2017e). WTTC promotes the co-operation between the private and public sector (Ruggles-Brise, 2011), with over 140 chief executives, from travel and tourism companies, from all over the world reviewing matters related to the travel and tourism industry. The promotion of the relationship between private and public businesses are based on those businesses that have a mutual aim of sustaining long-term growth and prosperity, have governments adhering to making travel and tourism a top priority and aim to maintain a balance between the environment, people and their culture in economies (WTTC, 2017e).

The WTTC (2017e) has the vision of balancing profit, people and the planet, as the increase of consumer demand is placing more and more pressure on the earth's already diminishing natural resources. The organisation also states that it is necessary for businesses to look beyond their competitiveness and address these aforementioned challenges at this moment, to ensure that the growth of the tourism industry is managed responsibly. In the Tourism for Tomorrow position paper, companies operating in the travel and tourism industry are encouraged to show leadership, be accountable, invest in sustainable solutions, and to work together to bring about real change (WTTC, 2013:8). The Hotel Carbon Measurement Initiative and the Human Capital Initiative are just some of the environmental programmes headed by members of the WTTC (ITP & WTTC, 2013:3). Members making considerable efforts in sustainable tourism development across the globe are recognised at the annual Tourism for Tomorrow Awards, where, considered as one of the most sought after accolades in the tourism and travel sector, this reward acts as encouragement for businesses, institutions and governments to have regulatory frameworks and policies aimed to develop sustainable tourism (WTTC, 2017e). As the sector continues to grow, the WTTC contributes significantly with their efforts to promote sustainable tourism development internationally.

### **2.4.1.3 Association for Tourism and Leisure Education and Research (ATLAS)**

The Association for Tourism and Leisure Education and Research (ATLAS) is an organisation embodied at both regional and local levels, which includes sections such as ATLAS Asia-Pacific, ATLAS Europe and ATLAS Africa, with the aim to promote the importance of tourism. The majority of the members of ATLAS are part of ATLAS Europe, which is the main body founded in 1991, followed by ATLAS Asia-Pacific (1997) and ATLAS Africa (1998) (Panama International Tourism Association, 2013). ATLAS Asia-Pacific currently constitutes 25 members, with ATLAS Africa just behind with 20 members. ATLAS Africa held its first inaugural conference in Kenya in 2000, and since then it has had conferences in Uganda, Tanzania and South Africa. According to ATLAS (2017), the association has the following objectives:

- To endorse the education of tourism, leisure and all related subjects.
- To promote the relationship between organisations involved in tourism and leisure as well as linking it to curriculum development, educational concerns and the professional recognition of related courses.
- To encourage the interchange of students and staff between member institutes.
- To promote multinational research as this will aid in strengthening the development of the appropriate syllabuses for multinational education relating to tourism.

Regular conferences and meetings are held between members of ATLAS to build on relationships and exchange information regarding the development of tourism and leisure (IDS, 2017). The association distributes information relating to issues and solutions found in tourism and leisure through regularly held conferences, international courses and publications, through which they also design and coordinate development projects aimed to promote tourism and leisure education and research (Richards, 1996:231). Although probably not as well-known as the UNWTO and WTTC, ATLAS still plays an important role in the development and educating of the tourism industry.

### **2.4.1.4 The Medical Tourism Association (MTA)**

The Medical Tourism Association (MTA) is an international non-profit association for the International Patient industry and Medical Tourism (MTA, 2017). The MTA aims to provide the highest quality health care through working with governments, employers, health care providers, insurance companies and other health care buyers (Harkins, 2015). According to Hospitality Net

(2017) the association has designed initiatives to educate consumers who travel for their health care as well as raising awareness on the different health care options available worldwide.

As the MTA is the first non-profit trade association for medical tourism and global health care internationally, they have three principles namely: transparency in education, communication, pricing and quality (Medical Tourism Magazine, 2012). Through connecting countries and hospitals around the world, the MTA is able to provide people from across the world with quality health care information and technology, in both the public and private sector (MTA, 2017). Regular consultations are held with governments across the globe about the growth of the industry as well as the potential opportunities to grow this industry and improving the quality of their health care systems (MTA, 2017). The MTA has regular international conferences, where members of the MTA educate people about the obstacles involved in the globalisation of health care (MTA, 2017).

#### **2.4.1.5 The Global Sustainable Tourism Council (GSTC)**

The Global Sustainable Tourism Council (GSTC) is a non-profit organisation that includes representatives from leading travel companies, tour operators, tourism boards, hotels, UN agencies, communities and individuals, where all representatives strive to achieve best practices in sustainable tourism development (GSTC, 2017). According to the GSTC (2017), the main aim of the organisation is to promote knowledge and guidelines on sustainable tourism to stakeholders within both the private and public sector. The organisation has two sets of criteria namely industry and destination criteria, with requirements set out for tourism organisations regarding their responsibilities to sustain and protect natural and cultural resources, while at the same time developing tourism as an instrument for conservation and poverty alleviation (GSTC, 2017). The aforementioned criteria acts as basic frameworks in international tourism, where the criteria can be used in ways such as:

- Serving as a communal denominator in pushing the media in recognising sustainable tourism providers.
- Promoting guidelines for businesses, regardless of size, to become more sustainable.
- Guiding travellers and tour operators in buying sustainable goods and programmes.
- Providing guidelines for training and educational bodies in promoting sustainability.
- Providing assistance to programmes in ensuring that standards meet the broadly accepted standards.

- Acting as a starting point for governments and private sector agencies in the development of sustainable tourism standards (GSTC, 2017).

Other agencies involved in promoting tourism globally includes: the Global Tourism Economy Forum (GTEF), the Adventure Travel Trade Association (ATTA), the Tourism Society and the Association of National Tourist Offices and Representatives (ANTOR). These international agencies have major roles to play in promoting sustainable tourism development, as they offer guidelines and assistance to both developed and developing nations. Therefore, throughout this chapter, sustainable tourism is a reoccurring theme that is further discussed in Section 2.5. The following section discusses some of the organisations in South Africa promoting sustainable tourism development.

## **2.4.2 Tourism organisations in South Africa**

When it comes to ensuring the sustainability of tourism in development planning and management, the private sector requires the government's integral and collaborative assistance (Bhuiyan, Siwar, Ismail & Islam, 2011:557). This is because more often than not, both national and local government have greater control over features that affect the benefits communities gain from tourism (Bhuiyan *et al.*, 2011:557). For this reason the following section consist of an exploration of some of the key agencies involved in promoting tourism development in South Africa.

### **2.4.2.1 The Southern Africa Tourism Services Association (SATSA)**

The Southern Africa Tourism Services Association (SATSA) is a member-driven, non-profit association established in 1969, which represents the country's private tourism sector (SATSA, 2017). The association is funded by annual membership fees, which enables SATSA to act as an independent voice for the tourism industry of South Africa. SATSA has a strict registration process, where potential members are required to agree to- and sign a code of conduct, adhering to the associations three key quality barometers namely value, credibility and authority (SATSA, 2017). SATSA currently consists of 925 members, which includes companies from all sectors of tourism and provides their members with references and advice on making informed decisions regarding their tourism-based operations (SATSA, 2017). As mentioned earlier, SATSA acts as a voice for private tourism companies, representing them at all relevant levels with NGO's and Government on issues pertaining to the tourism industry. Working together with other tourism organisations, SATSA also aims to promote and implement various national recognition programmes in the tourism industry and promote responsible tourism. In the same way, SATSA

provides international consumers with information and advice on South African tourism operators, therefore helping South African tourism operators gain international awareness (SATSA, 2017). As SATSA mainly represents the private sector, the main governing body of tourism in South Africa is the Department of Tourism that is further discussed in the following section.

#### **2.4.2.2 The South African Department of Tourism**

The South African Department of Tourism was established with the main aim of promoting tourism development in South Africa. According to the Department of Tourism (2017), their main vision is to develop inclusive economic growth by promoting sustainable tourism development. The mission of the Department of Tourism in South Africa is to grow a sustainable and inclusive tourism industry through:

- Strategic collaborations and partnerships.
- Effective stakeholder communication.
- Good corporate and cooperative governance.
- Innovation and knowledge management (Department of Tourism, 2017).

The National Department of Tourism in collaboration with various tourism stakeholders and the private sector developed the National Minimum Standard for Responsible Tourism (NMSRT), and launched it in 2011 (Hatchuel, 2011). Without a doubt, South Africa's natural environment is one of the country's greatest tourism resources and as a result the NMSRT was developed with the solitary objective of establishing a collective understanding of responsible tourism (Department of Tourism, 2017). The draft NMSRT was developed in conjunction with key stakeholders in the tourism industry of South Africa, where after it was submitted to the South African Bureau of Standards (SABS), undergoing various processes in order for it to be accepted as a National Standard (Hatchuel, 2011). According to the Department of Tourism (2017), the NMSRT is made up of 41 criteria divided into four main categories namely:

- **Economic criteria** – which consist of guidelines and measurements on how tourism organisations can get the most out of their economic benefit, while at the same time balancing it with responsible tourism and minimising economic leaks.
- **Environmental criteria** – this criteria succour organisations on how to efficiently utilise natural resources, minimise pollution and the negative effects their operating business may have on the environment.

- **Sustainable operations and management** – with the aid of this criterion, responsible tourism policies that act as a guideline on how to implement responsible tourism practices, will be implemented by tourism organisations.
- **Social and cultural criteria** – this set of criteria highlights how tourism organisations should incorporate the local community, while at the same time respect and value the cultural and social amalgam of the community in which they operate.

In 2011, another tourism policy was published by the Department of Tourism, namely the National Tourism Sector Strategy (NTSS), which is a ten year strategy ranging from 2010 to 2020. The NTSS main emphasis is on promoting inclusive economic growth through developing the domestic and international tourism market in South Africa (South Africa, 2017:1). According to the final draft of the NTSS (South Africa, 2017:1) the strategy aims to ensure the alignment of visions through encompassing both the private and public sectors on the efficient use of resources, as well as drawing on realistic planning and prioritisation. On measuring the tourism industry's performance the following key indicators are used:

- Capital investment levels in tourism.
- Domestic holiday trips.
- Direct contribution to GDP and jobs.
- International arrivals and international tourists.
- Overall contribution to GDP and jobs (both direct and indirect) (South Africa, 2017:10).

The Department of Tourism in South Africa plays a vital role in promoting sustainable tourism development, through developing rules, regulations and policies relating to tourism development that both private and public companies have to adhere to.

#### **2.4.2.3 The Tourism Business Council of South Africa (TBCSA)**

In 1995, with the recognition of the need for a structured system through which members of the tourism industry could interact with each other and government policymakers, the Tourism Business Council of South Africa (TBCSA) was established. From the start of operations, the primary mandate was to represent the “voice” of the industry, lobbying government on behalf of its members into making policy decisions that take into consideration the wishes and needs of the tourism industry (TBCSA, 2017). In 1999, the TBCSA decided to include destination marketing in their mandate and with this Tourism Marketing South Africa was born (TBCSA, 2017). With an ever-changing world, the TBCSA realised in 2006 that in order to stay on par with global

trends that are growing rapidly, they needed to implement new approaches to tourism development. According to TBCSA (2017) the board members identified ten macro priorities for the organisation, and these priorities are: 1) Land and infrastructure development, 2) Skills development, 3) Airlift and air access, 4) Safety and security, 5) Service excellence, 6) Transformation and empowerment, 7) Knowledge management and Market intelligence, 8) Destination marketing, 9) Responsible tourism and lastly investment promotion.

TBCSA has been successful over the years, with some of their major achievements including: successfully urging government to establish a dedicated National Tourism Department (NTD), working with the NTD to develop the NTSS, developing the National Service Excellence Strategy in collaboration with key role-players in the industry, to name but few (TBCSA, 2017). According to TBCSA (2017), they have contributed more than R115 000 000 (approximately \$8 611 239) to South African Tourism (SAT) to date. TBCSA (2017) stated that the aforementioned contribution to SAT is for actively marketing the tourism sector of South Africa both locally and internationally.

Other role-players in the South African tourism industry include SAT. SAT collaborated with over 50 tourism companies in South Africa, in an effort to help grow leisure travel through creating discount vouchers ranging from accommodation, tourism experiences such as canopy tours, wine tastings and tour operator services (GCIS, 2016:198). In addition, another role-player is the Tourism Enterprise Partnership (TEP). TEP is a non-profit organisation that assists in the development, growth and sustainability of small tourism companies in South Africa (GCIS, 2016:199).

As this section provided an overview on some of the key role-players involved in promoting sustainable tourism both internationally and nationally, the following section addresses some of the government's and agency's responsibilities towards furthering tourism development in a sustainable manner.

### **2.4.3 The responsibilities of government and agencies' in developing tourism**

Tourism as an important driver of economic growth and development has an influence on the environment and the communities that need to be managed (Pedrana, 2013:97). As mentioned earlier, the demand in the travel and tourism industry is changing, as well as the sector itself, as these changes are mostly driven by advances in technology (WTTC, 2015:10). Accordingly, it is important for the public sector to remain in close contact with the private sector, which includes the community and key stakeholders in the tourism industry, to enable them to adapt to these

many changes (WTTC, 2015:10). It is also important to continuously revise and adopt regulation, policies, service development, infrastructure and taxes in the most appropriate way, to ensure the development and not the deterioration of tourism, the environment and the community. For the government to ensure that the most effective policies are implemented, they should develop these policies in close co-operation with the private sector, where after it should be placed in a supportive national policy framework (Brokaj, 2014:110).

Moving away from a national level, local government itself plays a foremost role in developing tourism and is engaged in tourism in many ways. Local governments are actively involved in providing infrastructure, services, promoting and managing tourism (Hanekom, 2015:2). Table 2.1 illustrates some of the key responsibilities that local government has towards tourism.

**Table 2.1 The Responsibility of local government in developing tourism in a community**

<b>Role and/or responsibility of local Government</b>	<b>Potential effect on tourism</b>
Land occupation planning	Influences spatial integration and character of the community.
Infrastructure maintenance and provision	Infrastructure allows for the ease of access for tourists to the destination and within the community.
Environmental management	Manages tourism pressures on the environment as well as protect and preserve natural resources.
Community development	Incorporates the community in tourism development, ensuring inclusive development and growth.
Open space design and management	Preserving open spaces, contributing to the area's amenity and character.
Public health and safety management	Enhances and protects tourist's satisfaction.
Local economic development	Ensures the development of local businesses and tourism operations.
Tourism promotion and marketing	Promotes the area's popularity and branding
Human services	Improves service delivery and human

	satisfaction
Education, training and employment	The quality of tourism services and facility provision is improved
Arts and culture	Develops the community's uniqueness

Source: Brokaj (2014:111)

As can be seen from Table 2.1, local governments have a range of responsibilities towards the effective planning and management of tourism development in regional areas. Although local governments play a major role in realising these responsibilities, financiers, developers, hoteliers and operators in the community have risks and responsibilities to tourism development as well (ITP, 2004:4).

The tourism departments are usually at the backend of receiving funds to develop and manage the tourism industry effectively (WTTC, 2015:14). Evidence from around the world suggests that pure public sector-led marketing and management are less entrepreneurial and not as effective as when managed in collaboration with stakeholders and operators in the sector itself (WTTC, 2015:14). For these operators such as developers, financiers, resort owners and hoteliers there is an increasingly strong business case for them to address some of these responsibilities (ITP, 2004:4). As a result, the need for corporate social responsibility (CSR) is an ever-occurring theme. According to Arifeen (2012:1) CSR can be defined as a notion where organisations, voluntarily, integrate environmental and social concerns into their business operations, as well as in their relations with other stakeholders. Therefore, the role that all businesses play within communities, relating to tourism and its developmental role has received limited attention (McLachlan & Binns, 2014:100). The tourism industry has a widespread influence on the ecological and socio-economic development of regions (Fusco-Girard & Nijkamp, 2009:1). For this reason, tourism operators have a responsibility towards the community in which they operate to ensure that all potential negative impacts are avoided as far as possible (Kalisch, 2002:19). According to Goodwin (2011:90), businesses need to accept responsibility for the effects that their operations may have on the consumers, employees, communities and the environment, as well as take into consideration the interests of other stakeholders in the community in which they operate. If tourism operators are perceived as having limited involvement within the community in which they operate, they run the risk of losing local support and customers (Nicolau, 2008:1000).

As can be seen from the aforementioned, national and local government, right through to stakeholders, have important responsibilities to adhere to if they wish to improve tourism development. With developing and implementing policies and strategies, it is important for policymakers to develop it according to each region's individual characteristics, such as its size and resources (South Africa, 2017:27). Furthermore, as the WTTC (2015:30) states, the range of policies used by governments at all levels not only impact tourists' desire to travel, but it also influences the sustainability and competitiveness of a destination.

For this reason, national and local government should involve all the key stakeholders within a community with regard to strategy formulation, where this process should have common, achievable goals, realistic, feasible programmes and viable projects aimed at developing sustainable tourism that is representative of the community's perspectives and interests (Brokaj, 2014:115; WTTC, 2015:31). As sustainable development is a reoccurring theme throughout the previous sections, the following section takes an in-depth view into what sustainable development is and its link to responsible tourism.

## **2.5 SUSTAINABLE DEVELOPMENT AND TOURISM**

Contemporary tourism is closely linked to economic development and incorporates a growing number of new tourism destinations, particularly in developing countries (Giampiccoli & Saayman, 2016:1). Especially in developing countries the increase in demand for environmental resources can have major consequences on income distribution, future growth, self-sufficiency and overall quality of life (Todaro & Smith, 2015:491). Marginalised people are particularly vulnerable to ecological and natural disasters, however, these people may also contribute significantly to environmental degradation (Croes & Vanegas, 2008:96). Therefore, there is an interrelationship between poverty and the environment, where poverty may potentially be cited as both the effect of and cause of environmental degradation (Croes & Vanegas, 2008:96). In addition, environmental degradation leads to a decrease in farm productivity and as a result the per capita food production decreases, which has harmful effects on the poor and ultimately everyone else in the world. Tourism's role as a key driver for socio-economic development has been doubted in recent years, relating to the potentially negative social and cultural impacts it may have on a community, as well as the environmental sustainability thereof (Cole & Morgan, 2010:17).

For this reason, the following sections provide a review on the importance of sustainable development, sustainable tourism and how climate change can impact tourism and development.

### **2.5.1 Sustainable development**

Uneven economic development has raised concern during the past few years about the impact of development on the environment, especially when addressing sustainable tourism and its economic and environmental impacts (Cole & Morgan, 2010:17). In the 1990s, the term sustainability became one of the world's keywords used in conjunction with development (Creaco & Querini, 2003:2). In 1991, The World Wide Fund (WWF), the International Union for Conservation of Nature and Natural resources (IUCN) and the United Nations Environment Programme (UNEP), published a joint book "Caring for the Earth", wherein they define sustainability as "improving the quality of human life while living within the carrying capacity of supporting ecosystems" (IUCN, 1991:8). According to Todaro and Smith (2015:492) the concept of sustainability revolves around the notion of carefully balancing economic growth and environmental preservation. In addition, according to Coetzee (2004:12), the Sustainable Sonoma County described sustainability in a way that "secures people's quality of life within the means of nature in a way that is fair and equitable to all humanity, other species and to future generations. Sustainability recognises the interrelatedness of the economy, society, and environment. It requires that we not consume resources faster than they can be renewed nor produce wastes faster than they can be absorbed". Therefore, sustainable development can be defined as "the development that meets the needs of the present without compromising the needs of future generations" (World Commission on Environment and Development, 1987:39). Accordingly, for the purpose of this study sustainable development is defined as equitable development aimed at improving the lives of the future and present generations, while at the same time preserving the earth's natural ecosystems and resources.

The Rio Conference of 1992 marked the beginning of the global commitment to recognise that the right to development should be in such a way that social and environmental needs are adhered to in an equitable manner (Creaco & Querini, 2003:2). During this conference, the Agenda 21 was developed. Agenda 21 encompasses detailed strategies and policy initiatives that offer guidelines, for all nations at all levels, on how to balance a growing population, consumption and the earth's carrying capacity (Moeletsi, 2004:33). The term carrying capacity can be defined as the maximum utilisation of an area before damaging the environment (Pedrana, 2013:98). What made Agenda 21 more appealing is the fact that the principles mentioned therein is applicable to local regions as well, where it could be used as a basis to promote sustainable development.

The principles of the aforementioned Agenda 21 are listed as follows:

- **Transparency and Participation** – information regarding sustainable development should be available to the local community.
- **Accountability** – all stakeholders should be accountable for their actions.
- **Equity and Justice** – equal opportunities and human rights should be promoted.
- **Partnerships** - sharing a collective responsibility and goal should be a priority.
- **Systematic Approach** – when addressing underlying issues concerning economic, social and ecological problems, the entire system should be investigated and not just the symptoms.
- **Ecological limits** – adhere to the limit of development with regard to the earth's carrying capacity.
- **Concern for the future** – long term planning is vital, which address both immediate and future needs and trends (ICLEI, 1999:10).

Creaco and Querini (2003:3) suggest that sustainable development revolves around two central themes, firstly is the idea that development consist of three dimensions, namely social, economic and environmental. This suggests that development may only be possible when there is a balance between the three dimensions, where all three contribute to the overall functioning of the natural environment sustaining life. Secondly, the notion that this generation has a moral responsibility towards future generations, so that future generations can also relish in the same levels of well-being with environmental, social and economic resources.

Sustainability and its role within development are not only applicable on a global scale, but involves national and local levels as well (Zamfir & Corbos, 2015:12713). It is also important to note that sustainability not only deals with environmental preservation, but also incorporates the traditions and culture of the local community (Pedrana, 2013:98). Globalisation has led to many local communities having to compare and measure themselves to other local economies (Pedrana, 2013:91), as a result local economies run the risk of losing their social and cultural uniqueness as well as potentially exploiting their natural resources. It is essential to remember that cultural heritage, which includes visits to destinations due to its indigenous, architectural, archaeological and historical assets, is also an important baseline for tourism (WTO & UNEP, 2008:77). Environmental resources, together with the aforementioned tourism created resources, contribute significantly to the attractiveness of a destination (Bahar & Kozak, 2007:61). As Todaro and Smith (2015:491) state, developmental economists should ensure that social, cultural

and environmental concerns are taken into consideration and form an integral part of policy initiatives. According to ICLEI (1999:2) sustainable development on a local front has three main objectives, namely: to enhance the integrity of local ecosystems, to increase local social welfare and to ensure the equitable distribution of economic wealth in local regions. Policymakers should consider manufactured capital (factories, roads and machinery), human capital (experience, knowledge and skills) and environmental capital (soil quality, forests and rangeland) in their decisions, so that all these assets do not diminish, together with the correct measure of sustainable net national income (NNI) (Todaro & Smith, 2015:493). Depicted symbolically, according to Todaro and Smith (2015:493), the amount of environmental capital to be consumed without diminishing it can be displayed as follows:

$$NNI = GNI - D_m - D_n$$

Where; NNI is the sustainable net national income;  $D_m$  is the depreciation of manufacturing capital and  $D_n$  is the depreciation of the environmental capital as a monetary value over the course of a year.

According to Minciu, Pădurean, Popescu and Hornoiu (2012:99) sustainable development can be achieved by firstly identifying the main reasons for environmental degradation, secondly the size of the degradation needs to be assessed. Thirdly, in order to counter these effects reasonable solutions must be developed and lastly the negative impacts on the economic and social life of the community need to be reduced (Minciu *et al.*, 2012:99). Local government and other agencies should therefore ensure that the protection of the local context is among their top priorities. As Pedrana (2013:96) points out, local development policies have to address not only the sustainability of the local economy, but also the local natural and socio-cultural environment. It is important for policy and strategy developers to note that the manner in which communities are managed and governed should be determined by the community's unique features, as towns and cities are all unique in their local environments (Bačlija, 2013:31). Correspondingly, when developing a strategy for promoting sustainable development in a region, the strategy should aim to develop the region's competitive advantage. Furthermore, it should also include elements such as the region's image and brand to ensure that the strategy remains feasible (Zamfir & Corbos, 2015:12713). Zamfir and Corbos (2015:12713) propose that the government and companies have to develop and maintain effective and perpetual mechanisms that will allow them to adjust and respond to changes and obstacles, in a timely manner, that are indicative of the environment in which they operate. This once again highlights the importance of private and public sector co-operation in communities.

## 2.5.2 Sustainable tourism

Tourism is being recognised as a global industry and as with any global industry its everyday activities may have certain influences on the local economy. Since the tourism industry is such a diverse and unique industry, the potential influences thereof are also diverse and often unique (ICLEI, 1999:3). For this reason, the tourism industry has a major challenge of ensuring sustainability, with an estimated 1,6 billion international arrivals projected to arrive globally in 2020 (Pulido-Fernández & López-Sánchez, 2011:268). Therefore, tourism should be developed and based on the principles of sustainable development (Zamfir & Corbos, 2015:12711).

Globally, during the past few decades, tourism organisations and authorities recognised the need to develop tourism in such a way that it can achieve both economic expectations and environmental consideration, while at the same time preserving the social and physical framework of a community as well as the local population itself (Creaco & Querini, 2003:8). This is where the concept of sustainable tourism started. The term sustainable tourism was proposed in 1988 by the World Tourism Organisation, where they defined it as “leading to the management of all resources in such a way that social, economic and aesthetic needs can be fulfilled while maintaining essential ecological processes, cultural integrity, life support systems and biological diversity” (Creaco & Querini, 2003:8). Minciu *et al.* (2010:85) define sustainable tourism as tourism that considers both present and future impacts (social, environmental and economic) while answering to the various needs of the community, the industry and tourists as well as the environment. According to Pedrana (2013:97) tourism is seen as sustainable when it does not go beyond its own carrying capacity, where tourism develops in an area without changing the cultural, social and environmental composition of the area. Sustainable tourism includes all of the different forms or types of tourism mentioned earlier in this chapter. Irrespective of the type of tourism, sustainable tourism should adhere to the following principles:

- Tourism should improve a community’s overall quality of life.
- The local community should be involved and participate in the area’s tourism activities.
- Training and educational programmes should be implemented to develop the knowledge and management of protecting the cultural and environmental resources in the area.
- Guidelines for tourist operators, setting accessibility limits for various areas and monitoring the effects of various tourism activities should be developed based on the international standards of tourism development (Zamfir & Corbos, 2015:12712).

Furthermore, according to the UNEP (2003:7) the development of sustainable tourism must meet the following requirements:

- With managing and planning tourism development, it should be in such a way that it does not elicit serious socio-cultural or environmental degradation.
- Resources (natural, cultural and historic) used in the tourism industry, should be preserved in a manner which will allow future generations to use it as well, while it still benefits the generation of today.
- Tourism should, to its full extent, benefit the whole of the society.
- To ensure that destinations remain attractive and maintain its commercial potential through maintaining tourist and the community's satisfaction.
- The eminence and quality of the environment in the region should be preserved and even where possible improved.

However, sustainable tourism is perceived as being complex due to its multidimensional and latent nature (Fernández & Sánchez-Rivero, 2009:277). The multidimensional nature of tourism refers to the notion that sustainable tourism is, just as sustainable development, based on three dimensions, namely: economic, social and environmental sustainability (Kožić & Mikulić, 2011:6). Furthermore, it is difficult to measure a tourism community's sustainability and therefore this may act as a barrier in the policy-making process (Fernández & Sánchez-Rivero, 2009:278). As such, in order to develop efficient and effective policies relating to sustainable tourism development, policymakers require thorough insight and knowledge on the present levels and efforts made to achieve sustainability (Kožić & Mikulić, 2011:4).

According to ICLEI (1999:9) sustainable tourism development should include partnerships between all of the stakeholders in a community, wherein both market and non-market instruments are used to develop and implement a shared vision on sustainable tourism development. Tourism companies in a community play a central role to assist the local community to progress towards achieving sustainability objectives. This is because these businesses are economically active and play a central role in the resident's activities in the community, therefore increasing their importance within the sustainable tourism development framework (Roberts & Tribe, 2008:575). Tourism development entails the management, planning and continues improvement to promote sustainable tourism in an effort to achieve economic prosperity (Huibin, Marzuki & Razak, 2013:63). As Fernández and Sánchez-Rivero (2009:280) point out, the aforementioned process of continuously improving sustainable tourism programmes should be applicable to all types of tourism as well as all fields such as resorts,

urban tourism, protected areas and coastal regions. According to Zamfir and Corbos (2015:12713) ecotourism is quite arguably the most acknowledged form of sustainable tourism in the world. It could be said that this concept has a twin valence. This is because on the one end there is the natural equilibrium of all elements in the natural environment and on the other end there is an anthropological aspect, which refers to the gratification from the environment together with tourist flows (Creaco & Querini, 2003:8).

Many academics agree that there is indeed a strong relationship between the two aforementioned valences (Fernández & Sánchez-Rivero (2009); Huibin *et al.* (2013); Zamfir & Corbos (2015)). Therefore, the degradation of the environment will most likely lead to a slowdown in tourist activity, which will have considerable effects on the economic and social aspect of a community (Creaco & Querini, 2003:9). These effects will include a substantial loss in the financial profitability of tourism operators, therefore affecting the economic growth of the entire community (Creaco & Querini, 2003:9). For this reason, with ecotourism and all other forms of tourism, the whole industry plays an integral role to preserve and protect the community's natural environment (Fletcher, 2011:447). Sustainable tourism development will allow for the maximisation of the positive economic influences of tourism, while the negative influences will be minimised (Page, Brunt, Busby & Connell, 2001:257). The positive and negative impacts of tourism are discussed in Section 2.6.3. According to Zamfir and Corbos (2015:12720) sustainable tourism development can be achieved through:

- The integration of tourism into planning programmes.
- Better management of tourism strategies.
- Limiting environmental degradation and waste.
- Improving education.
- Developing sustainable recreational activities.
- Preserving the cultural and natural heritage.
- To avoid exceeding an area's ecological limit.

The year 2017 has been declared as the International Year of Sustainable Tourism by the UNWTO, to emphasise the vast socio-economic benefits that the tourism industry can deliver to various societies, while at the same time proliferating peace through understanding and synchronising cultures, people and communities to, in the end, contribute to sustainable development globally (UNWTO, 2016b). Seeing that the tourism industry is heavily reliant on the natural environment, recent times are pressing the urgency for companies to act more

sustainable, with the hope of in doing so lessening the pace of climate change. Another issue relating to environmental degradation is poaching. Poaching does not only threaten the existence of species, but seeing that it is often run by cartels and armed gangs, it leads to increased armaments in a destination that contributes to corruption, violence, poverty and a loss of assets (WTTC, 2017b:4). Without a doubt this negatively affects the image and brand of a tourist destination.

As the WTTC (2017b:4) states it is imperative to reduce and prevent the long-term degradation of biodiversity, ecosystems, destination integrity and the effects of climate change. Predictably, climate change is something that ultimately impacts the tourism sector (WTTC, 2017b:1). For this reason the following section includes a review of climate change and its influence on tourism.

### **2.5.3 Climate change and its influence on tourism**

All over the world natural disasters, extreme natural events and changing temperatures are becoming all too regular (WTTC, 2017b:1). It is estimated that for every one degree that the temperature on earth increases, the atmosphere absorbs 7 per cent more precipitation, which has the result of increased floods, increased winter snow, wildfires and prolonged droughts (WTTC, 2017b:2). As Todaro and Smith (2015:503) point out it is especially developing countries that will be the first and hardest hit by the effects of climate change. As the WTO and UNEP (2008:67) assert, there is a high level of interdependence between community livelihoods, economies, tourism and the environment, and in many developing countries climate change will most likely destabilise possible development objectives. Hence, the following section stresses the impact of climate change on tourism and the importance of adapting tourism to mitigate the effects thereof, as well as how climate change affects the tourism industry of South Africa.

The tourism industry is regarded as one of the most climate sensitive industries in the world (Schneider *et al.*, 2007:790). For this reason, policymakers in the tourism industry cannot simply pass climate change over in their decision-making processes, as climate change will most likely change the way people will travel in coming years (Becken, 2008:351). Climate change is becoming an increasingly focal issue affecting the development and management of tourism, where the decision-making processes in the tourism sector is already being influenced by the aforementioned (WTO & UNEP, 2008:26). As Kajan, Tervo-Kankare and Saarinen (2015:311) note, climate change will lead to various impacts on which the tourism sector has to respond and adapt to. Some of these impacts include: diseases, hurricanes, severe heat waves, floods, higher

average temperatures, fishing and crop losses, loss of species and prolonged droughts (Todaro & Smith, 2015:503). Climate change further impacts the long-term feasibility and attractiveness of destinations, as the WTTC (2017b:5) asserts:

*“As the largest component of global tourism, coastal destinations are particularly at risk from rising sea levels, hurricanes, flooding, storms and acidification caused by climate change. Winter sport destinations are also affected by deterioration of snow conditions as a result of increased temperatures and desertification is affecting arid areas. The risk to business comes from different consumer demands and the viability of operations. Additionally, travellers may increasingly opt for different destinations, rendering some tourism infrastructure at previously popular locations unused assets”.*

Climate change may have numerous direct and indirect effects on tourism, ranging from influencing tourist’s decision-making and influences the attractiveness of a destination (Hall, 2008:339). According to the WTO and UNEP (2008:62), impacts on the tourism industry due to climate change can be categorised into four wide-ranging categories, namely:

- **Indirect environmental impacts** – this includes water shortages, increase in diseases, damage to infrastructure, a decline in the aesthetics of the landscape and a loss of biodiversity.
- **Direct climate impacts** – include changes in the operating costs for tourism operators as well as the redistribution of seasonal and geographical resources used in tourism.
- **Indirect change in societal impacts** – this entails the broader consequences of climate change on communities, which relates to changes in personal safety, economic growth, socio-political stability and development.
- **The impact of mitigation policies** – this relates to the possible change in tourist flows due to alterations in travelling routes, increased prices and changes in the number of short and long haul flights.

Furthermore, climate change impacts on the economic viability of destinations, the activities in tourist destinations, tourist behaviour and it can cause changes in World Heritage sites, hence leading international organisations such as the WTTC and UNWTO recognises the importance of promoting sustainable tourism as a method to combat climate change (WTO & UNEP, 2008:79; Hall *et al.*, 2015:4). Climate change may also have an impact on the cultural aspects of a community, due to the changes and impact it has on buildings and landscapes, therefore rituals

and cultural ceremonies may be lost due to the disintegration of communities (WTO & UNEP, 2008:79).

Moving towards climate change in Africa, according to Todaro and Smith (2015:503) Sub-Saharan Africa will be predominantly exposed by the effects of climate change. The World Bank (2011:55) emphasises that tourism in the region of Sub-Saharan Africa is extremely climate sensitive. As Rogerson (2016:323) surmise, discussions relating to climate change in the developing world of Africa are still underdeveloped when compared to that of developed nations. Nonetheless, recent years has seen an awaken concern in South Africa that climate change pose a great challenge to the country and that it should form part of national and local development policies (Rogerson, 2016:323). Due to South Africa's high levels of inequality and poverty, the consequences of climate change, which includes the decline of health, water, biodiversity and tourism, asserts that climate change presents serious challenges for national and local development (Ziervogel *et al.*, 2014:606). Predictions on the effects of climate change in Southern Africa shows that the region can expect an overall delay and variability in the rainfall season as well as an increase in the rigorousness of extreme natural events such as heat waves, floods, wildfires and droughts (Rogerson, 2016:325). The aforementioned events are already visible in South Africa, where the country was hit by one of the worst droughts in a century (eNCA, 2017). The Western Cape and in particular Cape Town, which is the city that is known as South Africa's largest tourism hotspot, have been declared a disaster region, with only 10 per cent of usable water left in the dams that supplies this area with fresh water (eNCA, 2017). In 2015, residents of the South Coast of KwaZulu-Natal were left without drinkable freshwater, due to saltwater from the Indian Ocean flowing up into the Umzimkulu River (Ackroyd, 2015). This happened due to a drought that caused river levels to decrease and the resulting low water flow allowed seawater to flow into the river (Ackroyd, 2015). In addition, June 2017 saw another tourism hotspot in South Africa, the Garden Route running through Knysna, devastated by extreme fires where within two weeks over 21 500 hectares had burnt along the Garden Route (Stander, 2017). This also led to hundreds of homes being destroyed and the cost of the devastation is likely to cost Knysna billions of Rands (Jefferys, 2017). Furthermore, many tourism establishments have been damaged if not destroyed, which gave way to the first level 1 incident in the history of South Africa (Jefferys, 2017).

Seeing that biodiversity is one of the core strengths of the SAT market, the potential loss thereof due to climate change can have devastating effects on the SAT sector (Rogerson, 2016:326). It is predicted that by the year 2050 four out of five of the protected areas in South Africa will lose 10

to 40 per cent of its plant species (WTO & UNEP, 2008:78). According to a report by Golder Associates (2012:3) a number of concerns relating to the effects of climate change on the tourism industry has been identified, which are increased natural hazards, environmental resource degradation (beaches, wildlife, water availability, scenic beauty, heritage sites, biodiversity loss, loss of functioning ecosystems), reduced landscape aesthetics, an increase in diseases and damage to the infrastructure. As the Department of Tourism (2012:4) state, apart from the country's main economic sectors, the country's heavy reliance and dependence on the natural environment that transfers to tourist's expectations and experience, together with the reliance on fuel and high energy costs ensures that climate change is of relevance to the country. Therefore, the tourism industry of South Africa has to position itself appropriately in accordance with a world where environmental concerns and climate change are becoming more and more prominent (Department of Tourism, 2012:5).

With this being said, local government in South Africa face various barriers to adapt and mitigate policies and risks due to climate change. Rogerson (2016:327) points out that the local governments in South Africa are more often than not overwhelmed with trying to meet the needs of the community in terms of providing infrastructure, housing, water and sanitation. Matters relating to sustainable development are quite arguably only given momentarily attention (Faling, Tempelhoff & van Niekerk, 2012:346). As Faling *et al.* (2012:346) further scribe, there is often a lack of understanding the local implications of climate change under government officials, and due to insufficient financial and human resources as well as inadequate time they will most likely not develop the necessary understanding of the threat that climate change pose to tourism development. Other impediments are lack of resources within small town municipalities as well as having practically no capacity to act on climate change (Ziervogel *et al.*, 2014:614).

The multiple impacts of climate change has set about international concerns pertaining to the various new challenges relating to adaptation and mitigation strategies that local development policymakers face (Tomaney, Pike & Rodriguez-Pose, 2011:622). Not only is climate change one of the major global and national issues, but it has a significant impact on regional and local policy development (Gibbs, 2012:25). The prospects and guidelines for regional and local development are being transformed, and climate change may be seen as a contributor to these changes (Tomaney *et al.*, 2011:618). In November 2016, the Paris Agreement came into effect and set the pace towards moving to a low carbon world (WTTC, 2017b:6). The Nationally Determined Contributions (NDC's) were determined that will aid the 197 countries that joined in this agreement, to move their economies into a more sustainable future (WTTC, 2017b:6). As Durband (2017:5) points out, the travel and tourism industry must take the lead in reducing

social and environmental degradation as well as reducing emissions otherwise the sector may be categorised as a “dirty sector” in the future. The WTO and UNEP (2008:176) state that there is indeed an opportunity for the tourism industry to show leadership by integrating climate change and development perspectives into their policy agendas. Drawing from international practices, two forms of expansive policy types need to be taken if the industry was to take any significant, efficient and effective action against the threats of climate change. These aforementioned practices are firstly to develop mitigation-based policies and action plans that have the main objective of reducing the long-term effects anticipated from climate change, through reducing the volume of anthropogenic impurities that is released into the atmosphere (Rogerson, 2016:325). Secondly, adaptation policies and actions plans need to be implemented that will help prepare regions and communities for the extreme risks resulting from climate change; this can be through infrastructure development or community enhancements that will aid in lessening the impacts of climate change (Rogerson, 2016:325).

Furthermore, the WTTC (2017b:4-7) suggested various recommendations on what the tourism industry needs to do to reduce the effects of climate change, which are:

- Industry leaders and government should reinvest in conservation and governance, which requires action on a united scale.
- Industries need to be proactive by preparing for implications brought on by climate change.
- Business imperatives by moving to a low carbon future need to be clear, with shared visions and solutions across tourism industries.
- Awareness needs to be increased on how to measure and communicate progress and how to set goals by combatting climate change.
- In order to accelerate social, technological and policy innovations that transform tourism into a low carbon industry, the tourism sector needs to develop new partnerships across the value chain.

Due to the tourism sector’s dynamic nature, it is suggested that the capacity of the sector to adapt to climate change is relatively high (WTO & UNEP, 2008:176). For this reason, capacity building for policymakers and practitioners in the tourism industry must be a key component of government support programmes, especially in the case of South Africa. This will enable local governments in South Africa to better sustain and manage partnerships within the private sector, maximise opportunities for tourism in local economic development as well as ensuring a greater understanding of how municipalities can better manage tourism assets and resources in their

communities (Rogerson, 2016:328). In addition, environmental management must form part of tourism development planning especially in protected areas (Rogerson, 2016:325). This is due to the fact that the tourism industry is dependent on the beauty of cultural and natural resources in destinations, which highlights the importance of supporting local communities and ensuring that sustainability is incorporated into regional policies and planning (Stanković & Đukić, 2009:25).

As is evident from this section, climate change poses a significant challenge to sustainable development and tourism. In the case of South Africa if it is left unrelieved it will most likely undermine and diminish many of the positive advancements the country has made by developing the tourism industry in an effort to decrease poverty and unemployment (Rogerson, 2016:326). It is quite inimitable that all destinations and tourism companies will have to adapt to climate change, in an effort to reduce the risks associated with it as well as to capitalise on the opportunities presented by climate change and to do so in a socially, economically and sustainable fashion (WTO & UNEP, 2008:177).

As 2017 is labelled as the Year of Sustainable Tourism for Development there is no better time to acknowledge resource and climate risks, as well as develop and implement new strategies to transfer tourism into a more eco-friendly economy, through better valuing the cultural and natural resources on which the tourism industry so heavily relies upon.

## **2.6 THE ECONOMIC ASPECTS SURROUNDING TOURISM**

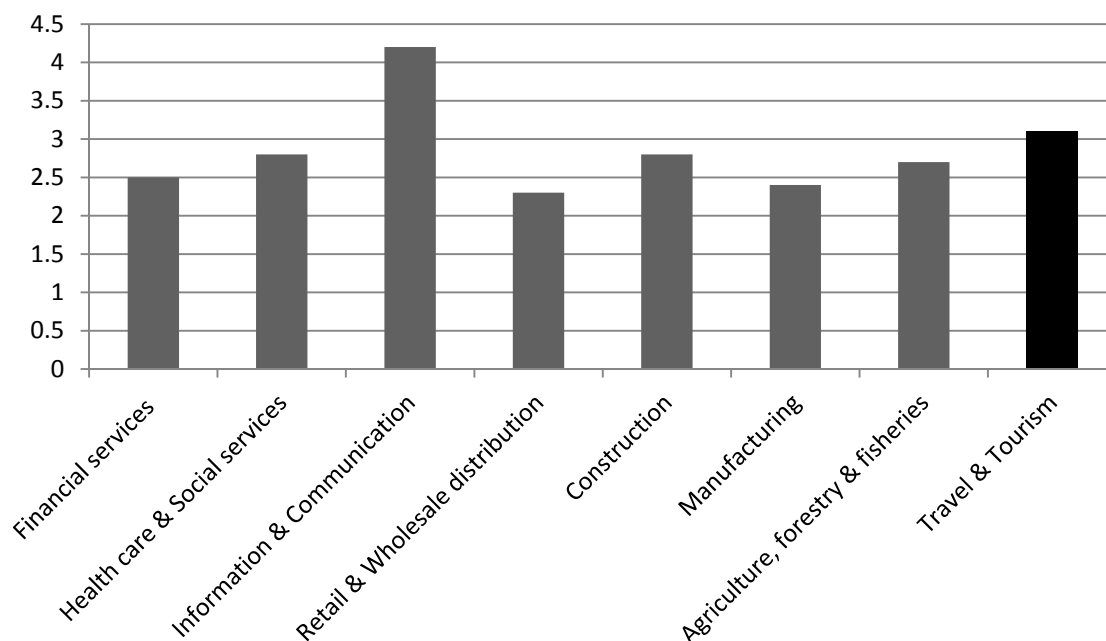
Internationally the tourism industry has been increasing progressively over the past few decades, as well as the sector's share in the economies of both developing and developed countries (Seghir *et al.*, 2015:1614). Furthermore, as mentioned previously in this chapter, tourism development is increasingly being recognised as a key tool to source revenues, stimulate economic growth and economic development (Phiri, 2016:31). However, it is important to note that as mentioned in Chapter 1, there is a distinct difference between economic growth and economic development. Economic growth can be seen as an increase in a country or regions aggregate production (GDP) or the measurable output per capita (the average GDP per person) (Fourie & Burger, 2011:12; van den Berg, 2012:28). Economic development on the other hand is generally defined as the changes brought on by economic growth that influences the social and natural environment in which people live (van den Berg, 2012:28). Therefore economic development deals with how economic growth is actually improving the standards of living of the people in a country and/or region (van Heerden, 2003:37). Tourism utilised as a key socio-economic driver has the ability to promote investment in local companies, create work

opportunities, increase export revenues and aid in infrastructure development (Pedrana, 2013:92).

Section 2.6.1 includes an overview of the various economic aspects of tourism, which entails the industry's economic share both internationally and nationally, its link to economic growth and development, the positive and negative effects of tourism, as well as the challenges the sector faces in development.

### 2.6.1 The economic impact of tourism internationally

Although the tourism sector is seen as one of the largest industries in the world, the sector is still under-acknowledged for its potential ability to contribute towards economic development and growth and in doing so, alleviate poverty (Richardson, 2010:2). In 2016 the sector was responsible for creating one out of ten jobs globally (WTTC, 2017c:1), which emphasises the significant role that tourism play in economies all across the world. According to the WTTC (2017c:2) the tourism industry grew by 3,1 per cent in its direct contribution to global GDP, where the global economy had a growth rate of 2,5 per cent. Therefore, quite arguably, the tourism sector has outperformed the global economy during 2016 (WTTC, 2017c:2).

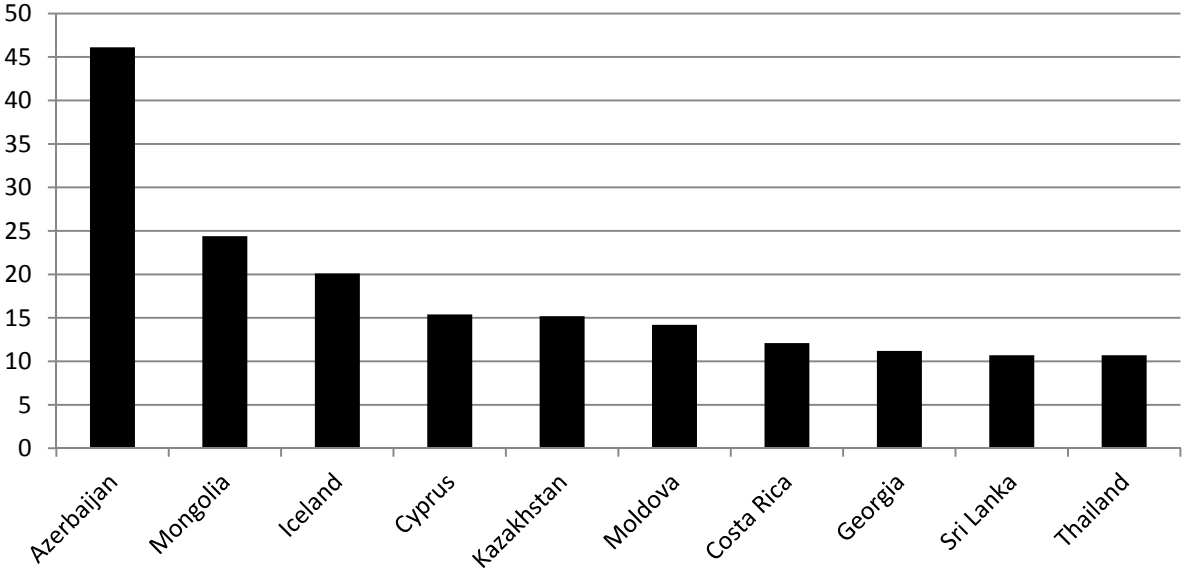


**Figure 2.1 The GDP growth rate (%) of the travel and tourism industry in relation to that of the other major industries globally in 2016**

Source: WTTC (2017c:2)

In 2016 the travel and tourism sector did not only outpace the global economy’s growth rate, but also showed a stronger growth rate than some of the other major economic sectors. This is illustrated in Figure 2.1. From Figure 2.1 it can be seen that the travel and tourism industry recorded a higher growth rate than several of the leading industries in the world such as the financial services sector, manufacturing, public services and retail and distribution sectors, however, the sector was slightly behind that of the communications sector (WTTC, 2017c:2).

When analysing the fastest growing travel and tourism economies in 2016, the two top performing countries were Azerbaijan and Mongolia, which is illustrated in Figure 2.2. These countries showed higher growth rates in visitor exports than some of the well-known fast growth markets such as Indonesia (5,8%), India (8,5%) and China (8,1%), as they maintained high inbound international visitor spending (WTTC, 2017c:7). According to the WTTC (2017c:7) the high growth in visitor exports in these countries, as illustrated in Figure 2.2, may be attributed to their efforts to prioritise tourism, as well as their promotional efforts, investment in infrastructure, ease of access through their borders. The easing of trade and travel restrictions across borders that allow for an influx of visitor exports could also be attributed to the efforts made by international institutions such as the World Bank and IMF to promote multinational trade opportunities (Milne & Ateljevic, 2001:372).



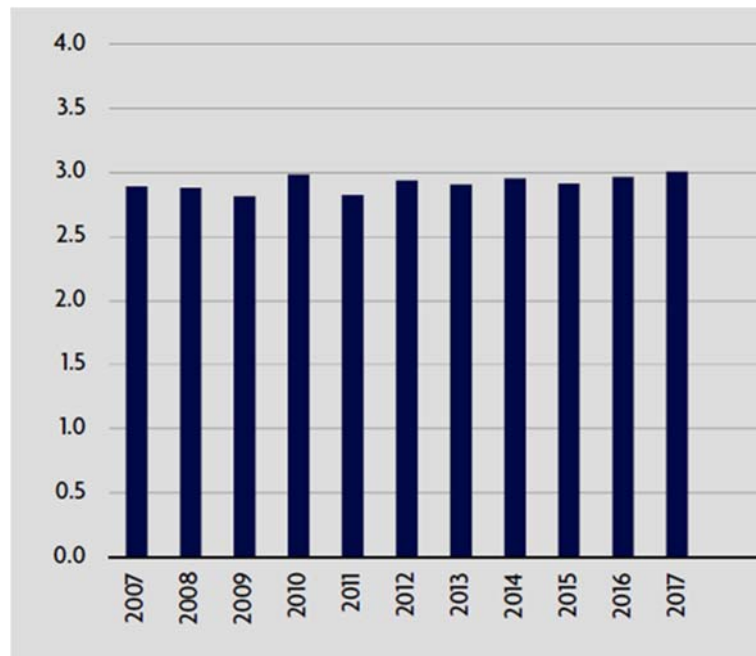
**Figure 2.2 Countries with the fastest growing travel and tourism economies in 2016 (%)**

Source: WTTC (2017c:7)

As the countries represented in Figure 2.2 can be classified as developing countries, it is evident that more and more developing nations are looking at the tourism industry as an alternative to promote economic growth.

### 2.6.2 The economic impact of tourism in South Africa

When analysing the region of Sub-Saharan Africa, the country of South Africa has the most developed tourism market (JLL, 2012:5). This is due to the country having vast regions of natural beauty, coastlines, safari parks, developed cities and relatively well-developed infrastructure, and a somewhat stable economy, which offers a strong proposition to tourists (BMI, 2016:5). The recent political instability may in future have a negative impact on tourism and needs to be managed. Furthermore, the country is seen as Africa's economic powerhouse and due to this, travelling to the region is even further encouraged (BMI, 2016:5). According to George (2015:4) tourism in South Africa is seen as one of the key drivers of LED, however, the sector still remains under-acknowledged for its potential contribution to economic development and growth in the country (Butler & Rogerson, 2016:265). Figure 2.3 illustrates the direct contribution of the tourism industry to South Africa's whole economy from 2007 to the forecasted figures of 2017.



**Figure 2.3** Tourism's direct contribution to the whole economy (GDP) of South Africa for the past 10 years (%)

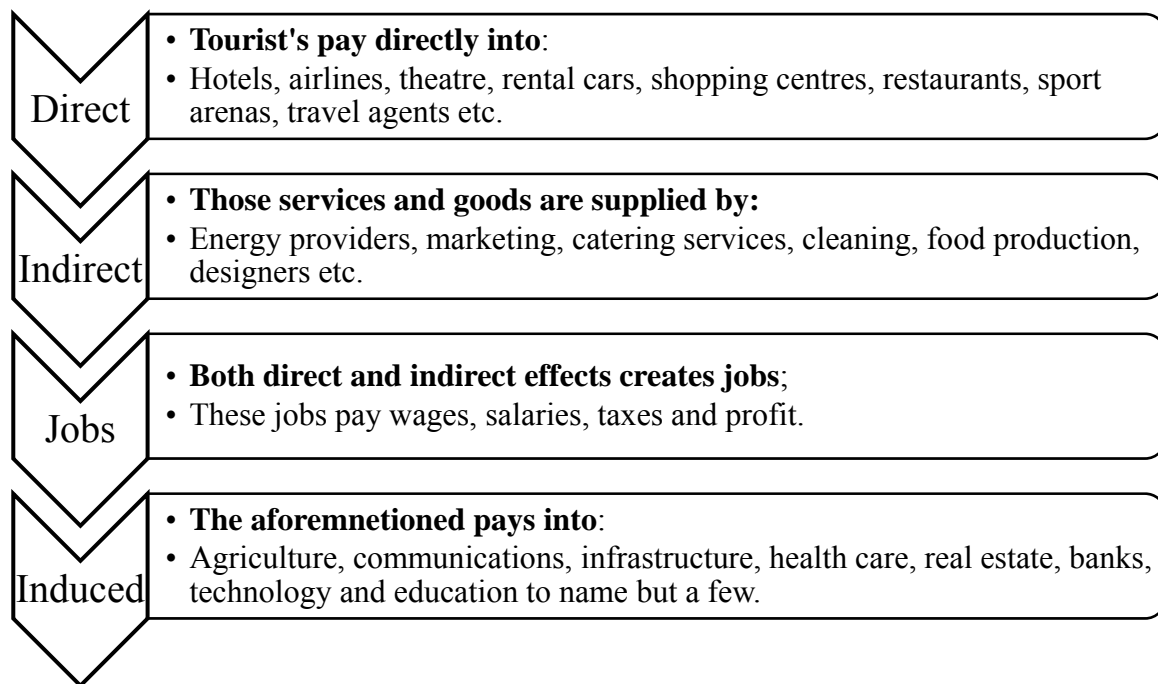
Source: WTTC (2017d:3)

In 2016 the sector directly contributed 3 per cent to South Africa's GDP and it is expected to increase with 2,7 per cent in 2017. In addition the total contribution of the travel and tourism industry (which includes the direct and indirect effects of tourism) to GDP in South Africa was 9,3 per cent in 2016 (WTTC, 2017d:1). The direct contribution of tourism to the country's economy (GDP) includes the growth from industries in the tourism sector such as travel agents, hotels, restaurants, travel agencies and other leisure agencies that are directly supported by tourists (WTTC, 2017d:3). As can be seen from Figure 2.3, the industry saw a peak during 2010, which may be as a result of the Soccer World Cup. This emphasises the importance of hosting large international events such as sports and culture. In contrast to 2010, the industry had a lower growth rate in 2015 when compared to 2014. This may be as a result of tight visa regulations implemented during that period. According to the new regulations those wishing to travel to South Africa had to apply for their visas, in person, at a South African embassy where all of their biometric information had to be recorded (SAinfo, 2015). Furthermore, all children under the age of 18, who are travelling in or out of South Africa had to have an unabridged birth certificate at entry ports that had to include the full details of both their parents as well as in the case of travelling with only one parent they must be accompanied by a consent letter from the parent not travelling with them (SAinfo, 2015). The aforementioned resulted in a significant decrease in inbound arrivals. The growth rate of inbound arrivals in 2015 was a mere 1,8 per cent when compared to a growth rate of almost 6 per cent in 2014 (BMI, 2016:10). The South African government realised the damage brought on by the new visa regulations and have since relaxed visa requirements and the period of 2016 has seen an increase in visitor numbers. With this being said, the tourism industry in general and in particular South Africa is still not without its challenges, which is further discussed later in the section.

### **2.6.3 Tourism and its influence on an economy**

Globally, inequality remains one of the biggest challenges to overcome for policymakers, where the unequal distribution of education, wealth, status, power and income is likely to further increase inequality (Giampiccoli & Saayman, 2016:2). Within developing and developed countries the fissure between the rich and the poor is also increasing (Zajda, 2011:147). This is where tourism comes into effect, as it has the ability to enhance food security, education, alleviate poverty, increase economic growth and even contribute to environmental protection if implemented correctly (Phiri, 2016:31). In addition, besides the sector's direct function to create employment opportunities and to earn foreign exchange, tourism may also aid in the development of other industries (Zuo & Huang, 2017:1). This is because of tourism's influence

on the multiplier effect, where it leads to various direct and indirect effects on the economy through economic linkages depicted in Figure 2.4.

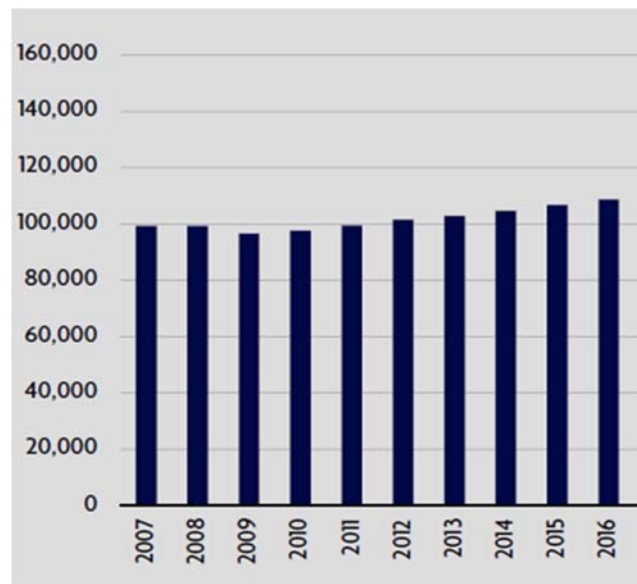


**Figure 2.4 Tourism spending and its direct, indirect and induced effects**

Source: WTTC (2017a:15)

It is evident from Figure 2.4 that tourism does not only impact one sector of the economy, but leads to widespread effects throughout the economy. These “spill-over” effects brought on by tourism are not only applicable on a national level, but occur on a regional level as well. The direct effects of tourism relates to the so-called internal spending, which is the spending by residents and non-residents in the tourism industry for leisure and business purposes (WTTC, 2017a:2). In order for operators to function in the travel and tourism industry, they require the goods and services from other providers outside of the tourism industry such as construction, food and beverages, sanitation and catering to name a few (Ashley *et al.*, 2007:8). Therefore, these providers benefit from an increase in business activity. Furthermore, due to the aforementioned direct and indirect effects, more job opportunities are created, which increases the available disposable income in a community and as a result spending increases (Phiri, 2016:32). This increase in spending leads to an increase in economic activity and the economy starts to grow. The resulting business activities promotes infrastructure development, creates job opportunities, generate tax revenues for the government, allows for the transfer of skills and new technology and produces foreign earnings (Ashley *et al.*, 2007:4). From reviewing the linkages in Figure 2.4, it is unmistakable that the development of tourism does not only depend on the

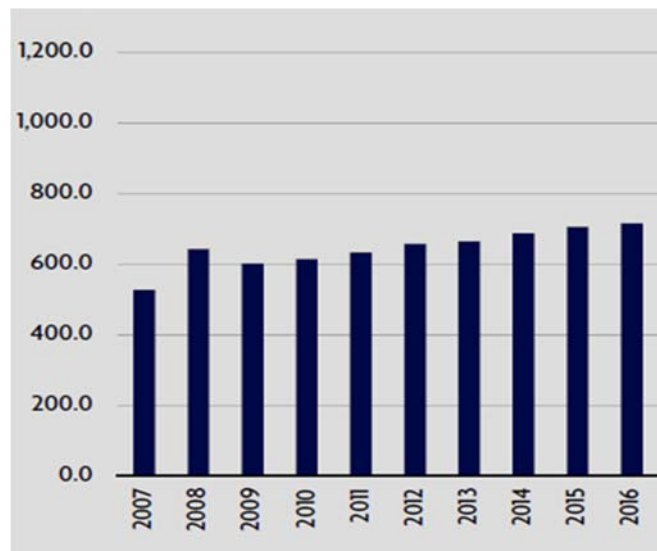
cultural and natural assets of a region, but also heavily relies on the provision of the essential service infrastructure (Kimbu, 2012:7). This once again emphasises the need for private, public and community co-operation in a region. As tourism contributes to creating job opportunities and in doing so decreasing poverty, the impact the industry has had on employment in 2016 is noteworthy.



**Figure 2.5 The direct contribution of the travel and tourism industry to employment internationally ('000)**

Source: WTTC (2017a:4)

Globally, in 2016 the travel and tourism industry created 108 741 000 jobs directly, which is 3,6 per cent of total employment, and it created 292 220 000 jobs indirectly, which is 9,6 per cent of total employment internationally (WTTC, 2017a:4). The direct contribution of the travel and tourism industry by creating jobs over the period of 2007 to 2016 is illustrated in Figure 2.5. Analysing Figure 2.6 about the tourism sector's contribution to employment in South Africa during 2016, the travel and tourism industry supported 716 500 jobs directly, which is around 4.6 per cent of total employment (WTTC, 2017d:1). Indirectly, the industry contributed to around 9.8 per cent of total employment, which accounts for the creation of 1 533 000 jobs in 2016 (WTTC, 2017d:1). When comparing Figure 2.6 with that of the international statistics in Figure 2.5, South Africa can still increase the tourism sector's contribution to employment through learning from international experience.



**Figure 2.6 The direct contribution of the travel and tourism industry to employment in South Africa ('000)**

Source: WTTC (2017d:4)

Although these figures may seem high, the tourism sector could contribute even more to decreasing the high unemployment rate in South Africa if the sector was utilised to its full potential. This is because the country ranks 146<sup>th</sup> out of a 185 countries in terms of its growth forecasts for 2017 (WTTC, 2017d:1), which only indicates how underutilised the industry is in South Africa for its potential to promote economic growth and development. International studies have shown that tourism is a labour intensive industry and the industry is able to employ a high proportion of low and unskilled labour, therefore it could aid a developing nation like South Africa in creating a more successful economy (Ashley *et al.*, 2007:8; Jonathan & Faal, 2006:64).

With all this being said, the actual importance of the tourism industry is not only for the fact that it contributes to the economic growth of an economy, but given the right operational foundations it can also promote local economic development, which improves the welfare of a community (Cárdenas- García *et al.*, 2015:207). As Brouder (2012:334) points out, tourism in Europe has become tantamount with LED programmes in regional areas. International debates around tourism's impact on local poverty reduction on countries in the global South have become more apparent. There is an ever-growing realisation that tourism development can spread its benefits to local communities operating around tourist destinations (Mitchell, 2010:3). Spenceley and Meyer (2012:299) conclude that some of the poorer nations have the largest variation of natural and cultural assets, making them a prime location for travellers. This allows for tourism to redistribute wealth from the rich to the poor, where marginalised groups have the ability to

capitalise on the resulting tourism spending, which has the potential of enhancing their economic well-being (Spenceley & Meyer, 2012:299). This stresses the importance of tourism in forming an integral part of LED.

According to the UN-HABITAT and Epi (2005:2) LED can be defined as a hands-on process where the whole community, including its residents and organisations, cooperate to stimulate local commercial activity in a way that creates jobs and improves the standard of living for the whole community in a sustainable manner. It is important to note that LED is not about quick-fixes, as it calls for a practical understanding of what the community's weaknesses and strengths are, what it has to offer, the challenges and opportunities as well as the needs and wants of the local region (UN-HABITAT & Epi, 2005:2). Therefore, tourism can benefit the poor if one is to utilise all of the opportunities brought on by tourism at all levels of operation (Ashley *et al.*, 2001:3). Local firms that are affected by tourism are not only those that are directly affected, but also due to the induced effects where other sectors may obtain new costumers due to the developing tourism market (Pedrana, 2013:94). For instance, when referring back to Figure 2.4 to some of the indirect earnings from businesses linked to tourism, local procurement may help local farmers to sell their agricultural products to tourism businesses and therefore also encouraging entrepreneurship (Butler & Rogerson, 2016:269;). In addition, these small-scale farmers and businesses are enabled to open bank accounts and therefore increase their creditworthiness, further stimulating entrepreneurship and ultimately reducing the dependence on the tourism sector (Ashley *et al.*, 2007:18). Furthermore, sourcing services and products from local providers will support more households and further expand economic opportunities throughout business activities (Ashley *et al.*, 2007:17). Hence, incorporating tourism within LED practices necessitates the need for understanding the local region's competitive advantage, its economic linkages and the opportunities brought on by co-operation (UN-HABITAT & Epi, 2005:2). The aforementioned places emphasis on the notion that the growing relationship between the private and public sector in LED is paramount if the strategies and objectives aimed at developing a sustainable region want to be successful (Pedrana, 2013:94).

Policymakers are therefore tasked with the improvement of economic linkages, as these linkages are essential to maximise tourism's potential to promote inclusive economic growth as well as social and economic development (Butler & Rogerson, 2016:269). This is because with all things considered, the main objective of achieving long-term sustainable growth is to improve the quality of life for all people, in a sustainable manner, therefore positively influencing human development. Human development can be defined as the capacity to encourage and improve the capabilities of all individuals in a community (Rivera, 2017:1). Capabilities refer to an

individual's right to engage in economic activities, live to an old age as well as partake in political actions, therefore the Human Development Index (HDI) is a way of measuring these human capabilities (Rivera, 2017:1; Sen, 1990:43). For this reason the HDI was incorporated in this study to analyse whether or not economic growth due to tourism development has influenced human development and to what extent. In essence, tourism has the following positive effects on a community:

- Protect and preserve social, cultural and natural heritage, as it can create awareness on ecological issues.
- Creates employment opportunities therefore generating income for local communities.
- Provides incentive to develop and maintain infrastructure.
- Leads to the development of local communities.
- Promotes education.
- Generates foreign currency.
- To enhance artistic, cultural and natural resources (Creaco & Querini, 2003:12; Pedrana, 2013:97).

The aforementioned benefits are only a few, as is evident from the section that tourism brings with it a multitude of benefits. With this being said, the tourism industry may bring with it a number of negative influences if it is not correctly managed. If the correct policies and effective management strategies are not in place it may lead to the deterioration of the environment, pollution and a loss of biodiversity (Creaco & Querini, 2003:1). Another area of concern is the possibility that with the arrival of new cultures and their ways, the social and cultural context of the community may be affected and certain unique cultural features may be lost (Pedrana, 2013:94). In the case of tourism exceeding the regions carrying capacity, the residents in a community may become annoyed by the number of tourists and if the community is left out of LED planning and decision-making processes, they may feel threatened (Harrill, 2004:257). Furthermore, when the community is not sharing in the benefits from tourism, it may result in conflict and crime (Ashley *et al.*, 2007:11). An example of this is the case of Barcelona, the most visited city in Europe in 2015. The residents in Barcelona are in contradiction of tourists, due to the high influx of tourists into the community and rising inequality between residents and tourists (McMah, 2016). The residents are also concerned about the pressure that is being put on the resources in the community as well as the increase of apartment costs that may exclude them from sharing in economic benefits (McMah, 2016).

These negative impacts, however, can be minimised and avoided if the correct policies and management practices are in place, where the community is involved and there is a strong co-operation between the private and public sector. This will ensure that the tourism industry plays a central role in protecting and advancing the social and cultural integrity of a community, while promoting the benefits of tourism and at the same time addressing and minimising the potential negative effects (WTTC, 2017b:7). Besides addressing the positive and negative effects of tourism, there are certain challenges to develop and promote tourism that range from health pandemics, terrorist attacks and political instability to natural disasters (WTTC, 2017b:7). According to BMI (2016:7) the SAT market faces numerous challenges in developing, such as:

- The largest source of tourists for the SAT industry are from low-income nations like Mozambique, Lesotho and Zimbabwe.
- The country struggles against high levels of crime.
- Internal-tourism spending are continuously put under pressure due to a depreciating rand and fall in commodity prices.
- Strict visa regulations.
- The bankruptcy and government protection of SAA (South African Airways) could limit tourism growth.
- The lack of proper infrastructure management and proper road networks especially in rural areas hinders accessibility and makes it difficult for tourists to reach certain destinations.

In addition to the aforementioned challenges, local governments often place tourism and its relating services low on their list of priorities and funding (Rogerson, 2016:328). There is currently a lack of sufficient budget allocation to develop tourism (Department of Tourism, 2012:6) and the result thereof is that many municipalities and tourism planners are unable to effectively develop tourism strategies and actions plans, especially in smaller towns (Rogerson 2016:328). Furthermore, what often happens is that tourism spending in local areas does not positively impact the economy due to high leakages, which refers to the revenue gained from tourism spending not remaining in the local destination (Sandbrook, 2010:125). It may happen that these leakages are due the ownership of certain tourist attractions that belongs to large corporations in developed countries (Saayman, Rossouw & Krugell, 2012:463). This often happens due to the inability of a local destination to provide the necessary supplies, food and skills that are required by tourism organisations (Butler & Rogerson, 2016:269). Therefore the community is unable to supply the required goods and services at a competitive price to the

tourism industry (Lacher & Nepal, 2010:82). Policymakers should therefore focus on improving linkages that are critical for maximising the tourism industry's potential contribution to economic growth and development (Butler & Rogerson, 2016:270). Community access to the tourism market in a destination should therefore be encouraged in an effort to minimise leakages and maximise linkages (ITP, 2004:3). Another solution towards avoiding high leakages involves the development of local supply chains through encouraging more community-oriented tourism activities (Zuo & Huang, 2017:9).

## **2.7 SYNOPSIS**

From the literature review in Chapter 2 it was apparent that although the tourism industry has been around for thousands of years it is only during recent decades that the emphasis was placed on the sector's potential in alleviating poverty and improving the standards of living for all people across the world. Through reviewing the various institutions involved in promoting sustainable tourism development, there is a general recognition that local governments should play an active role in realising their responsibilities towards promoting inclusive tourism development. This is where national government should provide the platform and assistance for them to do so (Butler & Rogerson, 2016:266). Furthermore, it is unmistakeable that the environment and infrastructure in regions have a direct, positive effect on the income generation from tourist activities (Assaker, Hallak, Esposito & O'Connor, 2014:26) and ecological resources are a key factor in determining the competitiveness of a region (Mihalić, 2013:614). In order to maximise the benefits from the tourism industry and circumvent the potential social and environmental impacts, there should be regulations, strategies and policies as well as effective implementation instruments aimed at developing a sustainable, all-inclusive tourism industry (Cárdenas- García *et al.*, 2015:209). In essence, based on the existing state of affairs in the SAT market, there is much room for improvement and development.

Through Chapter 2 the various theoretical objectives set out in Chapter 1 have been achieved. The following chapter includes a review on some of the most influential development theories, to further complete the attainment of the last theoretical objectives that are most applicable to developing tourism especially in local regions as well as a regional analysis on the study area of this research study, namely the Vaal Triangle. In addition, a review of similar studies is provided.

## CHAPTER 3

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# DEVELOPMENT THEORIES, REGIONAL ANALYSIS AND EMPIRICAL STUDIES

### 3.1 INTRODUCTION

All countries across the world strive towards development and scholars together with development practitioners are often tasked with answering the questions of why and how development does or does not come about (Todaro & Smith, 2015:118). Seeing that development and tourism are both multifaceted in their nature, due to the complexity of how their accompanying cultural, economic and environmental elements interact, there is a need for policymakers to understand how the community, government, industry and tourists interrelate in economies (Milne & Ateljevic, 2001:374). In addition, when analysing the economic impact of tourism on a local area, it is important to firstly gain an understanding of what the research area entails with regard to its various economic sectors, location, opportunities and natural environment, in an attempt to ensure the effective application of economic development theories.

Hence, the subsequent chapter includes an analysis on the three most applicable development theories to this study and how they relate to tourism development in local regions. In an effort to address the theoretical objective of reviewing the three most applicable development theories to this study, the theories analysed are the Big Push theory, Porter's cluster theory and Romer's endogenous growth theory. Furthermore, a detailed regional analysis of the Vaal Triangle, in which this study takes place, is provided. Moreover, several empirical studies also investigating tourism concepts were reviewed, where some may act as a supportive basis for this study.

### 3.2 ECONOMIC DEVELOPMENT THEORIES AND THE LINK TO TOURISM

When reviewing some of the classical economic development theories such as the work of Dos Santos, Rostow and Lewis, the various links between development and tourism is not noticable, nor do they mention tourism as a potential contributor to development (Rivera, 2017:2). However, researchers still draw extensively from various development theories on how to further tourism's contributions in an economic context (Rivera, 2017:2). The succeeding section provides an overview of the work pertaining to the Big Push theory, Porter's cluster theory and

Romer's endogenous growth theory, and how they relate to tourism, as these three theories are more applicable to this particular study.

### 3.2.1 The Big Push Theory

The Big Push Theory is the creation of Rosenstein-Rodan and revolves around the notion that in order to get economic development underway, a large number of resources or investment is needed in development programmes (Todaro and Smith, 2015:184). Furthermore, it stresses how coordination among industry stakeholders is vital for the achievement of long-term growth, and how the failure of coordination works against the drive for development and industrialisation (Todaro & Smith, 2015:175). The economies of scale will be procured with the start of various industries that are mutually supportive of each other (UNCTAD, 2006:25). In addition, according to Greeshma, Chacko Jose, Krishnan and Subash (2011:27), Rosenstein Rodan identified three categories of indivisibilities, namely:

- **Demand** – when looking at especially developing countries, the indivisibilities of demand highlights that investment should not be made in just one industry, but rather in as many as possible, where these industries are mutually supportive of one another, which will result in an extension of the market size.
- **Production function** – when progressively more supportive industries are established, the techniques and factors of production and goods in the economy will be increased, with infrastructure forming part of this as these elements are all contributing to development.
- **Supply of savings** – in underdeveloped countries and/or regions, savings are normally limited due to the low levels of income, however, with an increase in investment in sectors of the economy, incomes will most likely increase and with it savings as well.

According to Easterly (2005:4) a Big Push encompasses an amalgamation of a national planning and administrative tool to direct policy changes, direct investments and technical interventions, a large increase in foreign support and a concurrent investment in various sectors of the economy. Since the theory has the main focus of developing industries simultaneously and limiting coordination failures, forward and backward linkages have a key role to play to ensure the success of a Big Push. In relation to the theory of linkages, Todaro and Smith (2015:185) point out that the development of new industries in an area will be facilitated through their linkages with already developed industries in the particular area. A forward linkage may be described as one firm buying goods from another, where a backward linkage is one where a firm buys goods

from another to use as their input (Todaro & Smith, 2015:185). However, the Big Push is not without its criticism's. According to UNCTAD (2006:26) the Big Push has been critiqued on various matters, such as:

- In developing countries the export and substitute import sectors are more often than not underperforming and thus does not lead to an increase in economies.
- Private and public sectors in developing economies often compete against each other and does not support each other, which may lead to unbalanced growth.
- The Big Push did not originate due to experience or historical events, thus it could be argued that it lacks historical facts and evidence.
- As the main focus is on industrialisation there is no notice given to the agricultural sector, which is in many developing nations the main source of income. This under acknowledgement may further lead to food shortages and inflationary pressures.

In addition to the aforementioned critiques, since the Big Push relies on a large scale investment, it is essential to note that developing regions often lack resources and will not be able to make the large investment necessary due to a shortage of resources (Greeshma *et al.*, 2011:30). Furthermore, it does not take into consideration productive techniques that are a key determinant to achieve successful economic development (Greeshma *et al.*, 2011:30).

Nonetheless the Big Push may still be applicable to the modern economy and there is much to take from the theory in planning LED. In a local economy, a large investment into various industries may aid to resolve the issue of limited markets in the economy and contribute to the economic growth of the area (Economicsconcepts.com, 2015). South Africa being one of Africa's largest economies is in a favourable position to expand the tourism sector as well as expanding other economic sectors in the region (BMI, 2016:23). What is more, by specialising in more than one industry for example in tourism, manufacturing and finance, the risk for an entire region to collapse due to an economic crisis affecting one particular industry is less. The effect of coordination failures between public and private sectors do exist, however in a community the development of an institution that provides a platform from which role-players from the private and public sector can work together may prove to be more productive in the development of the community (Todaro & Smith, 2015:199). Moreover, if the investment is substantial enough capital stock may increase, household's well-being may increase and the resulting economic growth in the area may become self-sustaining (Sachs, 2005:246). The aforementioned are all applicable to the tourism industry, as cooperation between the public and private sector is significant to ensure that tourism development in the region is sustainable and all-inclusive.

Without a shared vision between the community, its stakeholders and private and public sectors, on developing the tourism industry of a region, the implementation of development strategies would most likely be unsuccessful. Success stories of having a shared vision among role-players in the development of the tourism industry of a region may be found in countries such as Thailand and Mauritius as well as other local regions such as Clarens and Hartebeespoort in South Africa.

In accordance with Greeshma *et al.* (2011:31), the merit behind the Big Push cannot be disregarded and may still be used in development planning as it stresses how important industry coordination is and it takes remarkable effort from all stakeholders to achieve sustained economic growth.

### **3.2.2 Porter's Cluster Theory**

Michael Porter is the creator of the cluster theory, a theory which is built upon his previous work of competitive advantage. Various governments and development agencies from across the world, such as the OECD (Organization for Economic Cooperation and Development) and the EU (European Union) have used this theory as a development tool in their policy-making (Swords, 2013:370). This theory deals with the competitiveness of markets in regions, both national and local, wherein clusters have a protuberant role (Porter, 2000:15). Porter (2000:16) defines clusters as geographical concentrations of suppliers, interrelated companies, service providers and related institutions such as universities; all linked by complementarities and shared aims. Clusters consist of various elements and not only single industries, examples of the elements include: companies related to each other due to their technologies and skills, infrastructure providers, customers, suppliers, training suppliers, universities (Porter, 1998:78). Moreover, it also consists of various trade associations that provide the area with information, technical support, education and research (Porter, 1998:78). Porter further stated that evidence for this theory exists all over the world as numerous clusters of firms in similar industries are to be seen as well as where some of the most successful companies are expected to form part of a cluster (Porter, 1990:120).

Conversely, this theory is not without its limitations. Motoyama (2008:357-360) indicated several critiques on Porter's cluster theory, namely:

- The theory revolves around specialisation and competitiveness, however, it is not quite clear how regions increase their competitiveness nor compete.

- Since a cluster involves geographical boundaries, identifying the geographical boundary of particular clusters may prove a challenge.
- Measuring the interconnections between firms are possible with the use of input-output tables, however, these tables only depict monetary values and not the amount of collaboration and rivalry between firms.
- The theory calls for government to aid in inducing spill-over effects between clusters, yet it does not mention how governments are supposed to do this.
- The main focus area of the cluster theory is whether or not the cluster is growing hitherto it does not mention why certain regions may grow faster than others.
- The theory's feasibility remains one of its largest limitations.

One of the main shortcomings of Porter's theory is that the theory does not monitor the fast pace of new technological advancements and the influence it has on competitive advantage (Magretta, 2012:13). Although this theory has its limitations, it is still applicable to especially local regions. The structure of any industry still consist of various substitutes, competitors, new participants, suppliers and its consumers (Mekić & Mekić, 2014:176). Clusters have the benefit of enhancing firms' productivity as well as allowing regions to elude their overreliance on one specific sector in the long run (Motoyama, 2008:357). Furthermore, since it enhances complementarities between firms it has a significant role to play in tourism planning.

When a tourist visits a certain region, it is not only the quality and appeal of the region that has an influence on their experience, but also the quality of the transportation, souvenirs, restaurants and hotels, to name but a few (Porter, 2000:22). The aforementioned elements all constitute to the different fragments of a cluster, therefore making these parties mutually dependent on one another (Porter, 2000:22). As a result, a less satisfactory experience in one sector may compromise the satisfaction experienced in the other sectors. All of the agents (including the company, customers, suppliers, private and public institutions and the environment in which they operate) in a tourism cluster develop impermeable competitive, cooperative and interactive relationships (Da Cunha & Da Cunha, 2005:53). In a local economy a tourism cluster will bring with it the competitive advantages from the combination of entrepreneurial, territorial and institutional linkages (Da Cunha & Da Cunha, 2005:53). From forming cooperative linkages in the tourism sector it may lead to the development of new external companies, whereby companies will further benefit from their ability to negotiate with various suppliers in their region (Nordin, 2003:19).

In essence, these linkages and clusters are necessary to make the most of tourism's potential in inclusive growth and development (Butler & Rogerson, 2016:270). As Swords (2013:378) points out, the cluster theory may still be used by policymakers as a basis to understand the linkages between various firms in a local area due to the theory being so generalisable. Through successfully developing these economic linkages it may bring with it improved prospects for local economic development (Butler & Rogerson, 2016:270). What further makes this theory useful in local economic planning is that it is fairly elastic, therefore it could be adopted to various scenarios and regions, especially when applying it to tourism development.

### **3.2.3 Romer's Endogenous Growth Theory**

Traditional neoclassical theories tend to not explain the various technological changes that have an effect on an economy's long-term growth (Todaro & Smith, 2015:159). In other words, neoclassical theory does not explain the determinants of technological progress just that technological progress is an attribute to long-term growth (Dornbusch *et al.*, 2014:78). For this reason the endogenous growth theory, also known as the new growth theory, was developed. Paul Romer's endogenous growth model addresses the technological spill-overs present with the process of industrialisation, where capital stock across the economy has a positive effect on output at an industry level (Todaro & Smith, 2015:161). According to Dornbusch *et al.* (2014:79) (2015) Romer's theory states that the spill-overs due to new research and technology by one firm lead to the formation of new technology and knowledge by other firms, therefore new technology implemented by one firm instantly spreads across the economy. Moreover, the endogenous model views new technology and research as the decisive determinant of long-term growth due to the private and public investment in knowledge intensive industries and in human capital (Todaro & Smith, 2015:161). The notion of perceiving that higher saving rates and higher equilibrium growth rates are linked is due to the impression that the investment in knowledge is a key factor in linking the former (Dornbusch *et al.*, 2014:79). Romer therefore assumes that the investment in new technology is an endogenous factor and that the investment will not only lead to the production of new machines but also to a new way of developing equipment (Dornbusch *et al.*, 2014:82). As stated by Cortright (2001:2-4), new research and technology in the Romer model comes into the production process through three methods. Firstly, for the production of new intermediary input a new strategy is used during the intermediate production phase. Secondly, human capital and labour are involved in producing the final product during the last phase of development and lastly the new product leads to an increase in the total knowledge that further leads to an increase in the productivity of the human capital in the production process

(Cortright, 2001:2-4). However, there are a number of shortcomings that the endogenous growth theory fails to take into consideration.

Criticisms surrounding the endogenous growth theory consist of:

- The endogenous growth theory accepts that there is but a single production sector and all of the industries are the same.
- The theory fails to take into account certain factors that have an influence on economic growth such as defective capital and good markets, inadequate infrastructure and insufficient institutions.
- In underdeveloped countries there is often the obstacle of ineffective incentives for development on top of inadequate levels of investment in human capital and savings, which is also not taken into account.
- The theory only place emphasis on the determinants of long-term growth, whereas developing nations are more concerned with short and medium term growth rate determinants.
- There is also limited empirical support for this theory (Todaro & Smith, 2015:162; Chand, 2016).

From the aforementioned disparagements it is evident that the theory proposes some challenges to apply it to economic development studies. Since economic development is dependent on factors such as infrastructure and institutions, the failure of the theory recognising these influential factors makes it particularly difficult to apply in LED (Todaro & Smith, 2015:162). Furthermore, developing countries often experience allocation inefficiencies, especially when they are in the process of transforming from a traditional to a commercial economy (Todaro & Smith, 2015:162). Therefore, factors such as the aforementioned need to be taken into consideration when applying the new growth theory.

Another point drawn from the new growth theory that is in contrast to tourism's fundamentals is that Romer does not view natural resources as important in his model. As stated by Cortright (2001:20) Romer used Japan as an example of a country that was unprejudiced towards new western technology and ideas, while the country had little natural resources. In the work of Nonaka and Takeuchi (1995), they pointed out how during the Meiji-era Japan imported new technology from the United States and instead of immediately becoming dependent on the imports, they instead took to learning how the new equipment worked and then started to develop and produce their own improved prototypes. However, with tourism, natural resources

are a key determinant of the success of the industry and if the tourism industry wants to develop, the region's natural resources have to be taken into consideration. With this being said, new information and technology facilitates and go together with economic development (Stutz & Warf, 2014:314). The advancement and transfer of new technologies across the economy brings with it the ability to implement more sustainable measures of development and development within a sector may become more equitable (ICLEI, 1999:9). For tourism, new technologies and the spread of information will allow communities to gain "new members" in the form of institutions and researchers that will be able to represent the community's interests across the world (Milne & Ateljevic, 2001:385).

Although these three theories mentioned in this section have various critiques and limitations, there is still much to learn and utilise when forming policies to develop the tourism industry in local regions. These three theories were chosen due to sharing various viewpoints that are to be considered when designing tourism development policies. The viewpoints applicable to tourism development are; limited government intervention is needed, cluster's act as a driving force for competition and the share of new ideas, there are numerous forward and backward linkages between economic sectors in tourism, innovation and the share of new technology will contribute to the success of the industry and coordination among the various economic sectors in a region is critical. In essence, these theories should not be used in isolation, rather their key elements such as the aforementioned should form part of an all-inclusive policy on developing sustainable tourism in a community.

### **3.3 REGIONAL ANALYSIS: THE VAAL TRIANGLE**

When it comes to tourism, not all regions are equally equipped to develop the tourism industry. According to Da Cunha and Da Cunha (2005:52), in order for a region to be able to successfully further tourism development, the region must have various social, cultural and natural characteristics that outline its uniqueness and infrastructure. Furthermore, the region should be strategically located close to areas from which tourists come from, such as large cities, which will ensure an influx of tourists, as well as have an adequate amount of tourist attractions to lure tourists to the area (Da Cunha & Da Cunha, 2005:53). According to Huang and Stewart (1996:32) local communities, such as the Vaal Triangle, generally have few resources available for development, thus more and more communities are looking towards non-traditional ways of economic diversification. In accordance with Meyer (2015), this shortage of resources, however, is not the Vaal Triangle's main impediment, as the Vaal Triangle is particularly rich in resources, rather it is more likely the maladministration of resources in the region.

It is for this reason that the Vaal Triangle region was chosen, as it adheres to the aforementioned elements deemed necessary for tourism development. The following section includes an overview of the Vaal Triangle, which includes an assessment of the region's history, various tourist attractions, as well as an outline of the region's economic profile. The goal of the aforementioned is to address the empirical objectives of conducting a regional analysis and identifying trends in several indicators within the two study municipal areas.

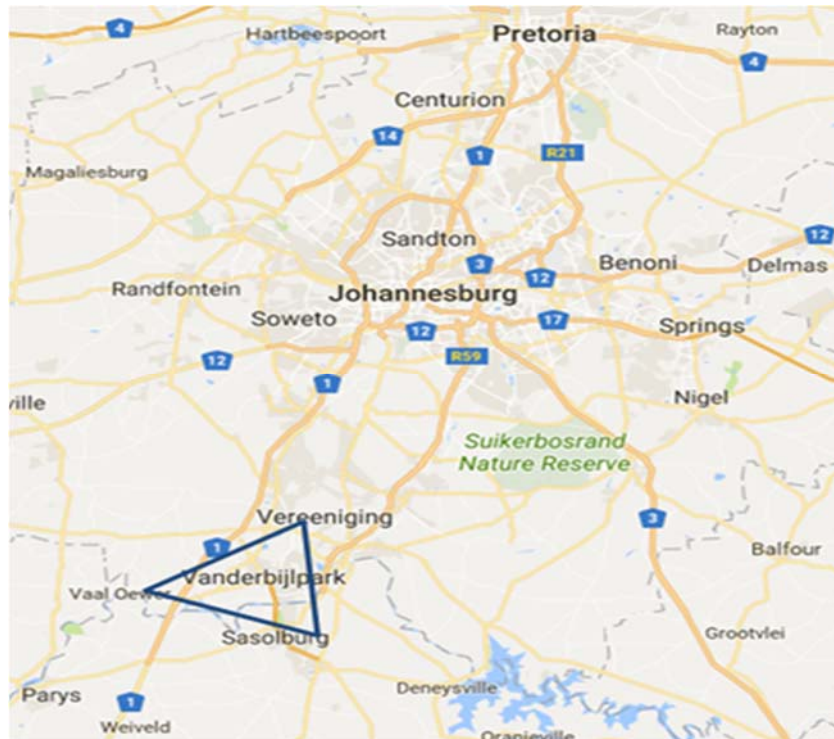
### **3.3.1 The Vaal Triangle: The towns, their history and tourism**

The Vaal Triangle received its name due to the triangular shaped area that is formed by the towns of Vanderbijlpark, Vereeniging and Sasolburg. In the latter stages of the 20<sup>th</sup> century this area was known as the industrial hub of South Africa (Local Government Handbook, 2016). The area of the Vaal Triangle is depicted in Figure 3.1. Considering Figure 3.1, the Vaal Triangle is closely situated to the major cities of Johannesburg and Pretoria, both known as the economic powerhouse cities of South Africa (Local Government Handbook, 2016). The Vaal Triangle is located approximately 80km from Johannesburg and 120km from Pretoria (Local Government Handbook, 2016). As BMI (2016:24) points out, the demand for accommodation in less travelled, quieter regions are increasing, as more and more people tend to want to avoid large tourist crowds. Therefore the Vaal Triangle is in a favourable position to attract tourists, due to being so closely situated to the major cities, as it may provide tourists with a tranquil break away.

The towns of Vanderbijlpark and Vereeniging form part of the Emfuleni municipal area, which is a category B municipality located in the Sedibeng District in Gauteng (Local Government Handbook, 2016). Sasolburg is governed by the Metsimaholo municipality, also a category B municipality, which is situated within the Fezile Dabi District in the Free State (Local Government Handbook, 2016). According to Stanton (2009:82) a category A municipality is one that is situated in a highly economically active region, characterised by high population densities and extensive levels of development. These municipalities have exclusive and statutory authority in their operating area. In addition, category B and C municipal areas have a two-tiered relationship. Therefore, a category B municipality (local municipality) shares its authority with a category C municipality (district municipality) within whose area it falls under (Stanton, 2009:83).

According to the Local Government Handbook (2016), Metsimaholo translated means “big water” in Sesotho. This name is particularly suited since the Vaal Triangle is located next to the

Vaal River. At a length of 1 210 km, the Vaal River is South Africa's second longest river after the Orange River (South Africa.net, 2017).



**Figure 3.1** A map showing the geographical location of the Vaal Triangle

Source: Google Maps (2017)

Vanderbijlpark is located on the northern banks of the Vaal River and the town is associated with the term “urban jungle” due to the vast number of trees planted (Vaal Explorer & Country Routes, 2017a:20). The town was proclaimed in 1949 due to the start of the steel industry in the area. In 1952 Governor General EG Jansen opened ISCOR (Iron and Steel Corporation), now known as ArcelorMittal Steel, and with this the town gained municipal status and was named after the town's founder Hedrik van der Bijl (World Travel Information, 2017a). Some of the other large manufacturers in the area include Cape Gate and Clotan Steel, in addition the town benefits from various other recreational facilities such as the Emerald Resort and Casino, water sport option, lodges, restaurants and historical sites (Vaal Explorer & Country Routes, 2017a:20). Vanderbijlpark caters for not only the corporate market, but also for numerous visitors and tourists. The town boasts with various possibilities in economic development due to being located along the Vaal River and being only a mere hour's drive from Johannesburg (World Travel Information, 2017a). Contributing to the town's history is the often forgotten

battle of Vyffontein. In 1900 British troops were marching from Bloemfontein to Pretoria with the aim of preventing President Kruger from leaving to Mozambique and eventually Europe (Moolman, 2017:21). Upon marching through Vanderbijlpark they were halted by a group of Boers that started firing upon them and caused the British to retreat back (Moolman, 2017:21). According to Moolman (2017:21) Vyffontein was located at the northern end of Frikkie Meyer Boulevard in Vanderbijlpark as some of the foundations and old blue gum trees are still there. The Loch Vaal or Vaal Barrage is another popular destination on the banks of the Vaal River. It is over 426 meters in length, with 36 sluice gates weighing 26 tonnes each and stores a capacity of 70 000 million litres of water (World Travel Information, 2017a). In 1913 it was suggested that a barrage should be constructed on the Lindeque's Drift site, to supply water for Johannesburg and the gold mines. However, due to the outbreak of Spanish Influenza and World War I the construction was halted and the project was later completed in 1923 (Vaal Explorer & Country Routes, 2017d:26). According to the Vaal Explorer and Country Routes (2017d:26) Prince Arthur of Connought, the grandson of Queen Victoria, set in motion the operation of one of the 36 sluice gates of the Barrage. The Barrage is seen by many as being one of the most ambitious water projects during the early 1900s by the early pioneers and a scale model of the barrage could be found in the Dick Institute Museum in Scotland (Vaal Explorer & Country Routes, 2017d:27).



**Figure 3.2 The Vaal Barrage**

Source: EcoH2o (2010)

The second town forming part of the Vaal Triangle is Vereeniging, which if translated, means “union” or “association” (World Travel Information, 2017b). The town was established in 1892

due to the discovery of coal mines in the area. ESKOM (the Electricity Supply Commission), South Africa's largest electrical supplier, operates numerous thermal power stations in the region, where coal reserves are estimated at around 4 billion tonnes (World Travel Information, 2017b). Contributing to the history of Vereeniging, The Treaty of Vereeniging was negotiated here and then signed in Pretoria, signalling the end of the Second Boer War (Vaal Explorer & Country Routes, 2017b:12). What is more, the revised democratic Constitution was signed in Sharpeville, Vereeniging in 1996, by the then President of South Africa, Nelson Mandela (SAHO, 2016). Adding to the history of the town, the Maccauvlei Golf Course is situated on an area that was part of a concentration camp erected by the British Military during the war, which lasted from 1899 to 1902 (Vaal Explorer & Country Routes, 2017b:13). Further adding to the history of Vereeniging is the Vaal Teknorama Museum that houses the two permanent exhibitions the Sedibeng Heritage Hall and the Local Leaders Hall. These exhibits portray various historic details of the area, such as the discovery of coal mines in the 1800's, Boer war heritage, the escalation of the industrial industry of the area and various palaeontological and archaeological discoveries made in the Vaal Triangle (World Travel Information, 2017b).

The last of the three towns forming part of the Vaal Triangle is Sasolburg. The town owes its existence to the petro-chemical industry, where the town was formed in the 1950s in an effort to provide housing facilities to the employees of SASOL (South African Coal Oil and Gas), from there the name Sasolburg (World Travel Information, 2017c). Sasolburg is the head office for the Metsimaholo local municipality and in the year 2000 the municipality was established through the unification of the then Sasolburg, Oranjeville and Deneysville (Local Government Handbook, 2016). Although, mostly known as an industrial town, Sasolburg offers tourists various other tourism attractions. Some of these include a bird sanctuary, hiking trails, art galleries, the Highveld Botanical garden, the Etienne Rousseau Theatre and the Vaal Racecourse catering for many horse racing enthusiasts from around the country (World Travel Information, 2017c).

Besides the historical and natural aspects of the Vaal Triangle, the Vaal River allows the Vaal Triangle many opportunities in tourism development such as skiing, canoeing, boating, house-boating, jet boarding, jet skiing, parasailing and wakeboarding to name but a few. Forming an essential part of not only the Vaal Triangle's existence, but also that of other major cities in Gauteng, is the Vaal Dam. The Vaal Dam is located on the Vaal River and covers an area of 300 km<sup>2</sup> and it has its own 5 km-long island (Vaal Explorer & Country Routes, 2017c:6). Correspondingly, the Vaal Triangle further benefits from being located close to the Vredefort Dome, which is approximately 120 km from Johannesburg (Vaal Explorer & Country Routes,

2017e:54). The Vredefort Dome was declared a World Heritage Site in 2005 by UNESCO (United Nations Educational, Scientific and Cultural Organisation), due to the area showcasing the largest meteorite impact surface in the world with a radius of a 190 km and dating back as far as 2023 million years (Coetzee, 2004:10; Vaal Explorer & Country Routes, 2017e:54).



**Figure 3.3** Aerial view of a part of the Vaal Dam

Source: Aerovis Imaging (2016).

As can be seen from the aforementioned, the Vaal Triangle is rich in natural, historical, social and cultural resources. Contributing to the detailed regional analysis of the Vaal Triangle, the following section provides an economic profile of the Vaal Triangle, which includes its population growth, main industries and the tourism industry's performance during recent years.

### **3.3.2 Economic profile of the Vaal Triangle**

It is without a doubt that economic development is linked to the resources and economic structure of a region (Pedrana, 2013:91). Local forces are shaping LED as progressively more power is shifting from national to regional governments (Ascani, Crescenzi & Iammarino, 2012:19). In order to ensure that economic activity and development occurs in a sustainable manner, development policies should be developed in an effort to assuage local weaknesses and build upon the local region's strengths (Ascani *et al.*, 2012:19). Hence, a detailed economic analysis of the Vaal Triangle should be included in the decision-making process, as it is important to gain a deeper understanding of what the economy of the region looks like to ensure the correct strategies and policies are developed accordingly. The following section provides economic statistics of the Vaal Triangle, which includes the performance of the nine main

economic sectors as well as the tourism industry. Furthermore, other economic indicators such as the regions GDP and HDI are explained.

The Vaal Triangle has a total population of over 900 000 people according to the latest statistics, which constitutes over 6 per cent of Gauteng’s total population (Global Insight, 2017). In addition, the region had a regional gross domestic product (RGDP) of R28 618 057 (2010 constant prices) in 2016 (Global Insight, 2017). When analysing the economic framework of a region, it is essential to look at the HDI, as it allows one to measure the socio-economic development of that region (Todaro & Smith, 2015:51). The HDI ranks human development on a scale from 0 (lowest level of human development) to 1 (highest level of human development) (Todaro & Smith, 2015:51). Table 3.3 shows the HDI of the Vaal Triangle for the last 10 years, as well as that of the greater Gauteng province, since the majority of the Vaal Triangle falls under Gauteng, the economic hub of South Africa.

**Table 3.3 HDI of Gauteng and the Vaal Triangle for the past 10 years (2006-2016)**

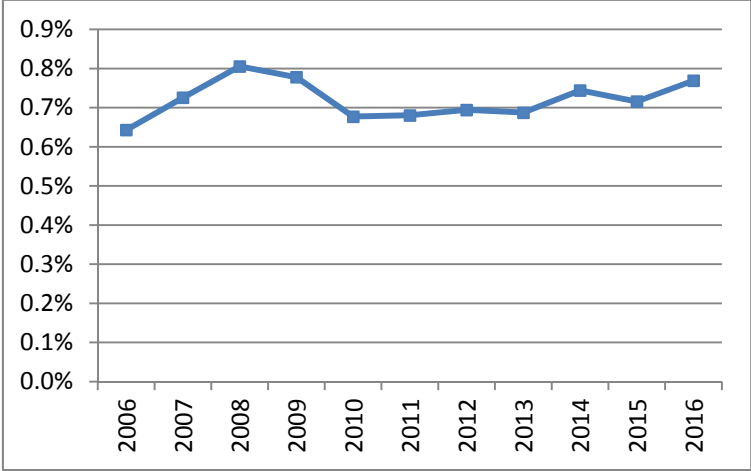
<b>Year</b>	<b>Gauteng</b>	<b>Emfuleni</b>	<b>Metsimaholo</b>	<b>Vaal Triangle*</b>
<b>2006</b>	0.64	0.59	0.57	0.58
<b>2007</b>	0.64	0.59	0.57	0.58
<b>2008</b>	0.65	0.59	0.58	0.59
<b>2009</b>	0.66	0.61	0.60	0.60
<b>2010</b>	0.67	0.62	0.61	0.62
<b>2011</b>	0.68	0.64	0.63	0.63
<b>2012</b>	0.69	0.64	0.63	0.63
<b>2013</b>	0.70	0.66	0.65	0.65
<b>2014</b>	0.71	0.67	0.65	0.66
<b>2015</b>	0.71	0.67	0.66	0.67
<b>2016</b>	0.72	0.68	0.66	0.67

\*The HDI values for the Vaal Triangle are the average HDI of Emfuleni and Metsimaholo combined

Source: Global Insight (2017)

As can be seen from Table 3.3 the HDI for the Vaal Triangle has increased over the last 10 years as well as the HDI for the Gauteng province. Countries and/or regions can be ranked into four groups according to their HDI measurements. These four groups are: low human development, ranging from 0.0 to 0.535, medium human development, ranging from 0.536 to 0.711, high human development, ranging from 0.712 to 0.799 and lastly very high human development that ranges from 0.8 to 1.0 (Todaro & Smith, 2015:53). From observing the figures in Table 3.3, specifically the HDI of 2016, the Gauteng province falls in the high human development

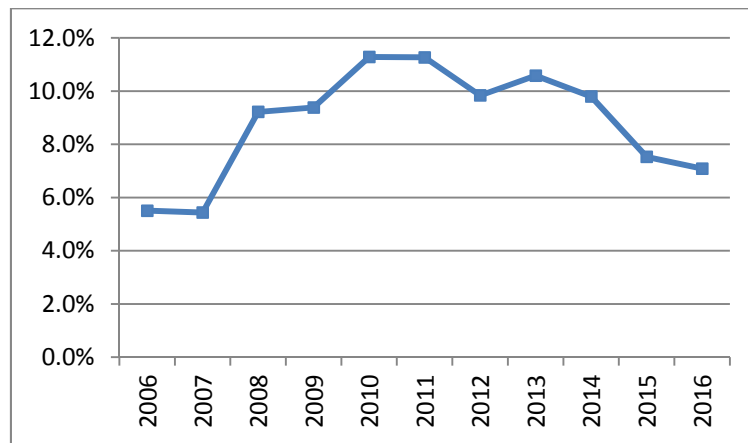
category, which is to be expected from such an economically active province. The Vaal Triangle on the other hand falls under the medium human development category, which shows that there is still much room for improvement to advance economic development and as a result human development in the region. Adding to the economic profiling of the Vaal Triangle is the nine main economic sectors of agriculture, mining, manufacturing, electricity, construction, trade, transport, finance and community services. The following figures (Figures 3.4 to 3.12) illustrate each of the broad nine economic sector’s regional contribution (Gross Value Added by Region (GVA-R)) to the economy of the Vaal Triangle for the last decade. Note that the values in the following figures are the average of Emfuleni and Metsimaholo combined.



**Figure 3.4** Agriculture’s regional economic contribution (%)

Source: Global Insight (2017)

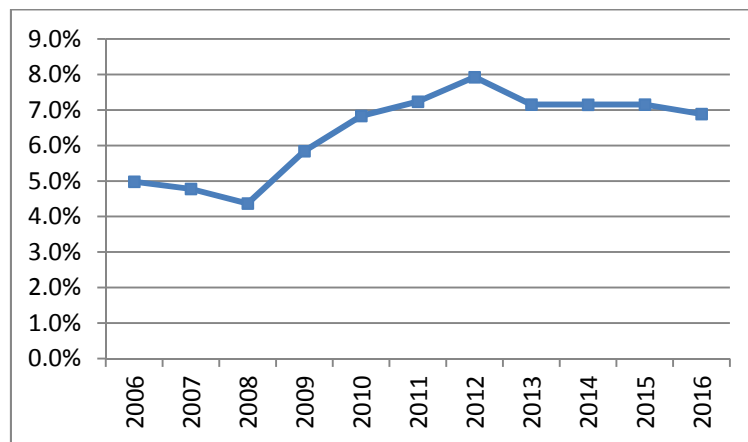
From looking at Figure 3.4, the agricultural sector’s economic contribution has experienced a sharp decline after 2008, which could possibly be due to the world financial crisis during this period that spilled over into the local markets of South Africa. However, the sector has been on the increase from 2011, contributing 0,8% to the economy of the Vaal Triangle in 2016.



**Figure 3.5 Mining’s regional economic contribution (%)**

Source: Global Insight (2017)

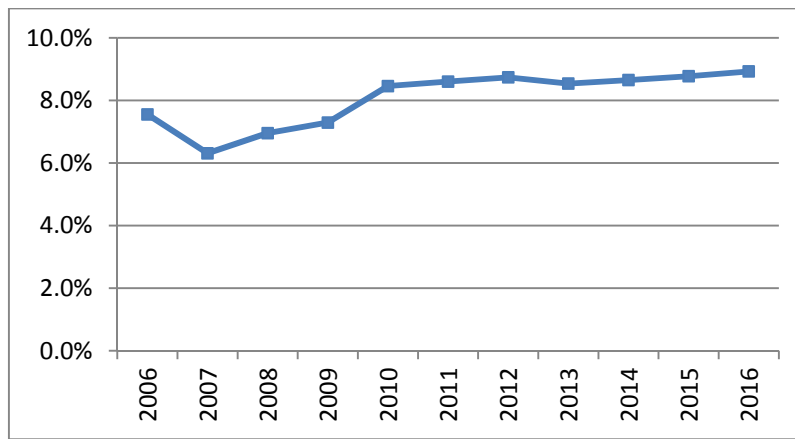
From examining Figure 3.5, the mining sector has been on an economic downturn since 2013. This decrease in economic contribution could possibly be due to falling commodity prices as well as high labour costs. From 2013 on the sector has been troubled by continues protests by miners demanding higher wages. This has had a profound impact on the productivity and operation costs of mines throughout the country, as numerous mines are struggling to stay afloat.



**Figure 3.6 Electricity’s regional economic contribution (%)**

Source: Global Insight (2017)

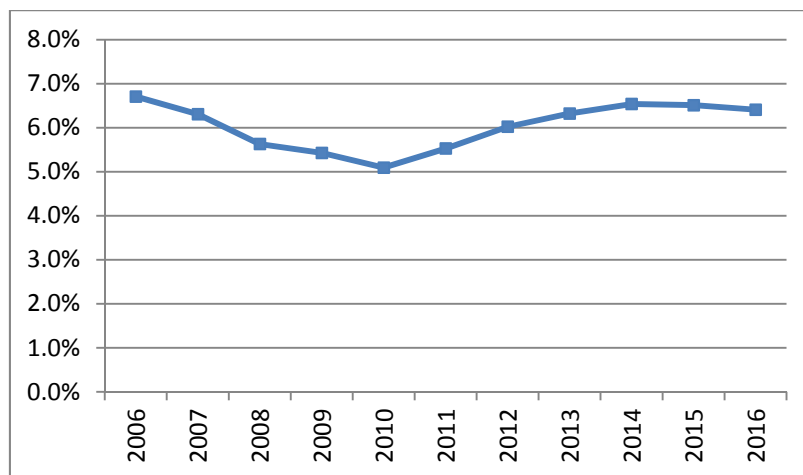
The electricity sector has been slowly decreasing from 2012 onwards, as can be seen in Figure 3.6. The sudden fall in the sector’s economic contribution in 2008 could be attributed to the financial crisis. The sector has recovered from the financial crisis, however, load shedding has been taking its toll on the sector and there has been a steady decline from 2015 to 2016, as illustrated in Figure 3.6.



**Figure 3.7 Trade’s regional economic contribution (%)**

Source: Global Insight (2017)

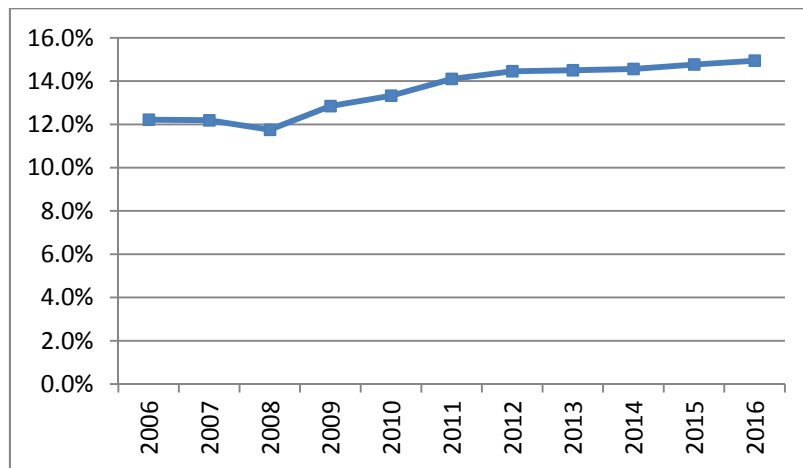
The trading sector is one of the few sectors that have shown relatively constant growth over the last six years, as can be seen in Figure 3.7. The financial crisis have had its effect on the sector, yet it was quick to recover and is on an upwards trend ever since.



**Figure 3.8 Transport’s regional economic contribution (%)**

Source: Global Insight (2017)

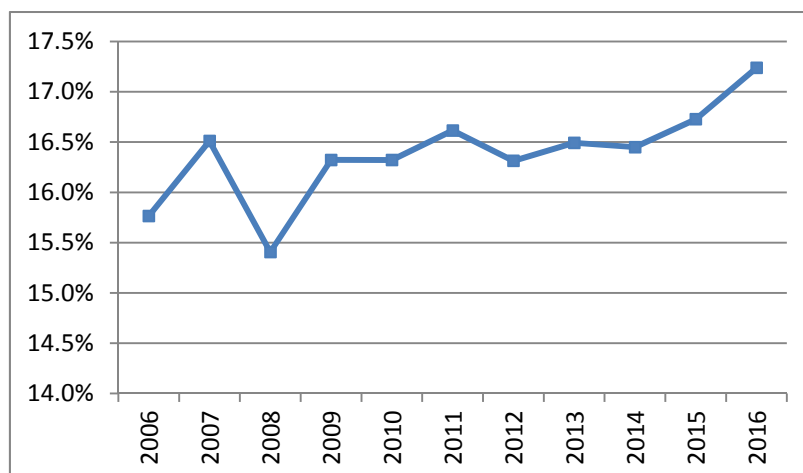
From looking at Figure 3.8, the sector has seen a decline in its economic contribution during the period of 2007–2010. This could also be attributed to the financial crisis, which had an effect not only on consumer’s disposable income but the fuel prices as well. Hence, the sector is among the slowest to recover. Rising fuel prices are still putting strain on the sector as a slow decrease in the sector’s economic contribution from 2015 can be seen from Figure 3.8.



**Figure 3.9 Community services regional economic contribution (%)**

Source: Global Insight (2017)

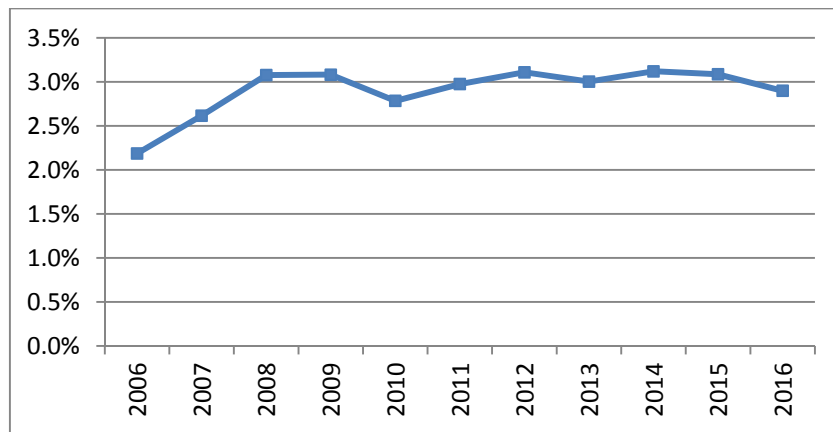
With the financial crisis of 2007/08, the government had to cut on expenses, thus a fall in the community services sector was to be expected during that period. The sector’s economic contribution has been on an upward trend from there on.



**Figure 3.10 Finance’s regional economic contribution (%)**

Source: Global Insight (2017)

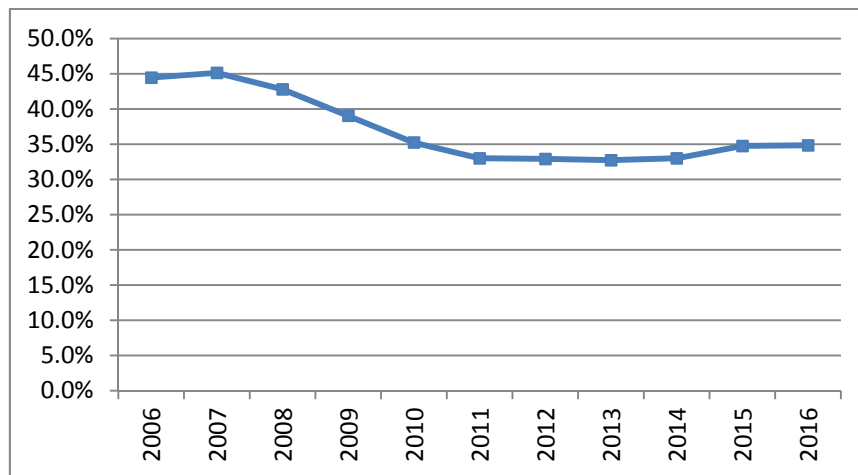
The financial sector experienced the largest economic shock during 2007/08, which does not come as a surprise seeing that the start of the financial crisis was due to a failure of international banking services. The sector is, however, experiencing a strengthening of the local markets, especially from 2014, continuing on a sharp upward trend throughout 2015 to 2016, as illustrated in Figure 3.10.



**Figure 3.11** Constructions regional economic contribution (%)

Source: Global Insight (2017)

During recent years the construction industry has been relatively stable in its economic contribution, especially when compared to the other industries. The industry has experienced a slight downturn in 2009, which could possibly be attributed to the long-term spill-over effects of the financial crisis in 2007/08. The Vaal has been expanding quite drastically during the past ten years, which could also explain the sector’s relatively constant trend line. However, the industry is experiencing a downward notion from 2015, which could possibly be as a result of labour unrest and rising operational costs.



**Figure 3.12** Manufacturing’s regional economic contribution (%)

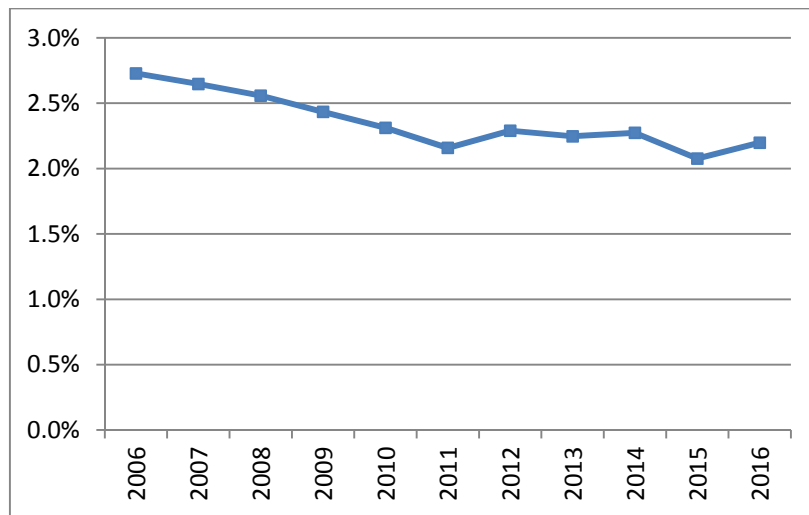
Source: Global Insight (2017)

The manufacturing sector has been on a downward trend ever since the financial crisis of 2007/08. Adding to this, the sector has been under threat from cheaper imports that is discussed further on in this section. The manufacturing sector may act as an example of how important

government's role in the protection of local corporations and markets are to prevent the demise of entire industries across the nation.

It is evident Figures 3.4 to 3.12 that the region has experienced a level of economic downturn during recent years, as much of the various sectors' contributions to the regions overall GDP have been slowly declining. The sectors of agriculture and trade have been slowly increasing, whereas the sectors of transport and community services have remained relatively constant over the last three years. Quite noticeably the financial sector is the only one of the nine broad sectors that has shown substantial growth during the last few years, and this sector seems to be outperforming the other eight sectors. Ominously the manufacturing sector has seen the largest decline in sector share and economic contribution during the last decade. Alarming, when analysing the statistics of the past decade, it should be noted that the industry has seen a drop of 10 per cent in its economic contribution to the regional economy. The steel industry in South Africa, in particularly the largest manufacturer and exporter ArcelorMittal, are threatened by Chinese imports that are cheaper than locally manufactured steel, thus the industry found itself on the edge of shutting down. Hence the large drop in the manufacturing sector's contribution to the economy in the Vaal Triangle, as the main plant of ArcelorMittal is in Vanderbijlpark and had to cut down on hundreds of jobs. In addition, the manufacturer has another plant in Vereeniging that at one stage was barely in operation. This has led to the loss of thousands of jobs across the country over multiple plants. According to Tsheole (2015) more than 800 000 jobs, directly and indirectly, could be lost if the steel industry were to close, as ArcelorMittal not only has plants in Vanderbijlpark and Vereeniging, but also in New Castle, Saldana and Pretoria. The government has in the meantime introduced import taxes on these Chinese imports (The Africa Report, 2015), however, some argue that it has been a little too late and not merely enough is being done to protect local manufacturers.

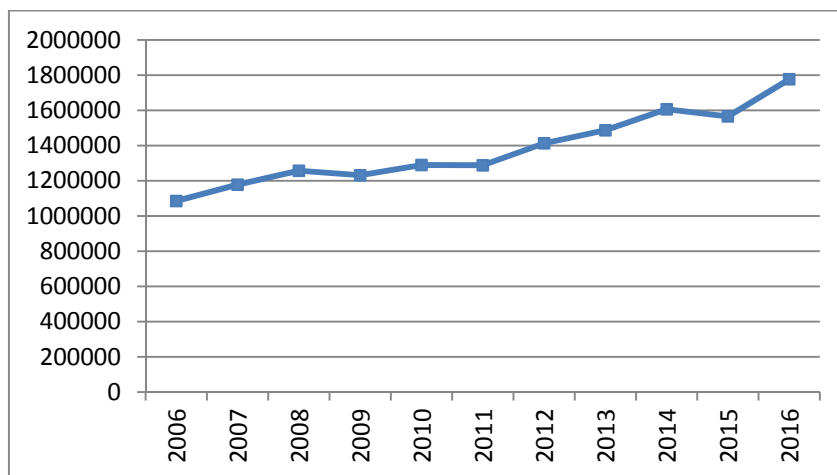
It is evident that the Vaal Triangle is overly reliant on the industrial sector, which results in the region's economic growth being extremely vulnerable to external shocks in the manufacturing sector. This emphasises the need for economic diversification in the region (Sedibeng District Municipality, 2017:125). This is where tourism can prove to be helpful, as tourism may aid regions, such as the Vaal Triangle, which are experiencing industrial economic predicaments (Pedrana, 2013:92). As Pedrana (2013:92) states, tourism may act as a new tool in steering LED as it could aid in the economic conversion of economic activities. Furthermore, as mentioned in Chapter 2, tourism forms linkages with various other economic sectors and therefore it could aid in the development of other economic sectors both directly and indirectly.



**Figure 3.13 The tourism sector’s regional economic contribution (%)**

Source: Global Insight (2017)

Figure 3.13 illustrates the tourism industry’s contribution to the economy of the Vaal Triangle (GDP) over the past decade. Although its contribution has declined from 2006, it has been increasing from 2015, to an average of 2,2 per cent. It should be noted that in Emfuleni its contribution was the largest at 2,6 per cent in 2016. Tourism spending in the region has also seen an increase, as is illustrated in Figure 3.14.



**Figure 3.14 Total tourism spending (R1000)**

Source: Global Insight (2017)

Total tourism spending in the Vaal Triangle has been increasing significantly to a total of R1 776 388 in 2016, as is evident from Figure 3.14. This figure has a significant positive effect to the regions GDP. Another positive is the increase in total tourism trips to the area, which amounted to over 400 000 trips in 2016 (Global Insight, 2017). Of this, the largest group of trips

were for holiday/recreational reasons. These figures indicate that tourism in the Vaal Triangle has potential to develop and could indeed act as a new way of routing LED. The question, however, remains that whether or not this growth in tourism spending and GDP has an impact on the human development of the Vaal Triangle.

From reviewing the Vaal Triangle's status quo, it is evident that the region is rich in social, cultural, natural and historic resources. Moreover, statistics indicate that tourism in the region has indeed been increasing during recent years, which showcase its potential for further development, especially when taking into consideration the struggling broad nine sectors in the region. The next section of this chapter includes a brief review of some of the previous studies that are similar in their nature to this study, although there is an identified gap in the literature, which this study aims to fill.

### **3.4 A BRIEF REVIEW OF PREVIOUS EMPIRICAL STUDIES**

Throughout the study thus far it has become evident that all across the world tourism's importance in the economy is being recognised ever more. With this being said, in accordance with Hoogendoorn and Rogerson (2015:104), it would seem that the majority of tourism research has been on countries and major cities internationally. The advances made in statistical estimation techniques during recent years have allowed researchers to expand their samples and deliver more accurate results of the relationship between variables. As a result, this section provides an overview of previous studies that are similar to this particular study, where certain studies may act as a support basis or contradiction to the findings of this study.

As research into tourism and its effects on an economy has been increasing, the empirical results from these studies have resulted in a variety of conflicting results. There have been numerous studies that have investigated the relationship between economic growth and tourism. In the case of a single country analysis, researchers focus entirely on analysing one country, being either developed or developing. Some of these studies include the work of Balaguer and Cantavella-Jorda (2002), where they found that tourism does lead to economic growth in the case of using data from 1975 to 1997 for Spain. Other studies that have found a relationship between economic growth and tourism includes Dubarry (2004) with the analysis of data from 1952 to 1999 in Mauritius, Oh (2005) with analysing South Korea from 1975 to 2001, Brida, Sanchez-Carrera and Risso (2008) with the analysis of data from 1980 to 2007 in Mexico, Belloumi (2010) with investigating data from 1970 to 2007 in Tunisia and Kreishan (2011) with data from 1970 to 2009 for Jordan. However, Balcilar, van Eyden and Inglesi-Lotz (2014) found no

relationship between tourism and economic growth in the case of South Africa, where they used a VECM model to test data from 1960 to 2011.

In addition to the aforementioned, some empirical studies have instead of focussing on one country, used a panel of countries to investigate the tourism growth relationship (Phiri, 2016:36). For instance, Lanza, Templee and Giovanni (2003) found evidence of a bidirectional relationship between tourism and economic growth with the analysis of data from 1977 to 1992 for 13 OECD countries. Moreover, Lee and Chang (2008) found a bidirectional relationship between tourism and economic growth in non-OECD countries and a causality running from tourism to economic growth in OECD countries, with the use of data from 1990 to 2002. With analysing data from 1990 to 2007 of 19 island economies, Seetanah (2011) found a bidirectional relationship between tourism and economic growth. In addition, Chiou-Wei and Chen (2009) tested data for Taiwan and South Korea from 1975 to 2007 and found a causality running from tourism to economic growth for Taiwan. Conversely, Eugenio-Martin, Morales and Scarpa (2004) tested the data of high income Latin-American countries, from 1980 to 1997, and found no relationship between tourism and economic growth.

With this being said, the main critique of these studies are the generalising of their results, as these results are from countries pooled together with entirely different populations and economic disparities. What is more, while the main focus is on what impact tourism has on economic growth nationally and internationally, almost no-one looks deeper into what this relationship is on the point of origin- local communities. Upon reviewing previous empirical studies, it became apparent that much less attention has been focussed on assessing whether or not tourism development and growth does indeed contribute to the reduction of income inequality and poverty (Kinyondo & Pelizzo, 2015:64). In addition, as Hashimoto (2002:233) points out, there are almost no methodical reports specifying the degree of social benefits resulting from tourism development. Cárdenas-García *et al.* (2015) published an article wherein they have found a relationship between tourism and economic development from analysing data from a 144 countries. However, this study again used a very large sample size, where it suggested that the link between tourism and economic growth is especially significant in developed countries. Nevertheless they have managed to determine a link between the former, and the stronger evidence pertaining to developed countries could be attributed to the generalisation of results, which occurs when using such large samples across distinctly different countries. Nonetheless, there is still missing empirical evidence of this link at a regional level.

Adding to previous research articles based upon tourism and its link to economic development, tourism has often been criticised on not being inclusive and providing only low-skilled jobs and incomes, wherefrom local communities will not necessarily benefit. However, in a study by Butler and Rogerson (2016), they have found that tourism growth can be inclusive and contribute to the local development of regions. Although this study was not based on empirical research, they used qualitative methods in the form of interviews with local residents of a local tourism community in South Africa, where the results proved as evidence that tourism may indeed be inclusive if the community is involved. Following, some of the main findings from the interviews with tourism employees and local residents in the study are surmised:

- Due to many employees being employed for lengthy periods, many had received increased responsibilities, promotions and even the opportunity to gain formal qualifications.
- For many interviewees it felt that by being employed in the tourism industry they felt less vulnerable to retrenchment as they did in other industries.
- Residents started to view their jobs as careers as they gained more and more skills.
- Members felt that the employment opportunities offered by tourism provides local people with a range of social and economic benefits.
- Members acknowledged that in the beginning their positions were not accompanied by high salaries, but it did provide them with significant stability.
- Tourism provided employees with training, new skills, literacy skills and new linguistic capabilities.
- Self-esteem under members grew, as well as safety in the community, as community members cared about the welfare and reputation of a tourism region (Butler & Rogerson, 2016:273-276).

Thus the study conducted by Butler and Rogerson (2016) may act as qualitative evidence of the positive impact and link between tourism and economic development in local regions.

### **3.5 SYNOPSIS**

This chapter set out to achieve the theoretical objective of analysing the three most applicable development theories pertaining to this study as well as to conduct a regional analysis identifying trends in several indicators within the two study regions. The theories of Big Push, Romer and Porter were chosen due to their various similarities and attributes that make them useful to apply to tourism development in the Vaal Triangle. The detailed regional analysis of the Vaal Triangle

highlighted the various potential elements the Vaal has to develop its tourism market. Furthermore, the economic profiling indicated that the Vaal is over-dependent on the industrial sector, which makes the region particularly vulnerable to external shocks. Thus, applying the theory to the region calls for investment in more than one industry, especially in tourism, as this could contribute towards diversifying the Vaal's economy. In addition, tourism with its numerous clusters forms many linkages with the other economic sectors, which could advance local support for all of the other economic sectors. New technologies should also be applied as far as possible, although considering the Vaal's abundance of natural resources is imperative. Reviewing previous empirical studies further strengthened the case for this study, as there is a clear gap in literature with regard to tourism development and its role in economic development.

For this reason the subsequent chapter forms part of the core of this study, as the methodology includes an induction on the various steps and statistical procedures that are followed in this study in the aim to achieve the empirical objectives set out in Chapter 1.

## CHAPTER 4

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### RESEARCH METHODOLOGY

#### 4.1 INTRODUCTION

Research has an increasingly important part to play in modern day life due to its scientific and non-scientific attributes. Every day, across all spectrums of operations, new events, processes, phenomena and obstacles occur that require new solutions and answers to overcome these challenges (Rajasekar, Philominathan & Chinnathambi, 2006:2). Kothari (2004:1) describes research as an art of undertaking scientific investigation. Research has several objectives ascribed to it, namely; to determine new realities, to identify the cause and effect relationship of an event, to verify existing facts, to develop solutions to non-scientific, scientific and social issues and to develop new strategies, tools and theories to help understand and solve everyday problems (Rajasekar *et al.*, 2006:1). Research methodology forms a key part of any study as it describes the various procedures followed by the researcher in order to carry out the research.

Therefore, this chapter presents the methodology that was followed to determine the impact of tourism on LED in the Vaal Triangle region. The discussion starts off with a review of the research paradigms that provides a foundation to the methodology. In addition, it includes a discussion of the research approach that was implemented, which is followed by a discussion of the econometric framework and qualitative analysis that was utilised in this study.

#### 4.2 THE VARIOUS RESEARCH PARADIGMS

Research is an essential part of the foundation upon which comprehensive theories are converted into practise and vice versa, thus it is important for researchers to indicate the philosophical and methodological fundamentals whereupon their research is based. This is where research paradigms play an integral part, as the methodology is one of three elements in which researchers work. The other two elements are ontology and epistemology (Sobh & Perry, 2005:1194). The ontological element deals with the notion that researchers may either view themselves independently from the reality or they assume subjectively that the reality exists due to their contributions (Orlikowski & Baroudi, 1991:7). In brief, ontology can be seen as the reality that researchers examine. Epistemology on the other hand, revolves around the nature of knowledge (Crotty, 1998:8). As Cohen, Manion and Morrison (2013:116) assert, epistemology involves the beliefs of a researcher that knowledge is based on more personal experiences that

are leaning towards subjective practises or it is seen as more tangible. Thus, it is the relationship between the researcher and that reality. Epistemology and ontology can be seen as the basis on which research is built (Grix, 2004:58). In line with Dammak (2015:2), the methodology used by a researcher can be ascribed to his epistemological and ontological assumptions. As Mack (2010:6) points out, many researchers have contrasting views on where one should start with research, in other words to start in either the epistemological, ontological or methodical dimension. However, Grix (2004:68) suggests that research is done best when the researcher starts by clearly identifying the relationship that could be researched (the ontological dimension), where after the link is made with what is already known about the topic (epistemological dimension) and then proceeding with how the research is going to be conducted (the methodology).

A research paradigm can be described as assumptions, propositions and concepts that orientate a researcher's research and thinking (Bogdan & Biklan, 1982:30). Likewise, Guba and Lincoln (1994:105) define a research paradigm as a representative of a researcher's world view that directs them in their analysis. There are four of these research paradigms, namely realism, constructivism, critical theory and positivism. A researcher in the realism paradigm has the belief that there is a "real" world to discover although this world may be improperly apprehensible (Healy & Perry, 2000:118). This means that the shared reality of an economic system is researched in order to gain an understanding of how people within this system operate interdependently from one another (Sobh & Perry, 2005:1200). According to Pring (2000:58) researchers in this paradigm have the perception that there is a world and reality to discover that exists independently of them. Furthermore, researchers under this paradigm gains new knowledge through theoretical experimentation and reasoning (Outhwaite, 1983:332). Methods such as statistical analyses, unstructured or semi-structured in depth interviews and case studies are suitable to use in the research processes (Krauss, 2005:762). Lastly, the main objective of research in the realism paradigm is to develop a multitude of answers that extends over several contexts and different philosophical contributors (Healy & Perry, 2000:123).

The second paradigm is that of constructivism, also known as the interpretivist paradigm. Researchers in this paradigm are of the opinion that the truth of their research is a specific belief system that forms part of a specific context (Healy & Perry, 2000:120). Constructivism gained its name as it gives emphasis to the capability of individuals to construct meaning. Researchers belonging to this paradigm regard themselves as participants within the research subject that they investigate (Edge & Richards, 1998:336) and normally they seek to understand the research

subject rather than explain it (Mack, 2010:8). Here, findings of the research are related to the world as it is viewed by individuals, thus creating multiple constructed realities (Sobh & Perry, 2005:1195). The aforementioned multiple perspectives about reality are a result of the perspectives of numerous individuals and these individuals all have a different interpretation of events, thus multiple perceptions arise (Mack, 2010:8). However, due to these various multitudes of perceptions, the quality of the various answers obtained from the research cannot be judged according to a set benchmark (Lincoln & Guba, 1985:295). The main tenant of the constructivism paradigm is that through the direct involvement of people the research can be observed from the inside, as according to Mack (2010:8) research should never be objectively observed from the outside.

The third paradigm is that of critical theory. The critical theory paradigm places emphasis on social realities that incorporates historical structures and as a result researchers from this paradigm normally aim to transform and criticise cultural, social, economic, political, gender and ethnic values (Healy & Perry, 2000:119). This paradigm came into existence due to researchers having the viewpoint that educational research neglects social inequalities as well as being too technical and only concerned with the rationality and efficiency of the research design (Mack, 2010:9). As a result, researchers under this paradigm have the objective of changing the social world wherein participants live (Sobh & Perry, 2005:1195). For this reason, Edge and Richards (1998:341) add that researchers in the critical theory paradigm are more concerned with action and less concerned about the discovery of information. The economic and political foundations upon which new curriculums, teachings and knowledge is built should be included and analysed by researchers in their research process (Mack, 2010:9) and both participants and researchers are involved in the research process (Dammak, 2015:9). Since participants are actively involved in the research process, they may help the researcher with the collection and analysis of the data as well as with designing the question research (Dammak, 2015:9). Research under the critical theory paradigm are normally long-term studies of organisational structures and processes that are historical and ethnographic in nature (Healy & Perry, 2000:119). The assumptions gained by researchers through their studies are subjective, and as a result it is value dependent and not value free (Healy & Perry, 2000:119).

The last paradigm is the positivism paradigm. Positivism essentially assumes that independent facts about an apprehensible reality can be quantitatively measured (Healy & Perry, 2000:119). In this paradigm researchers are independent of the study, thus through measurements or direct observations new knowledge is developed and verified (Krauss, 2005:759). The establishment of

a cause and effect relationship is the main belief of researchers in the positivist paradigm (Dammak, 2015:2). Here researchers are seen as independent observers of an unbiased reality where they use regularities to make predictions as well as scientific methods to analyse the perceived social world (Mack, 2010:6). Furthermore, in an effort to postulate theories researchers use deductive reasoning to test these theories (Krauss, 2005:760). As a result, the data analysis and its outcomes and results are value free and do not change if being observed (Healy & Perry, 2000:119). Thus, put differently, the resulting new research is value free and discovered objectively (Neuman, 1997:64). Research in the positivist paradigm places emphasis on numerical, quantitative data that includes statistical analysis procedures (Mack, 2010:6; Dammak, 2015:4). In addition, research in the positivism research achieves internal validity through an extent to where changes in the dependent variable can be ascribed to the measured variation in the independent variable (Lincoln & Guba, 1985:290). According to Sobh and Perry (2005:1196) in business research the positivism paradigm is the most extensively used paradigm. Since this study aims to determine the impact of tourism on LED in the Vaal Triangle through quantifiable methods, as well as qualitative methods, the positivist paradigm is best suited for this study. However, as this study also made use of a qualitative analysis using a focus group and in-depth interviews to gain a deeper understanding of the tourism sector in the Vaal Triangle region, a second paradigm is also prevalent. The second paradigm where this study finds its philosophical underpinning is the humanist/interpretivist or constructivism paradigm. The qualitative part of the study fits this paradigm due to its nature in trying to gain a deeper understanding of the deeper understanding of the tourism profile in the Vaal Triangle, by discussing the issues at hand directly with key stakeholders within the tourism industry of the Vaal Triangle region.

In essence, rather than focussing on the methodology instead focus on the phenomenon that is being researched, the most appropriate methodology could be chosen by researchers to conduct their studies. In accordance with Krauss (2005:761) the methodology chosen by researchers depends on what they are trying to achieve and determine rather than their commitment to a specific paradigm. The following section provides an explanation of the research approach that was taken in this study.

### **4.3 THE RESEARCH APPROACH**

When it comes to conducting research, the process of doing so is more than just undertaking the main steps of a research procedure. The research approach can be described as the way in which the information and data of a study are captured and analysed (Wei, 2010:17). Depending on the

nature of the research questions and problems of a particular study, the researcher chooses a research approach that is best suited to address the aforementioned elements. There are three categories of a research approach that could be applied namely quantitative, qualitative or mixed method approach (Williams, 2007:65). Essentially quantitative approaches entail the use of numbers and large samples to examine theories, whereas qualitative approaches entail the use of meanings and words to construct theories (Sobh & Perry, 2000:1194). Researchers taking the quantitative approach are mainly concerned with answering questions pertaining to where, how and who, whereas researchers using the qualitative approach are mainly concerned with answering the questions of why and how (Harrison & Reily, 2011:7).

As mentioned earlier, quantitative approaches deal with numerical representations of observations where the research problem is based upon the need of a researcher to explain why certain phenomena occur or based on certain trends in the particular field (Creswell, 2012:13). Furthermore, as Creswell (2012:15) points out that the data in a quantitative study are analysed with statistical procedures where the data could be broken down and used to answer research questions. The purpose of quantitative studies is for the researchers to, through an objective process, represent their findings across a larger population (Borrego, Douglas & Amelink, 2009:54), as well as to confirm or establish certain relationships between variables (Leedy & Ormord, 2001:102). Moreover, quantitative studies allow researchers to access whether or not the results and conclusions from the statistical analysis could be applied and replicated within a greater population (Borrego *et al.*, 2009:54). One of the benefits of using a quantitative study approach is that due to the use of several statistical procedures a researcher contributes information objectively to the study field. Creswell (2012:15) further enunciates that values and biases do not have an influence on the results gained from a statistical analysis as the design study allows for the control of all variables that may have led to bias in the study.

Qualitative approaches on the other hand relate to the assembly and analysis of textual data such as interviews, observations, surveys and conversational analysis (Borrego *et al.*, 2009:55). Creswell (2012:16) proposes that when addressing a research problem and the researcher is unsure of what the variables are and needs to explore it, a qualitative method is best suited. Punch (2009:144) attributes that within qualitative studies interviews are the prominent method for data collection. Since there are three main ways of structuring an interview, which includes structured, semi-structured or unstructured interviews, the researcher chooses the type of interview that is best suited to his research question and purpose of the study (Dammak, 2015:7). According to Denzin and Lincoln (2008:29) qualitative researchers are always pursuing more

effective ways to ensure the comprehensibility of the experiences they have studied through the use of a comprehensive range of interrelated interpretive methods. Many perceive that the main objective of qualitative research is to understand the complexity of human behaviour and experience from the viewpoint of those involved in the study (Krauss, 2005:764). Krauss (2005:764) further enunciates that a qualitative researcher circumvents their own views, although due to the exchange of knowledge and ideas between the researcher and participant subjective understanding is to be expected.

However, numerous studies develop the need for both the human element and objective data to be present in the research study. This is where a mixed method approach arises. A mixed method approach can be defined as a method that uses both qualitative and quantitative data collection and analysis in a single study (Borrego *et al.*, 2009:57-58).

Up until the 20<sup>th</sup> century, the quantitative research approach was the only approach available and due to its inclusion of epistemological, methodological and ontological principles it was considered to be the only manner of conducting research (Onwuegbuzie & Leech, 2007:266). However, from the 20<sup>th</sup> century, qualitative research started to emerge due to various researchers embarking on this research approach. Onwuegbuzie and Leech (2007:266) note that during the 1960s, the emergence of the mixed method approach as the mixing of quantitative and qualitative data became a popular research choice. Therefore, the occurrence of mixed method research is relatively new to the research realm.

A mixed method approach is particularly favourable in studies where the amalgamation of both quantitative and qualitative methodologies provide a better understanding of the research problem than what they would have identified when used alone (Creswell, 2012:22). According to the CIRT (Centre for Innovation in research and Teaching, 2008) some of the advantages of using a mixed method approach are:

- Personal biases of a researcher are reduced with the combination of methodologies.
- Deductive and inductive reasoning and thinking is included in this method.
- Mixed methods can correct the weaknesses of quantitative and qualitative approaches with the allowance of both analysis and exploration in the same study.
- Additional support and evidence for the findings of the study are provided with the use of both quantitative and qualitative approaches.
- Researchers are able to accumulate more comprehensive data due to being able to use all of the tools available to them.

- The accumulation of more comprehensive data gives researchers a bigger perspective of the research problem.
- The researcher will be able to appeal to a larger audience with the use of both numbers and words to communicate the findings and results of the study.

In order to achieve the primary objective of this study a mixed method approach was utilised. This is because the study involved the use of secondary data that were statistically and objectively analysed, as well as the inclusion of semi-structured interviews that provided a deeper understanding of the tourism industry of the Vaal Triangle region. Quintessentially, Johnson and Onwueghuzie (2004:16-17) assert that the research approach chosen should be one that charts the research question in a manner that offers the researcher the best chance to obtain valuable answers. The subsequent section elaborates on the econometric framework that was applied in this study.

#### **4.4 ECONOMETRIC FRAMEWORK**

The use of econometrics is becoming ever popular, as research in finance, marketing, management and economics are becoming progressively more quantitative in their nature. Gujarati and Porter (2010:1) define econometrics as a social science wherein economic mathematics, theory and statistical tools are implemented in order to analyse economic occurrences. In other words, econometrics refers to economic measurements. Normally there are three types of data that are available to use in empirical analysis. According to Gujarati and Porter (2010:4) these three types are time series, cross-sectional and panel data. Time series refers to a dataset that includes observations of a single phenomenon over several time periods (Creswell, 2012:314). Conversely, cross-sectional data involves the analysis of data on either one or more variables at a single point in time (Ivanov & Webster, 2013:480). Panel data on the other hand, includes a combination of elements from both times series and cross-sectional data (Gujarati & Porter, 2010:4).

When it comes to examining tourism and its role in an economy, it is important to use the appropriate statistical procedures to ensure that the analyst and planners have sufficient abilities to implement the right policies and strategies to reflect the local population (Lankford, 2001:316). Further complicating quantitative tourism analysis, as pointed out by Ivanov and Webster (2013:481), is the fact that tourism is not homogenous; rather the industry includes economic activities with diverse labour and capital necessities. Cross-sectional and time series data does not allow for the control of this heterogeneity, thus it may allow to attain biased

results, whereas panel data advocates that countries, regions, firms and individuals are heterogeneous (Baltagi, 2005:4). It is for this reason that a panel data model was used to conduct this research study. According to Saleh, Assaf, Ihalanayake and Lung (2013:219) panel co-integration estimators allow for an increase in the amount of information emanating from the cross-sections and are therefore more influential. With panel data, individuals such as countries, firms and cities are observed at numerous points in time (Schmidheiny, 2016:1). According to Hsiao (2006:3-7), panel data have the following advantages:

- Panel data gives more accurate information, efficiency, variability and freedom.
- Panel data allows for greater capacity in capturing the dynamics of change.
- It is better to detect and measure effects that cannot be purely observed in cross-sectional and time series data.
- Due to pooling the data, panel data is able to deliver more accurate predictions than what would have been through the use of an individual outcome.
- The chance for delivering biased results are far less with the use of panel data as it can make thousands of data units available.
- The studies of complex economic behavioural models are made possible with the use of panel data.

As Schmidheiny (2016:1) points out, when it is suspected that the outcome variable depends on the explanatory variables, where these variables, although not observable, are collated with the explanatory variables, panel data are most useful. A variable can be described as a feature or characteristic of an element such as a firm or individual, which is observable and measurable by researchers as well as varying between the elements under study (Creswell, 2012:112). As mentioned in Chapter 1, this study included the implementation of two multiple regressions in order to determine the impact of tourism on LED.

A multiple regression is a regression where multiple variables (influences) affect the dependent variable, thus instead of having only one independent variable, there are now several (Gujarati & Porter, 2010:93). The first multiple regression analysed the impact of tourism on economic growth, where economic growth (GDP) was the dependent variable (Y). A dependent variable can be described as a characteristic or element that is influenced, thus dependent on, by independent variables (Creswell, 2012:115). Creswell (2012:116) refers to an independent variable as a characteristic or element that has an effect or influence on the dependent variable

(outcome). Creswell (2012:116) further enunciates that independent variables are often termed predictors, antecedent, factors or determinants in research studies (Creswell, 2012:116).

The independent variables (X) in this regression were tourism spending, total tourism trips and the hospitality sector (restaurants and hotels). The second multiple regression that investigated the impact of tourism on economic development, had economic development as the dependent variable (Y) and tourism spending, total tourism trips and the hospitality sector as independent variables (X). Economic development was measured with the use of a grouping of the Vaal Triangle's HDI, employment index and the people above the poverty line index, in an effort to create a single variable. This was done through using the calculated employment figure, the calculated number of people above the poverty line and the HDI value. The sum of these three calculated values was a score out of 500, and this value was used as the economic development index value for each year. As stated in Chapter 2, the HDI is a yearly index that is symbolised by the weighted sum of the indexes for GDP per capita, life expectancy and literacy for a chosen region (in this study of the Vaal Triangle) (Rivera, 2017:226). The data for the aforementioned variables were gathered from Global Insight (2017) and analysed with the use of the E-views software. The data pertained to the regions of Emfuleni and Metsimaholo, which together forms the Vaal Triangle. Annual data were used, from the period of 2001 to 2016, which were used in the panel data set. Pedroni (2004) studies the following equation for panel data, which was utilised for this study:

$$Y_{it} = a_i + \delta_{it} + \beta_i X_{it} + e_{it} \quad (4.1)$$

Where  $Y_{it}$  is the dependent variable,  $a_i$  is the intercept term,  $\delta_i$  is the parameter that together with  $a_i$  allows the individual linear trends and individual effects to be observed respectively (Seghir *et al.*, 2015:1618). Furthermore,  $\beta$  is a  $k \times 1$  vector of parameters that were estimated based on the explanatory variables.  $X_{it}$  is a  $1 \times k$  vector of observations of the explanatory variables,  $t = 1, \dots, T$ ;  $i = 1, \dots$ . In an effort to reduce the scale of the data all of the variables, for both regressions, were converted into logarithms. Croes and Vanegas (2008:98) state that the interpretation of the data is eased with the use of natural logarithms. Moreover, the analysis of elasticity or growth is made possible with the conversion of variables into their natural logarithmic form (Habanabakize, 2016:50). The proceeding section elaborates on the various statistical methods that were applied on the secondary data that were collected from Global Insight (2017).

#### 4.4.1 Descriptive analysis

Before commencing with the various statistical methods, a descriptive analysis on the data collected are provided. Descriptive statistics, firstly, provide a researcher with insight on the position of one variable or score in comparison with the other variables or scores, secondly, it aids to summarise the general tendencies or trends of the data and lastly it provides the researcher with an understanding of how varied the variables or scores may be (Creswell, 2012:183). Thus as Kanda (2013:454) and Borrego *et al.* (2009:54) write, descriptive statistics describe and summarise the data that were collected in the research study, yet it does not address the relationship between the variables used. According to Borrego *et al.* (2009:54) descriptive statistics are particularly favoured in topics that have not been extensively researched beforehand.

#### 4.4.2 Correlation analysis

Correlation is a measure of how two variables vary together (Gujarati & Porter, 2010:443). Symbolically, covariance can be defined as:

$$\begin{aligned} \text{Covariance } (X, Y) &= E [(X - \mu_x)(Y - \mu_y)] \\ &= E (XY) - \mu_x\mu_y \end{aligned} \tag{4.2}$$

Where  $X$  and  $Y$  are random variables with means of  $E(X) = \mu_x$  and  $E(Y) = \mu_y$ . The value obtained between variables can be either zero, positive or negative. Gujarati and Porter (2010:443) state that when the value is positive the variables move together, on the other hand, when it is negative the variables move in opposite directions and when the value is zero it suggests that there is no linear relationship among the particular variables. The correlation analysis is preferred over the covariance analysis, as covariance does not provide the researcher with an idea of how strongly the variables are related. For this reason, the correlation coefficient method is applied, as it conveys how strong the variables are related to each other (Gujarati & Porter, 2010:445). In line with Gujarati and Porter (2010:445), the value of the correlation coefficient will always lie between -1 and +1, where the closer it is to 1 to more perfectly it is related, whereas the closer to -1 the weaker they are related. When the variables have a correlation coefficient of zero, it signals that the variables are statistically independent of one another.

### 4.4.3 Panel Unit root tests

It has become a common practice to test for unit roots in time series and panel data studies as it forms an integral part of econometric frameworks (Baltagi, 2005:239). Panel unit root tests differ from time series unit root tests, in the way that both the asymptotic behaviour of the cross-sectional dimension  $N$  and the time-series dimension  $T$  have to be considered (Kunst, Nell & Zimmermann, 2011:1). Unit root tests are used to check whether the variables are stationary and integrated in the same order (Croes & Vanegas, 2008:98). In other words, the purpose of unit root tests is to, overtime; bring the series variance, mean and auto-covariance to a steady state (Habanabakize, 2016:53). With this being said, the occurrence of unit root testing in panel data analysis is relatively recent, as is indicative in some studies such as that of Maddala and Wu (1999), Hadri (2000) and Choi (2001). According to Ogbokor (2015:114) there are various techniques available to test unit roots, some of these techniques include the Kwiatkowski, Phillips, Schmidt and Shin (KPSS) test, Dickey-Fuller (DF) test, Phillips-Perron (PP) test and the augmented Dickey-Fuller (ADF) test. The ADF and PP tests have become increasingly popular among empirical researchers, as can be seen from studies like that of Rivera (2017), Seghir *et al.* (2015), Habanabakize (2015), Ogbokor (2015) and Croes and Vanegas (2008). Due to the ADF test's technical superiority, it is the preferred test over that of the DF test (Ogbokor, 2015:114). It is for this reason that the ADF and PP tests were applied to test the variables stationarity and unit root. However, the PP test has an advantage over the ADF test, as it is robust to a wide variation of time series heteroscedasticity and serial correlation (Croes & Vanegas, 2008:98). The subsequent equation is the general model used to determine the ADF:

$$\Delta\gamma_t = \alpha \gamma_{t-1} + \varphi x_t + \lambda_1 \Delta \gamma_{t-1} + \lambda_2 \Delta \gamma_{t-2} + \dots + \lambda_n \Delta \gamma_{t-n} + v_t \quad (4.3)$$

Where  $x_t$  symbolises possible constant exogenous variables,  $\lambda$  and  $\varphi$  denote the estimated parameters and  $v_t$  represents the white noise.

The depiction of the PP model, which is also a simpler form of AR(1) is as follows:

$$\gamma_t = \alpha Y_{t-1} + \varphi x_t + u_t \quad (4.4)$$

$$y_t = \beta_0 + \beta_1 y_{t-1} + u_t \quad (4.5)$$

Where  $\beta_0$  is the constant and  $t$  signifies a trend. If  $\beta_1$  is equal to 0, then there is a unit root in the series, however, if  $\beta < 0$ , there is no unit root present in the series.

In addition to the ADF and PP panel unit root tests, the Levin, Lin and Chu (LLC) as well as the Im, Pesaran and Shin (IPS) panel unit root tests are popular tests used in conjunction with ADF and PP tests. The LLC panel unit root test accepts that there is a common unit root progression, which means that  $p_i$  is identical across all cross-sections (Saleh *et al.*, 2013:214). Furthermore, the LLC panel unit root test derives approximations of  $\alpha$  from proxies for  $\Delta \gamma_t$  and  $y_t$  that are standardised and do not have autocorrelations (IHS, 2013:488). In contrast, the IPS panel unit root test allows for heterogeneous coefficients, therefore it is not as restrictive as the LLC test (Kunst *et al.*, 2011:3). The ADF, PP and IPS are similar in the way that all three tests permit individual unit root procedures, meaning  $p_i$  could vary across cross-sections, as opposed to in the LLC test. It is for these reasons that the LLC and IPS tests should be analysed together.

In essence, as Kunt *et al.* (2011:7) notes, not one of the ADF, PP, LLC and IPS tests are dominant over another, thus the use and interpretations of these results are to the discretion of the researcher. Therefore, all four of the aforementioned panel unit root tests are used in this study.

#### **4.4.4 Granger Causality test**

Although co-integration tests, tests whether or not there is a long-run relationship between tourism and economic growth as well as between tourism and economic development, it does not indicate the direction of the relationship. In other words, the question still remains of does economic growth cause tourism or tourism economic growth, as the same question stands for tourism and economic development (Croes & Vanegas, 2008:100). Therefore, does the independent variable drive the dependent variable or is it the other way around, the dependent variable driving the independent variable (Rivera, 2017:226). This is where the Granger causality test proves to be useful. The Granger causality test allows researchers to assess how variables are, if at all, causally related in the long run (Rivera, 2017:226). In 1987, Engle and Granger (1987) inscribed that if two time series variables are indeed found to be correlated, then at least one direction Granger causality is likely to be present. Understanding which variable drives which could prove important in the policy-making process, as it could aid policymakers in understanding where investment is needed in order to improve overall economic growth and development. As Ivanov and Webster (2013:480) surmise, Granger causality tests have the advantage of indicating the direction of the causal relationship, and to this day it still remains the basic methodology used to determine tourism's contribution to economic development and growth.

#### 4.4.5 Johansen Fisher panel co-integration test

When it comes to conducting panel co-integration tests, there are various types of tests available, such as Kao, Pedroni (Engle-Granger) and Johansen Fisher panel co-integration tests. In an effort to determine the co-integrated relationship between the variables to see whether or not there is indeed a long-run relationship among them, the Johansen Fisher panel co-integration test is used. The Johansen Fisher co-integration test is similar to a Fisher type test, however, it is based upon an underlying Johansen test methodology (IHS, 2013:862). Maddala and Wu (1999) developed an alternative approach to testing for long-run panel co-integration through combining the individual cross-section tests to attain a test statistic for the entire panel. The null hypothesis for the Johansen Fisher panel co-integration test could be depicted as:

$$-2\sum_{i=1}^N \log(\pi_i) \rightarrow \chi^2_{2N} \quad (4.6)$$

Where  $\pi_i$  is the individual co-integration test for cross-section  $i$ 's p-value.

As the study uses the statistical software programme E-Views to analyse the statistics, E-Views automatically reports on the  $\chi^2$  value based on the Trace and Maximum Eigen value (IHS, 2013:867).

#### 4.4.6 The FMOLS (Fully Modified Ordinary Least Squares) and DOLS (Dynamic Ordinary Least Squares) estimators

After gaining the results from the co-integration analysis, the size and relation of the long-run relationship should be determined. Thus, it is necessary to estimate the  $\beta_1$  and  $\beta_2$  coefficients. When it comes to determining the long-run relationship there are numerous estimators available for example the PMG (Pooled Mean Group), OLS (Ordinary Least Squares), and the DOLS (Dynamic Ordinary Least Squares) and FMOLS (Fully Modified Ordinary Least Squares) (Bangake & Eggoh, 2009:7). Authors such as Kao and Chiang (2000:179) and Hayakawa and Kurozumi (2006:2) note that if the normal OLS method is used it may produce biased coefficients, however, the FMOLS and DOLS estimators are known to produce more promising results and are widely used in empirical studies (Bangake & Eggoh, 2009:7). Furthermore, Basile, Costantini and Destefanis (2005:10) note that one of the main advantages of the FMOLS and DOLS estimators is that they allow for greater flexibility with the occurrence of heterogeneity.

It is for this reason that the FMOLS and DOLS estimators were used in this study to determine the long-run impact of tourism on LED. What further encouraged the use of the FMOLS and DOLS estimators in this study is that in testing long-run relationships, endogeneity of regressors and serial correlation are normally present, however the FMOLS and DOLS correct these phenomenon (Bangake & Eggoh, 2009:7). The DOLS estimator is particularly favoured by researchers as this technique is known as being efficient and asymptotically equivalent (Hayakawa and Kurozumi, 2006:2). With this being said, there appears to be no unanimity between academics with reference to which of the two methods is superior (Tintin, 2009:39). With allowing for the corrections of serial correlation and endogeneity, the FMOLS estimator may be defined as:

$$\beta_{FM} = [\sum_{i=1}^N \sum_{t=1}^T (x_{it} - \bar{x}_i)']^{-1} [\sum_{i=1}^N (\sum_{t=1}^T (x_{it} - \bar{x}_i) \hat{y}_{it} + T \hat{\Delta}_{\varepsilon\mu})] \quad (4.7)$$

Where  $\hat{y}_{it}$  is the altered variable of  $y_{it}$  to correct endogeneity and  $\hat{\Delta}_{\varepsilon\mu}$  is the correction term for serial correlation.

The DOLS estimator makes use of parametric adjustments to the errors in the model through the inclusion of both future and past values of the variables integrated at I(1) (first difference), which allows the researcher to acquire unbiased estimations of the long-run relationship (Bangake & Eggoh, 2009:8). The DOLS estimator is derived from the following equation:

$$y_{it} = \alpha_i + x_{it}\beta + \sum_{j=-q_1}^{j=q_2} c_{ij}\Delta x_{i,t+j} + v_{it} \quad (4.8)$$

Where  $c_{ij}$  is the coefficient of the lag of the first differenced variable. In addition to the FMOLS estimator, in order to determine long-run equilibrium, Kao and Chiang (2000) developed the DOLS co-integration estimator. The DOLS's estimated coefficient is specified through:

$$\hat{\beta}_{DOLS} = \sum_{i=1}^N (\sum_{t=1}^T Z_{it}Z_{it}')^{-1} (\sum_{t=1}^T Z_{it}\hat{y}_{it}) \quad (4.9)$$

Where  $Z_{it} = [x_{it} - \bar{x}_i, \Delta x_{i,t-q}, \dots, \Delta x_{i,t+q}]$  is  $2(q+1) \times 1$  vector of regressors.

As this study includes the use of a mixed method approach, the subsequent section includes a description of the qualitative analysis that was employed in this research study.

#### 4.4.6 Diagnostic statistics

In order to ensure the normality and validity of the results, this study included the use of the histograms of residuals device as well as the Jarque-Bera test. The histogram of residuals is a graphical representation that presents the researcher with an idea of what the nature of the

probability distribution of a particular variable may be (Gujarati & Porter, 2010:77). The Jarque-Bera test allows one to test whether or not the data are distributed normally. It measures the coefficients of skewness, asymmetry measure of a PDF (Probability Density Function), and kurtosis, determines how flat or tall a PDF is with regard to the normal distribution, of a random variable (Gujarati & Porter, 2010:78). Diagnostic tests on the other hand, involves among others, the testing for serial correlation and heteroscedasticity. Serial correlation occurs when the error terms of the observed variables are correlated (Gujarati, 2014:99). Heteroscedasticity occurs when the variance of the disturbances in a regression varies from observation to observation (Gujarati & Porter, 2010:274). However, certain test such as White's General Heteroscedasticity Test, developed by White (1980), and the Weighted Least Squares (WLS) model allows for the correction of heteroscedasticity (Gujarati & Porter, 2010:289-291).

In order to ensure the validity of the results obtained from this study, the various aforementioned tests were all applied.

#### **4.5 QUALITATIVE ANALYSIS**

Researchers are left with a powerful mix of data with the combination of a quantitative and qualitative approach (Miles & Huberman, 1994:42). One is able to develop an intricate depiction of social phenomena's through the assessment of the quantitative (outcomes) and qualitative (processes) aspects of the research topic (Greene & Caracelli, 1997:7). As the quantitative part of the study has been addressed in the previous section, the succeeding section discusses the qualitative process that was employed in the study.

The qualitative part of this study included the use of semi-structured interviews with six key local stakeholders in tourism and LED in the Vaal Triangle. Semi-structured interviews allow for a detailed discussion within the topic's boundaries and the researcher is able to direct the conversation based on the answers gathered from the participant (Oun & Bach, 2014:254). Furthermore, due to the focussed nature of the interviews, only a small number of participants are required and does yield legitimate information (Smith, 1987:174). The objective of the semi-structured interviews was to gain knowledge on the perceived obstacles pertaining to tourism development in the Vaal Triangle, as well as the support needed to unlock tourism's potential in the Vaal Triangle. In order to gain a deeper understanding of the topic under discussion, the interview questions were open-ended. Open-ended questions allow the participants to voice their own opinions and experiences without being constrained by the researcher (Creswell, 2012:218). Creswell (2012:218) surmises that open-ended interviews has various advantages, for instance

they provide valuable information on situations that cannot be directly observed. In addition, the participants are permitted to refer to detailed personal information, which adds to the quality of the information gathered (Creswell, 2012:218).

The interviews were conducted telephonically, where prior to the interviews an appropriate date and time was set with the various participants. This method of individually interviewing the participants is a prevalent way to collect qualitative data, as Griffiee (2005:36) asserts that interviewing is perceived as talking and talking comes naturally. Participation in the interviewing process was completely voluntary and the participants were allowed to withdraw at any moment. Furthermore, they were assured of confidentiality, as their replies would only be used anonymously in the discussion segment of the study.

The interviews were recorded with the consent of the participants, however, the information gathered from the interviews, as mentioned previously, remained anonymous. After listening, transcribing, reading and re-reading the information obtained from the interviews, the reporting of the discussions were done in a reliable manner and remained truthful. Succeeding this, a recursive method was imposed in an effort to determine and identify the various categories that arose from the discussions. Oun and Bach (2014:256) describe a recursive method as one where the information gathered from the interviews are summarised in steps. At the end of the summarising process, the researcher is left with a compact, accurate and distinct summary of the findings (Oun & Bach, 2014:256). Adding to this, at the end of this method the surmised information is in a consistent and elaborate final form (Hershkowitz, Schwarz & Dreyfus, 2001:200).

#### **4.6 SYNOPSIS**

When starting the research process, a researcher undertakes an extensive learning process wherein new information and knowledge are gathered. In accordance with Krauss (2005:764) quantitative and qualitative methods, with their capability to produce new methods and levels of meaning, have the influence to be an important learning facilitator, whereby actions and perspectives can be transformed. Chapter 4 consisted of a discussion on the research approach and methodology implemented in this study, with the aim of explaining why certain procedures, decisions and actions were followed during the research process.

Firstly, the nature of the inquiry is more suited towards the positivist paradigm, where new information is discovered objectively and unbiased. In addition, the study made use of a mixed method approach to determine the impact of tourism on LED in the Vaal Triangle region. The

use of a mixed method approach allows one to gain a deeper understanding of the research problem. The various statistical procedures that were followed with the use of the statistical software E-Views, in the quantitative part of the study, were explained. These procedures included the use of descriptive statistics, correlation tests, unit root tests, granger causality, Johansen Fisher panel co-integration test and the FMOLS and DOLS test for the size of the long-run relationship between tourism and economic growth and development. Moreover, an outline of the qualitative analysis were provided, which included semi-structured interviews with key local stakeholders of the tourism industry in the Vaal Triangle. The ensuing chapter includes the application of the aforementioned methodologies to determine the impact of tourism on LED.

## CHAPTER 5

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### RESULTS AND DISCUSSION

#### 5.1 INTRODUCTION

The foregoing chapter elaborated on some of the various types of research methodologies that are available to researchers, as well as a discussion of the research methodology that was followed in this study. Since this study involves the use of a mixed method approach, this chapter report on the results and interpretation of both the quantitative and qualitative findings of this study. The first section comprises the quantitative analysis, which includes a discussion of the statistical results resulting from the secondary data analysis explained in Chapter 4. In addition, the second section of this chapter entails the qualitative part of this study. This section presents the findings of the interviews with key local stakeholders of the tourism industry in the Vaal Triangle. In order to achieve the primary objective to determine the impact of tourism in LED, through analysing the Vaal Triangle area, this chapter aims to address the subsequent main empirical objectives:

- To analyse the relationship between tourism and LED in the study region,
- To analyse and measure the impact of tourism on economic development and growth.

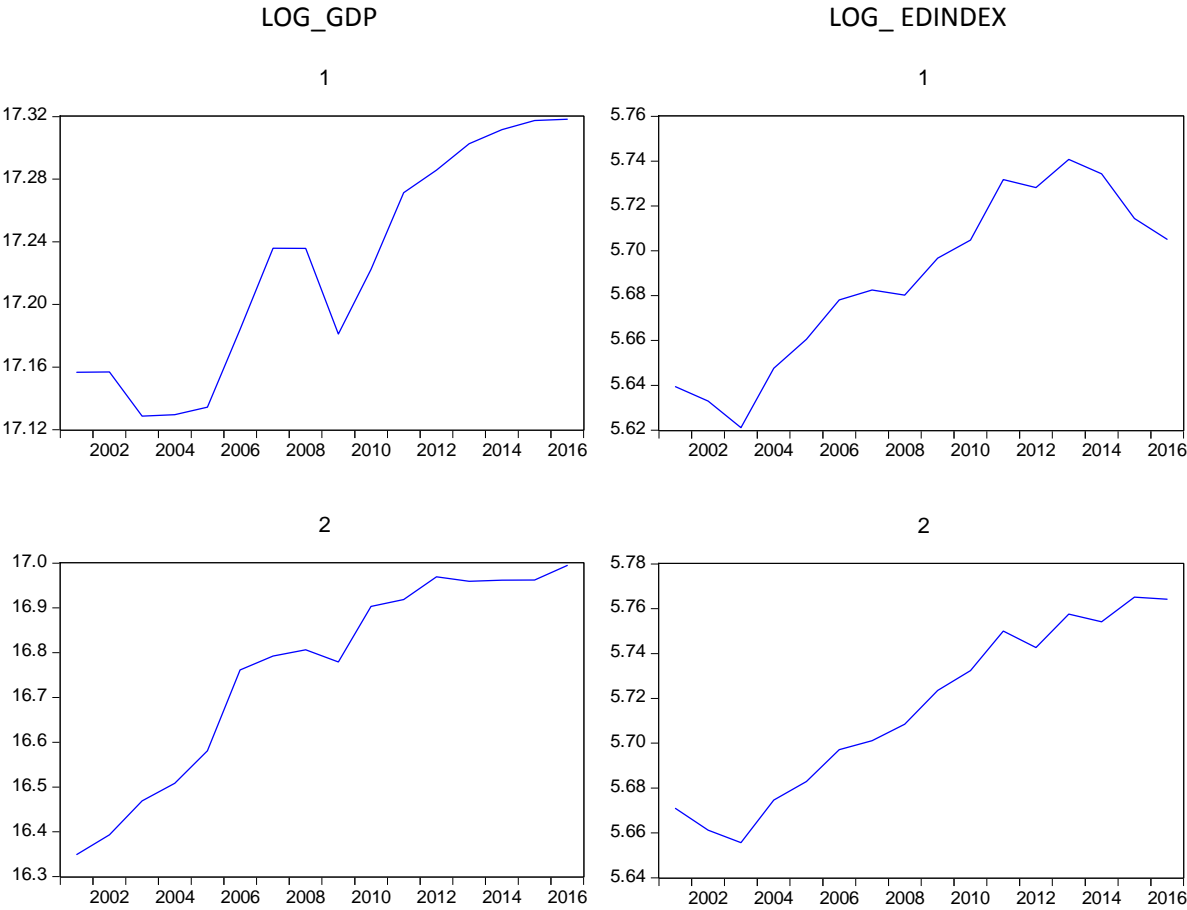
#### 5.2 QUANTITATIVE ANALYSIS

The following section provides the results obtained from the statistical analysis of the impact of tourism on economic development and economic growth respectively. The results were acquired with the use of the statistical software program E-views, where annual data from 2001 to 2016 (only available data), on the variables chosen, were analysed. Data from Emfuleni and Metsimaholo municipal areas were combined in a pooled panel model. Before the analysis could commence, all of the variables were converted into logarithmic form to ease the interpretation of the results, since some of the results contained large values.

##### 5.2.1 Descriptive analysis

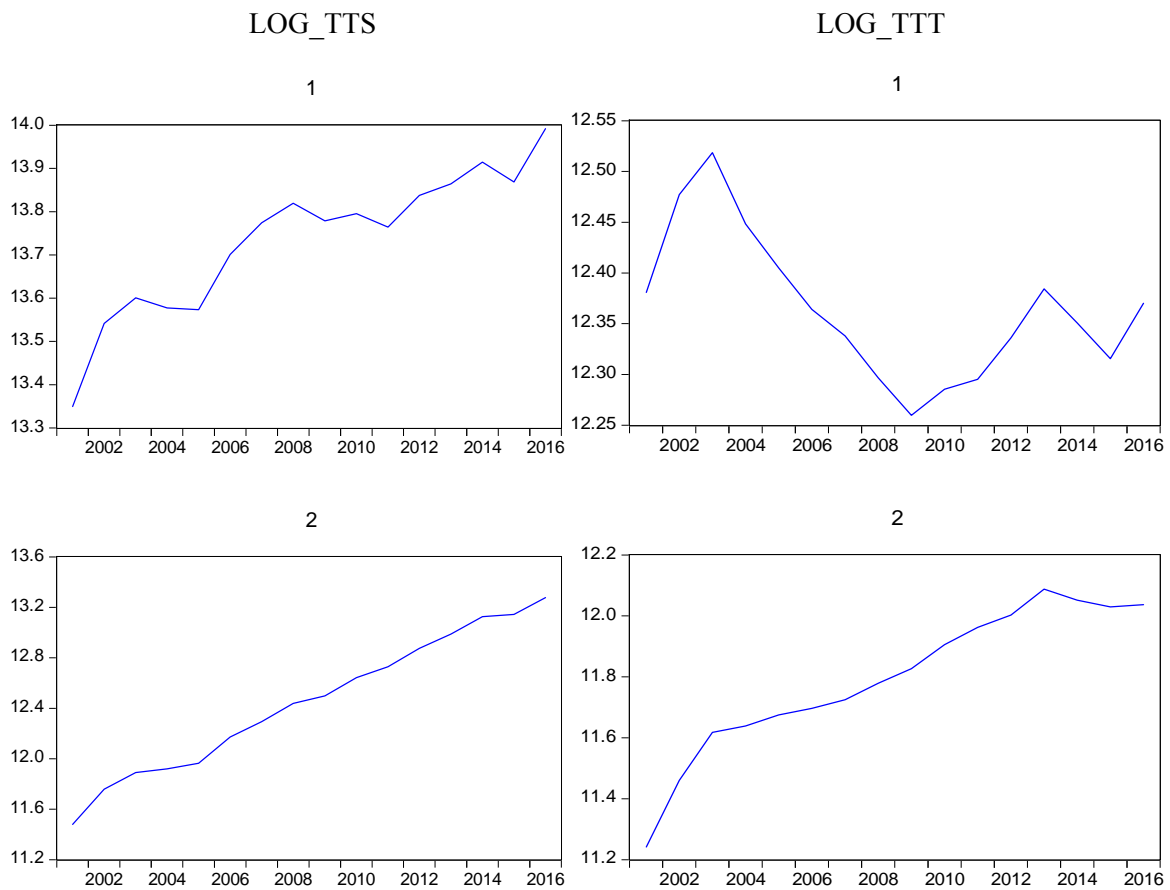
As part of the descriptive analysis graphical representations of the various variables used in the study are shown in Figures 5.1 to 5.3. This shows the behaviour of the variables over the course of 2001 to 2016. Although the data of Emfuleni and Metsimaholo are pooled together in a panel

to be analysed as the Vaal Triangle region, the variable's trends are shown for each of the municipal areas (Emfuleni and Metsimaholo) respectively, where "1" is the code for the Emfuleni municipal area and "2" is the code for the Metsimaholo municipal area. This was done to see how the two areas fluctuate together. In accordance with the model specifications, the variables in logarithmic form are economic development (LOG\_EDINDEX), economic growth (LOG\_GDP), hospitality sector (LOG\_HOTRES), tourism spending (LOG\_TTS) and tourism trips (LOG\_TTT).



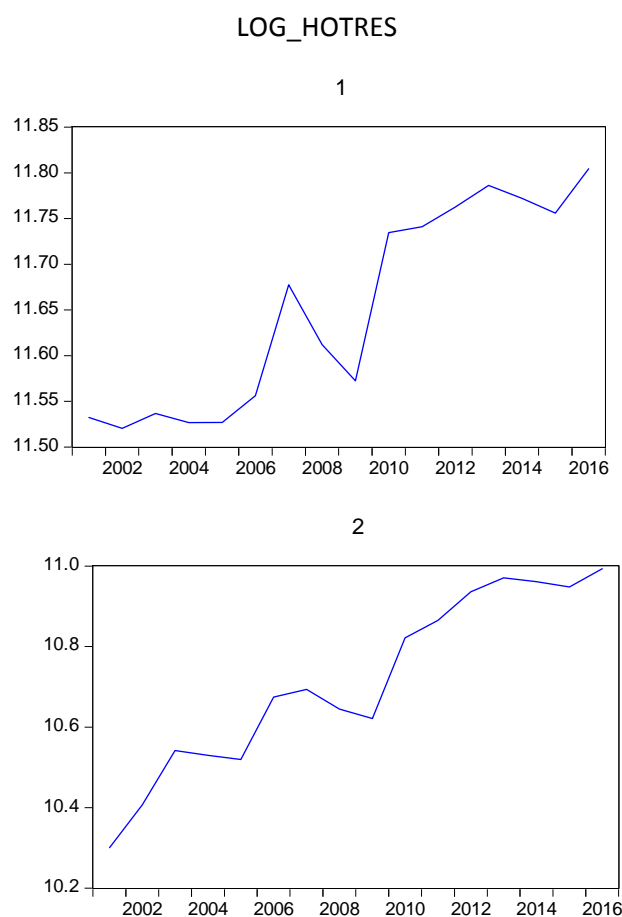
**Figure 5.1 Variable diagnostics for economic growth and development**

Both economic growth and development shows an upward trend over time for the two municipal areas. However, economic development in the Emfuleni municipal area is seen to be experiencing a decline from 2014, whereas economic growth is increasing. This may suggest that funding, from the municipal budget, is not being spent on improving the standard of living for the people in that particular area.



**Figure 5.2 Variable diagnostics for tourism spending and tourism trips**

From Figure 5.2, tourism spending shows a relatively constant upward trend for both municipal areas, whereas tourism trips shows a more differentiated upward trend between the two municipal areas. The hospitality sector also shows an upward trend, especially from 2010. This may be due to the 2010 Soccer World Cup, where many tourists travelled to the outlying regions of Johannesburg, including the Vaal Triangle region.



**Figure 5.3 Variable diagnostics for the hospitality sector**

The next step of conducting the descriptive analysis, was to determine how the variables vary together and the strength of the relationship between the variables. In order to determine this, the correlation analysis was used and the results are depicted in Table 5.1.

**Table 5.1 Correlation coefficient analysis**

Variables	ED	GDP	TTT	TTS	HOTRES
ED	1				
GDP	0.15 (0.4027)	1			
TTT	0.06 (0.7154)	0.94 (0.0012)*	1		
TTS	0.10 (0.5650)	0.98 (0.0002)*	0.95 (0.0022)*	1	
HOTRES	0.04 (0.7871)	0.95 (0.0034)*	0.93 (0.0042)*	0.96 (0.0032)*	1

Note: ( ) indicates p-values \* significance level of 5%

As mentioned previously, the correlation test tells the researcher how the variables fluctuate together. Table 5.1 depicts the correlation coefficients between the variables used in this study, namely: ED (economic development), GDP (economic growth), TTT (total tourism trips) TTS (total tourism spending) and HOTRES (hospitality industry). The computed values are all positive, hence it suggests that there is a positive variation among all variables. The value of the correlation coefficient should be between -1 and +1. In Chapter 4 it is explained that a positive value signals a positive relationship, where the closer it is to +1 the stronger the positive relationship. In contrast, a negative value closer to -1 signals a strong negative relationship among the variables, where a value of zero suggests that there is no significant relationship between the variables.

There is a positive, although weak, relationship between economic development and economic growth. There is also a positive but weak relationship between tourism trips and economic development as well as between tourism spending, hospitality and economic development. However, the p-value suggests that these results are not significant. Important to note is that due to the notion that the impact variables and various factors may have on economic development is often only visible over a long period of time and changes are not observed in shorter periods of time. In addition, tourism trips, tourism spending and the hospitality sector all have a very strong, significant and positive relationship with economic growth. These results suggest that as the theory suggests, tourism does indeed have a positive impact on economic growth.

## **5.2.2 Panel unit root tests**

The unit root test should be the first step taken before conducting the co-integration estimations, as the use of non-stationary variables may produce spurious results (Ogbokor, 2015:130). In addition to testing for stationarity, the unit root test allows a researcher to determine the order of integration of the variables used. Thus, before estimating the econometric model, the ADF, PP, LLC and IPS panel unit root tests are used to examine the stationarity of the variables. None of the variables were stationary in levels, in other words integrated at order I (0). However, after differentiating the variables, they were all found to be stationary at level I(1). Since all of the variables are stationary in first difference, it signals the existence of a long-run relationship between the variables. The results of the panel unit roots tests are presented in Table 5.2.

**Table 5.2 Panel unit root tests**

Variables	Tests	P-Value	Level
LOG_EDINDEX	LLC	0.0042**	I(1)
	IPS	0.0231**	I(1)
	ADF	0.0135**	I(1)
	PP	0.0057**	I(1)
LOG_GDP	LLC	0.0005**	I(1)
	IPS	0.0494**	I(1)
	ADF	0.0465**	I(1)
	PP	0.0001**	I(1)
LOG_TTT	LLC	0.0014**	I(1)
	IPS	0.0065**	I(1)
	ADF	0.0094**	I(1)
	PP	0.0025**	I(1)
LOG_TTS	LLC	0.9003	I(1)
	IPS	0.0308**	I(1)
	ADF	0.0310**	I(1)
	PP	0.0001**	I(1)
LOG_HOTRES	LLC	0.0000**	I(1)
	IPS	0.0024**	I(1)
	ADF	0.0047**	I(1)
	PP	0.0000**	I(1)

\*\* indicates variables are statistically significant at 5%

As can be seen from the unit root results in Table 5.3, all of the variables are stationary and significant at a 5 per cent level. Seeing that all the variables are stationary and integrated in order I(1), the estimation of the long-run co-integration test may ensue.

As the panel unit root results suggest that there is indeed a long-run relationship between the variables, the next query to be addressed is to determine the direct nexus between tourism and economic growth and development. For this reason, the Johansen Fisher panel co-integration test was utilised and the results are presented in the following section.

### 5.2.3. The Johansen Fisher panel co-integration test

In order to establish that there is indeed a long-run relationship between the variables that earlier tests suggested, the Johansen Fisher co-integration test is used. Seghir *et al.* (2015:1618) defines co-integration as the methodical co-movement between variables in the long-run. The results of the Johansen Fisher tests, for both model 1 and 2 are presented in Table 5.3 and 5.4.

**Table 5.3 Johansen Fisher panel co-integration test (for Model 1: GDP, TTS, TTT and HOTRES)**

Hypothesized No. of CE(s)	Fisher Stat. (from trace test)	Probability	Fisher Stat. (from max-eigen test)	Probability
None	81.41	<b>0.0000*</b>	38.84	<b>0.0000*</b>
At most 1	51.03	<b>0.0000*</b>	31.93	<b>0.0000*</b>
At most 2	23.21	<b>0.0001*</b>	23.21	<b>0.0001*</b>
At most 3	5.150	0.2722	5.150	0.2722

\* indicates variables are statistically significant at 1%

**Table 5.4 Johansen Fisher panel co-integration test (for Model 2: ED, TTS, TTT and HOTRES)**

Hypothesized No. of CE(s)	Fisher Stat. (from trace test)	Probability	Fisher Stat. (from max-eigen test)	Probability
None	54.36	<b>0.0000*</b>	44.49	<b>0.0000*</b>
At most 1	18.13	<b>0.0012*</b>	17.93	<b>0.0013*</b>
At most 2	5.688	0.2237	1.622	0.8048
At most 3	14.17	<b>0.0068*</b>	14.17	<b>0.0068*</b>

\* indicates variables are statistically significant at 1%

From analysing the results visible in Table 5.3 and 5.4, both of the tests indicate that the Trace and Max-Eigen test provides evidence of a co-integrating relationship between the variables, at a 1 per cent significance level. In other words, the Johansen Fisher test finds three co-integration relationships in both tests. Therefore it could be concluded that the results obtained from the Johansen Fisher co-integration test provides confirmation that there is a long-run equilibrium relationship between economic development and tourism as well as between tourism and economic growth. Seeing that the predicted long-run relationship between tourism and economic growth and development has been confirmed, the subsequent step is to determine the exact impact of tourism on economic growth and development in the Vaal Triangle region.

## 5.2.4 The FMOLS and DOLS tests

In order to determine the impact of tourism on economic growth and development, the Fully Modified Ordinary Least Squares (FMOLS) and the Dynamic Ordinary Least Squares (DOLS) models were applied. According to the IHS (2013:235) the FMOLS estimator implements a semi-parametric improvement that allows for the correction of problems initiated by the long-run correlation between the stochastic regressors and the co-integrating equations. It is for this reason that the FMOLS estimator is known to be asymptotically unbiased in its results. The DOLS estimator on the other hand allows for the augmentation of the co-integrating regressions, which includes leads and lags. This has the result that the error term of the co-integrating equation is orthogonal to the antiquity of the stochastic regressor innovations (IHS, 2013:242).

Table 5.5 presents the FMOLS and DOLS results for the determination of tourism's impact on economic growth (Model 1). Here economic growth (LOG\_GDP) is the dependent variable, with tourism spending (LOG\_TTS), tourism trips (LOG\_TTT) and the hospitality sector (LOG\_HOTRES) representing the independent variables.

**Table 5.5 FMOLS and DOLS results for Model 1: tourism's impact on economic growth**

Dependent variable: LOG\_GDP

Independent variable: LOG\_TTS, LOG\_TTT and LOG\_HOTRES

Method	Variables	Coefficient	Std. Error	t-statistic	Prob.
<b>FMOLS</b>	LOG_TTT	0.160555	0.157648	1.018439	0.3182
	LOG_TTS	0.103343	0.116723	0.885370	0.3844
	LOG_HOTRES	0.553375	0.218097	2.537293	0.0178*
<b>DOLS</b>	LOG_TTT	1.367717	0.399954	3.419684	0.0419*
	LOG_TTS	2.048875	0.572741	3.577312	0.0374*
	LOG_HOTRES	2.623288	0.941880	2.785162	0.0687**

\*significant at 5%

\*\*significant at 10%

The FMOLS and especially the DOLS results indicate that there is indeed a positive, long-run relationship between tourism and economic growth, which is Model 1. The FMOLS result suggests that a 1 per cent increase in the hospitality sector will most likely lead to a 0.55 per cent increase in economic growth. The DOLS result suggest that a 1 per cent increase in tourism trips, tourism spending and the hospitality sector will most likely lead to a 1,37 per cent, 2,05 per cent and 2,62 per cent increase, respectively, in economic growth. This provides the evidence that

tourism can improve the economic growth of a region. This result is supported by that of Seghir *et al.* (2015), which found in an analysis of 49 countries that tourism development leads to a 4,52 per cent increase in economic growth. In addition, Po and Huang (2008:5540) found in an analysis of 57 countries that a 1 per cent increase in tourism development could lead to an increase of 0,1154 per cent in the country's economic growth. Saleh *et al.* (2013) also found a long-run relationship between tourism and economic growth in the case of Jordan, Bahrain and Saudi Arabia in the Middle East, with the use of the DOLS estimator. They further determined that tourism in these countries does have an analogous contribution to economic growth as some of the more traditional economic sectors. In essence, the result gained here strengthens this study's case in supplying evidence that tourism development in the Vaal Triangle holds the key to improve economic growth in the region. Moreover, the result supports the literature that tourism does have a significant, positive impact on economic growth not only when looking at a country as a whole, but at tourism's main point of origin which is on a local level.

**Table 5.6 FMOLS and DOLS results for Model 2: tourism's impact on economic development**

Dependent variable: LOG\_EDINDEX  
 Independent variable: LOG\_TTS, LOG\_TTT and LOG\_HOTRES

Method	Variables	Coefficient	Std. Error	t-statistic	Prob.
FMOLS	LOG_TTT	0.124997	0.035573	3.513790	0.0017*
	LOG_TTS	0.048235	0.026339	1.831335	0.0790***
	LOG_HOTRES	0.199434	0.049214	4.052396	0.0004*
DOLS	LOG_TTT	0.866441	0.132305	6.548842	0.0072*
	LOG_TTS	1.016609	0.189462	5.365757	0.0127**
	LOG_HOTRES	1.337926	0.311573	4.294099	0.0232**

\*significant at 1% \*\*significant at 5% \*\*\*significant at 10%

Table 5.6 present the FMOLS and DOLS results for the second model that is determined, namely the impact of tourism on economic development. Here economic development (LOG\_EDINDEX) is the dependent variable, with tourism spending (LOG\_TTS), tourism trips (LOG\_TTT) and the hospitality sector (LOG\_HOTRES) as independent variables. Table 5.6 indicates that for both the FMOLS and DOLS techniques the results indicate that tourism has a significant and positive impact on economic development. The FMOLS method indicates that a 1 per cent increase in tourism trips, tourism spending and the hospitality sector will most likely lead to a 0.12 per cent, 0.04 per cent and 0.2 per cent increase in economic development

respectively. Furthermore, the DOLS method shows that a 1 per cent increase in tourism trips, tourism spending and the hospitality sector will presumably lead to a 0.87 per cent, 1.02 per cent and a 1.34 per cent increase in economic development respectively. In a study by Mark and Sul (2003) they established that the DOLS estimator in panel tests produces more accurate estimations together with standard asymptotic distributions.

These results designate the significant importance of tourism in contributing to economic development. As such it is evident that tourism development may have a positive and significant impact on economic development in the Vaal Triangle region. For this reason, the result gained here is in contrast to that of Rivera (2017), who concluded that in the case of Ecuador, tourism does not lead to the improvement of economic development. This might be attributed to the researcher's use of time-series analysis. This method has been known for displaying certain disadvantages such as intercorrelation amongst independent variables and using relatively few observations (Croes & Vanegas, 2008:101). As such, this result supports the theory that by improving tourism in local regions, it may not only lead to the improvement of that area's economic growth but it will most likely further trickle down and have a positive impact on LED. Emanating from previous chapters, the broader concept of LED refers to the improvement of most or all residents of a community's quality of life and their standard of living.

### **5.2.5 Granger causality test**

Seeing that previous tests have confirmed the existence and positive impact of tourism on economic growth and development, it is still necessary to determine how the relationship among the variables is causally related. For example, is tourism causing economic growth or is economic growth leading to tourism development? Therefore the aim of the Granger causality test is to establish whether it is the dependent variable driving the independent variable or the independent variable driving the dependent variable (Rivera, 2017:226). Table 5.7 reports on the results from the Granger causality tests.

It is evident from the results in Table 5.7 that causality proceeds from tourism to economic growth in the short-run. This phenomenon is supported by similar studies such as that of Balaguer and Cantavella-Jorda (2002), Dubarry (2004), Holzner (2011) and Narayan, Sharma and Bannigidadmth (2013). They found a causality running from tourism development to economic growth in their respective studies of Spain, Mauritius. In addition similar results were found in a 134 country analysis and Pacific Island countries.

**Table 5.7 Granger causality tests**

Null Hypothesis	Probability
LOG_HOTRES does not Granger Cause LOG_GDP	0.0250*
LOG_GDP does not Granger Cause LOG_HOTRES	0.4765
LOG_TTT does not Granger Cause LOG_GDP	0.5978
LOG_GDP does not Granger Cause LOG_TTT	0.0575**
LOG_TTS does not Granger Cause LOG_GDP	0.0386*
LOG_GDP does not Granger Cause LOG_TTS	0.1242
LOG_HOTRES does not Granger Cause LOG_EDINDEX	0.00087*
LOG_EDINDEX does not Granger Cause LOG_HOTRES	0.1734
LOG_TTS does not Granger Cause LOG_EDINDEX	0.3556
LOG_EDINDEX does not Granger Cause LOG_TTS	0.1197
LOG_TTT does not Granger Cause LOG_EDINDEX	0.0425*
LOG_EDINDEX does not Granger Cause LOG_TTT	0.5724
LOG_GDP does not Granger Cause LOG_EDINDEX	0.0275*
LOG_EDINDEX does not Granger Cause LOG_GDP	0.1045

Notes: \* rejection of null hypothesis at 5% significance level

\*\* rejection of null hypothesis at 10% significance level

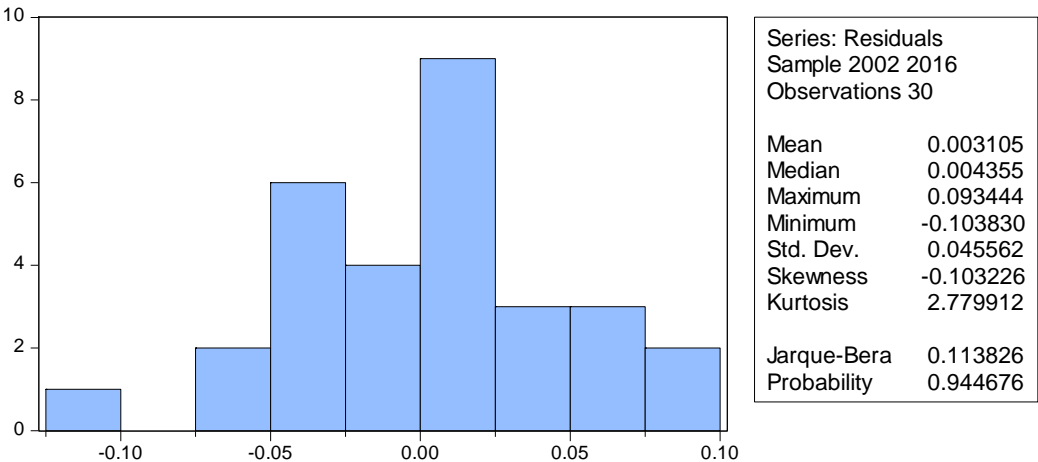
In addition, other supporting results have been found by Antonakakis, Dragouni and Filis (2015:148) in the case of Italy and the Netherlands. As such, this evidence suggests that there is indeed causality running from tourism development to economic growth in the Vaal Triangle region. This result however contradict those of Eugenio-Martin *et al.* (2004) who found no causality between tourism and economic growth as well as Balcilar *et al.* (2014), who found no causality between tourism and economic growth in the case of South Africa. In addition, there is causality from GDP to the total number of tourism trips, which suggest that as economic growth increases and the local government is able to invest more in the local infrastructure, tourism in the area is likely to increase as a result.

Relating to tourism and economic development, there is causality proceeding from tourism to economic development. Therefore it suggests that tourism development could contribute to economic development in local regions. Encouragingly, the aforementioned outcome is in contrast to that of Rivera (2017) that found no causality in the case of Ecuador when analysing the same co-integrating relationship. This result together with that of the causality between

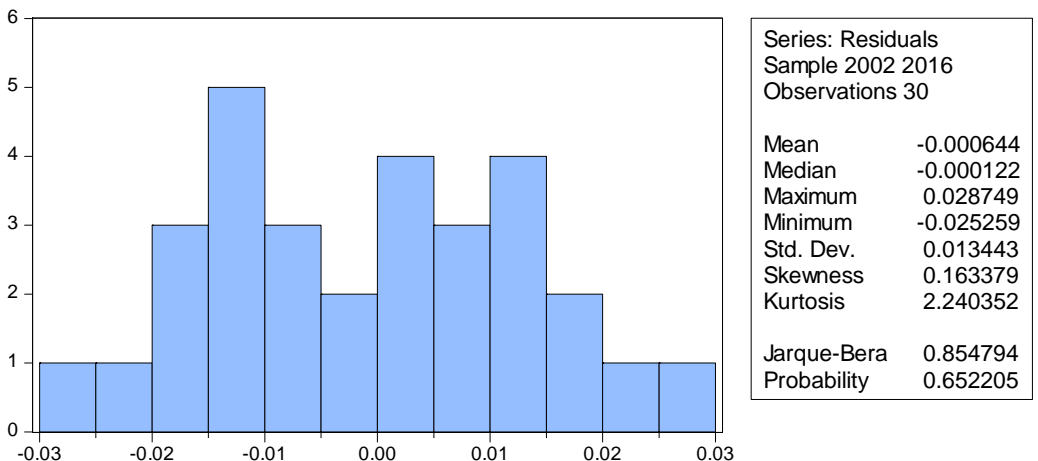
tourism and economic growth support the assumption of this study. The result gained from this analysis is similar to a study by Croes and Vanegas (2008) that found causality proceeding from tourism to poverty reduction in Nicaragua. Furthermore, there is causality found proceeding from economic growth to economic development, which suggests that in the case of the Vaal Triangle, an increase in economic growth may lead to an increase in economic development.

**5.2.6 Diagnostic statistics**

In econometric analyses it is necessary to determine whether or not the residuals were distributed normally. In order to achieve this, the histogram of residuals device was used. The results are depicted in Figure 5.4 and 5.5.



**Figure 5.4 Histogram of residuals for GDP (Model 1)**



**Figure 5.5 Histogram of residuals for EDINDEX (Model 2)**

Since the study involved the analysis of two co-integrating relationships, it was necessary to ensure that the statistics used for both relationships were normally distributed. It is for this

reason that Figure 5.4 depicts the normality test for Model 1, which is the relationship between tourism and economic growth and Figure 5.5 depicts Model 2, the relationship between tourism and economic development. With regard to autocorrelation, both tests had AC values above 0.5, which suggested that there were no autocorrelation between the variables. From undertaking the various diagnostic tests explained in Chapter 4, the results suggested that there were no conditional heteroscedasticity and serial correlation. The histogram of residuals, which showcases whether or not the data is normally distributed, is an important technique used to ensure that the model has passed the statistical tests and that from a technical point of view the model is robust. Both the histogram of residuals and the Jarque-Bera statistic show that the data are normally distributed and the results gained are valid.

As this section provides statistical evidence of the impact tourism has on economic growth and LED in the Vaal Triangle, the subsequent section provides the results of the qualitative part of this study, which provides a deeper understanding of tourism in the Vaal Triangle region.

### **5.3 QUALITATIVE ANALYSIS**

A central theme emanating throughout the study is the gap in literature with regard to tourism and its impact on local regions. In accordance with Samini *et al.* (2011:28), there is a shortage of studies that explicitly investigates the connection between tourism, economic growth and economic development in local regions. Moreover, even less research is available that examines the perceptions of local stakeholders regarding tourism development and its importance to LED. It is for this reason that in order to gain a deeper understanding of the tourism profile in the Vaal Triangle, the findings from the in-depth interviews with six local stakeholders are discussed in this section. The key stakeholders in the tourism industry included business chamber members, owners of some of the main tourist attractions and managers at resorts and hotels in the Vaal Triangle. This method further employed the use of saturation, where a point is reached where no new data emerges from the interviews and in this study saturation was reached after interviewing the sixth stakeholder. In order to ensure standardisation, all participants were asked the same questions. The interviewees were all contacted prior to the interviews, where the background and objectives of the study was explained. Since the interviews were open-ended, the responses gained from the interviews have to be categorised into themes. Through listening and reading the findings of the interviews, certain themes may start to emerge, where after the researcher needs to classify the responses into these identified themes (Creswell, 2012:507). After the interpretation of the responses gathered from the semi-structured, in-depth interviews conducted with local stakeholders in the Vaal Triangle, three reoccurring themes emerged. These distinct

themes are: 1) the Vaal Triangle’s tourism potential, 2) the perceived obstacles faced in developing tourism and 3) the support that is needed in order to develop the tourism industry. The results from the semi-structured interviews and the accompanying themes are presented in Table 5.8. This method of conducting interviews allows the respondents to converse at liberty and amenably about what they consider as important and it provides them with the opportunity of leading the interview process (Seabe, 2014:51). The use of semi-structured interviews has the added benefit of providing high levels of personal insight that enables a researcher to gain a more detailed understanding of the impact of tourism within a region (McLachlan & Binns, 2014:104). In addition, as Creswell (2012:387) points out, open-ended questions prove to be useful to determine various unknown possibilities as it does not constrain individual responses.

**Table 5.8 The results and themes emanating from the interviews**

Theme	Operative Definition	Extracts from interviewees (respondent number)*
The Vaal Triangle’s potential in tourism development	The aim of this theme was to determine whether or not one is realistic in assuming that there is indeed potential for tourism development in the Vaal Triangle area	<p><i>“lots of developments planned for the upcoming years” (1)</i></p> <p><i>“other areas tends to be overcrowded, we’ve got a lot more space and a lot more things to do here” (2)</i></p> <p><i>“we have the Vaal river and hotels, which holds many more potential for water activities”(3)</i></p> <p><i>“just think about the river, heritage sites and lodges”(4)</i></p> <p><i>“we can definitely have more agricultural shows, sporting events, medical conferences and engineering expo’s”(5)</i></p> <p><i>“Yes we definitely have potential, especially if we make use of all the underutilised resources”(6)</i></p>
Perceived obstacles	This theme aimed to identify possible obstacles in reaching the Vaal Triangle’s full tourism potential, as well as those obstacles encountered by the different stakeholders and tourism establishments in growing the tourism sector	<p><i>“the prices of hotels and lodges next to the river tend to be too high for the locals as well as a shortage of publicity”(1)</i></p> <p><i>“marketing needs to be improved as well as cooperation between entities and entrepreneurial initiatives”(2)</i></p>

	and LED.	<i>“high hotel costs and too few river attractions and activities” (3)</i> <i>“lack of cooperation and mismanagement of funds and tourism sites” (4)</i> <i>“Pollution, lacking infrastructure and underestimating the importance of tourism” (5)</i> <i>“low economic growth and deficient infrastructure” (6)</i>
Support needed	<p>This theme identified the support that these stakeholders and tourism establishments need in order to grow their businesses and overcome certain obstacles that they face, which contributes to the development of the tourism industry.</p>	<i>“Conferences on LED and tourism development, training” (1)</i> <i>“Need to create more awareness, together with local and provincial government” (2)</i> <i>“Funds and publicity” (3)</i> <i>“Cooperation, training and expertise from the DTI and Arts and Culture ministry” (4)</i> <i>“We need improved infrastructure and to work with LED” (5)</i> <i>“Improved logistics, cooperation and local organizations need to support each other” (6)</i>

\*Numbers in parentheses denotes individual stakeholders of the tourism industry in the Vaal Triangle whom, for the sake of confidentiality, could not be named.

From examining the outcomes of the interviews, it could be noted that there is indeed perceived potential in developing the tourism industry of the Vaal Triangle, as all of the respondents were of the opinion that the Vaal Triangle can develop its tourism industry. Furthermore, results suggest that one is not unrealistic to perceive the Vaal Triangle as a potential tourism destination. The respondents were of the opinion that the region is rich in various cultural, social and natural resources that are underutilised in their potential for tourism. It was mentioned previously that smaller, local regions are becoming ever popular tourist destinations as they provide visitors with a tranquil get away from traditional, overcrowded tourism destinations. All of the respondents felt that the Vaal Triangle can benefit from hosting more river activities. These river activities may not only benefit local tourism, but such events can also be used to increase awareness about living sustainably and the benefits of protecting the local region.

Some of the respondents further emphasised that the Vaal Triangle can play host to more sporting events, as the Vaal Racecourse and DP de Villiers stadium are just some of the facilities available to host numerous sporting events. Additionally, the inclusion and development of agriculture shows as well as arts and culture events may not only attract more people to the region, but it has the potential of creating new jobs and small businesses in the Vaal Triangle region. One of the respondents further mentioned that ArchelorMittal and SASOL should be incorporated into the tourism industry of the Vaal Triangle, as these manufacturing companies can play host to various engineering expo's, which will not only raise more awareness of the region but may also lead to the accessibility of more funds and skills. Forming cooperative relations with large manufacturing companies in the region can be beneficial for both the manufacturing and tourism industry, as Slabbert and Grobler (2011:80) assert that there are strong backward linkages present between the two industries.

With regard to perceived obstacles, some of the respondents highlighted that high hotel and resort costs in the Vaal Triangle deter local residents from supporting these tourism operators. Therefore tourism operators should take into consideration the local community as the spread of economic benefits can, in the long run, lead to the possibility of decreased costs resulting from local sourcing, increased access to finance and, in the end, enhanced visitor satisfaction (Ashley *et al.*, 2007:12). According to Butler and Rogerson (2016:277), inclusivity is paramount if long-run sustainable tourism is to be achieved in local tourism destinations.

In addition, two of the main impediments were that of pollution and inadequate infrastructure. Without adequate infrastructure (telecommunication, transportation, irrigation and energy) the region will not only be unable to attract and host more tourists, but other economic sectors are negatively influenced as well, which ultimately negatively influences the community as a whole. Meyer and Meyer (2015:199) stress that the tourism industry is highly dependent on the quality of the infrastructure of a region, thus without satisfactory infrastructure the tourism industry may not reach its full economic potential. In a report by Moosa *et al.* (2015:64) of the most frequently raised obstacles pertaining to tourism growth in South Africa, infrastructure was ranked second. This means that infrastructure is the second largest obstacle to develop the tourism industry of South Africa. Meyer and Meyer (2016:152) found in a study done in the same region that infrastructure development is crucial to the creation of an enabling environment for businesses, including tourism related businesses to thrive in. As such, the local government in the Vaal Triangle should focus on improving the regions' infrastructure, particularly that of accommodation and transport. Regarding the raised issue of pollution, Chapter 2 has emphasised the significance of sustainability and the entire community is dependent on the improvement and

maintenance of the environment in which they function. As the ITP (2004:7) point out, when the environment is impaired and becomes increasingly unattractive, hotels, resorts and other corporations cannot simply move on and relocate, thus incorporating sustainable practises into daily operations are imperative.

Another theme that seemed to occur throughout is the importance of cooperation. As Meyer and Meyer (2015:200) stated, a lack of cooperation between government, communities and stakeholders is customarily one of the proceeding obstacles in tourism development. Nearly all of the respondents were of the opinion that tourism organisations in the Vaal Triangle need to support one another more and should work together to achieve sustainable tourism development. Additionally, the importance of gaining the support of the community has been highlighted as a vital element contributing to their success. According to ICLEI (1999:4) the adversative effects of tourism can be minimised when local businesses and communities have shared interests with the intention of maintaining the social heritage and natural wealth of a tourist destination.

Further drawing from the responses of the stakeholders regarding the support they need, the involvement of the local government emanated throughout the discussions. The stakeholders were of the opinion that local government should focus on creating an enabling environment and incorporate the private sector in their policies and strategies. Meyer, Meyer and Neethling (2016:55) opine the importance of government to create an enabling environment for businesses to grow in. The interviewed stakeholders further stressed that local government has the main role to play to ensure the development and maintenance of adequate infrastructure in the Vaal Triangle, together with providing assistance and training to members of the tourism industry. Zamfir and Corbos (2015:12719) point out that if local government could for instance provide a community with ecological education, it could enhance the community's perception of the importance of maintaining a balance between their current requirements and that of the future. Therefore, the aforementioned could aid in contributing to the sustainability of the Vaal Triangle region.

Moreover, the necessity for increased marketing is mentioned throughout the dialogues. It may happen that due to a lack of cooperation and coordination, new tourism initiatives and strategies could not be implemented. For this reason the marketing of tourism should accommodate stakeholders and be specific in its aims (McCamley, Gilmore & McCartan-Quinn, 2012:1). The Department of Economics and Tourism (2006:42) points out how IT tools and the Internet have come to play a significant role for tourists and tourism organisations. Information networks are known to be effective marketing and advertising tools (Stutz & Warf, 2014:325). In a study by

Zamfir and Corbos (2015) of the various means of attaining information about tourist destinations, they found that the internet is the leading source of information concerning tourist destinations with 88 per cent. The rest of the contributing sources of information were television with 9 per cent, radio with 2 per cent and newspapers with 1 per cent (Zamfir & Corbos, 2015:12717).

The aforementioned all contributes to the “image” of the Vaal Triangle. This image should be used to improve the region’s competitive advantage through emphasising its uniqueness and its various natural and anthropogenic elements (Stanković & Đukić, 2009:26). In addition, increasing tourism’s awareness in the Vaal Triangle, may entice more community members to partake in the industry, as many people are generally unaware of the diverse dynamics and benefits of tourism (USAID, 2006:3). Without adequate awareness of the Vaal Triangle and all of the different tourist attractions the region has to offer, the tourism industry will presumably not grow substantially and the development thereof together with LED may similarly cease.

#### **5.4 SYNOPSIS**

With the intention of reporting on the main research findings of this study, the various methods used to obtain these results are first summarised. Firstly, in the quantitative part of this study various diagnostic and descriptive procedures were used to ensure the validity of the statistics used. It included the use of the histogram of residuals figure, which together with the Jarque-Bera result suggested that the statistics were normally distributed and further testing may resume. In addition, the descriptive tests included graphical illustrations of the various variables used, to showcase the trends and behaviour, of the variables used, during the period of 2001 to 2016 in the Vaal Triangle region. The correlation between the variables were also investigated, to see how these variables vary together. Overall these methods showed that all variables move together, and as economic theory stipulates, economic development takes significantly longer to showcase the improvements made due to experienced economic growth.

Secondly, the study proceeded with using the variables in the Johansen Fisher panel co-integration test in order to determine the impact of tourism on LED. This involved undertaking several processes such as unit root and granger causality tests. Thereafter the long-run relationship between tourism and economic growth and development were investigated. Lastly, with the aim of providing a deeper understanding of what occurs in the background of the tourism industry, results from the interviews were presented in Section 5.3.

By reporting the main findings of the study, the first to report on is the causality running from tourism to economic growth (Model 1) as well as from tourism to economic development (Model 2). This suggests that by improving tourism in the Vaal Triangle region, it could result in improvements in the region's economic growth. In addition, the causality between tourism and economic development suggest that the new found growth could further lead to the development and improvement of the community's standard of living. Secondly, it has been found that there is co-integrating relationships between the variables used. This advocates that there is indeed a long term relationship between tourism and economic growth and development in local regions, specifically in the Vaal Triangle region. Thirdly, the Johansen Fisher panel co-integration test, and in particular the FMOLS and DOLS tests provided evidence that tourism does have a positive and significant impact on economic growth and development. Moreover, with regard to tourism's influence on economic growth, it was found that a 1 per cent increase in tourism will in all probability lead to a 0,55 per cent increase in economic growth (FMOLS test), whereas the DOLS test suggested that a 1 per cent increase in tourism could probably lead to an increase in economic growth of between 1,37 per cent to 2,62 per cent. The next step was to determine whether or not it could further contribute to improve economic development of local regions. Here the FMOLS result advocated that that a 1 per cent increase in tourism could in all likelihood lead to an increase in economic development of approximately 0, 04 per cent to 0, 2 per cent. The DOLS test further strengthened the study's case, as it showed that a 1 per cent increase in tourism could possibly lead to an increase of between 0, 87 and 1, 34 per cent in economic development. Fourthly, to gain an understanding of the perceptions of local stakeholders regarding tourism development and its importance to LED, the in-depth interviews suggested that tourism form an integral part of LED, especially in the Vaal Triangle area. Additionally, the semi-structured, in-depth interviews provided qualitative evidence that tourism does have an important role to play in LED, and that tourism under holds unlocked potential in the Vaal Triangle. It further showcased that a lack of cooperation and inadequate infrastructure seems to be the largest obstacle to develop the tourism industry of the Vaal Triangle region.

This chapter set out to achieve the empirical objectives of this study. Various econometric procedures were applied in order to determine tourism's impact on LED. With the use of the Johansen Fisher panel co-integration test, it was found that there is indeed a long-run relationship between tourism and economic growth and development. Therefore, through the analysis of the Vaal Triangle region, it could be concluded that tourism does indeed have a positive and significant impact on LED. The last chapter of this study provides a summary of the main findings, as well as recommendations on improving tourism development in local regions. It

closes with a main conclusion on the study, effectively responding to the research objectives and questions set out in Chapter 1.

## CHAPTER 6

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### SUMMARY, RECOMMENDATIONS AND CONCLUSION

#### 6.1 INTRODUCTION

Poverty and unemployment are probably two of the most pressing issues of the 20<sup>th</sup> century. Tourism has been proposed by various scholars, including this study, as a possible solution to combatting poverty and unemployment. Yet, knowledge of the precise impact it has on economic growth and development in especially local regions has been limited. In particular, this study examined the impact of tourism on LED. This chapter aims to address the last empirical objective, namely to develop strategies, guidelines and recommendations on how to improve tourism's contribution to economic development in the study region.

In addition, Chapter 6 has the principal purpose of concluding the study and therefore it is the final chapter of this thesis. This chapter starts by providing a summary of the previous chapters and in doing so verifies the achievement of the primary, theoretical and empirical objectives. Afterwards several recommendations pertaining to the area of concern are provided. This is followed by a discussion of the contribution of the study's findings, the limitations of the study as well as possible areas for future research. As a final point, the chapter ends with final remarks concerning the study.

#### 6.2 SUMMARY OF THE STUDY

This study had the primary objective to determine the impact of tourism on LED through analysing the Vaal Triangle region. This theme was introduced in Chapter 1, which served as the introductory chapter of this study. In this regard, the chapter provided a brief background of the study pertaining to tourism and its potential to relieve poverty and unemployment. It further proceeded with an outline of the problem statement, that stressed the importance tourism may have in contributing to economic growth and development in local regions. Constructed around the identified underlying issues and gaps in existing literature, the primary objective and its underlying theoretical and empirical objectives are presented in this chapter. In addition, the methodology used to obtain the results of the study was explained here. The chapter further elaborated on the value of the research, the accompanying ethical considerations and the classification of some of the main terminology used.

Chapter 2 consisted of a comprehensive literature review on tourism. This chapter had the main aim of addressing the theoretical objectives set out in Chapter 1. It started with a brief overview of tourism's history as well as an introduction to the various forms of tourism. Given tourism's multi-coloured nature, the industry, if left unmanaged, may lead to less desirable effects on its surroundings. Hence, this was addressed with an overview of the various government and organisational structures involved to govern tourism and their role in promoting sustainable tourism development. The aforementioned included a review of some of the main international organisations such as the WTTC and UNWTO that are actively involved in promoting a sustainable tourism industry worldwide. In addition, the key structures involved in promoting tourism in South Africa such as SATSA and the Department of Tourism were elaborated on. Section 2.4.3 underlined the fact that provincial and local governments have a range of responsibilities towards the effective development and management of the tourism industry in especially regional areas.

As sustainability is such a key focal point and goes hand-in-hand with tourism, Chapter 2.5 elaborates on this matter. Throughout the study it is mentioned how reliant the tourism industry is on the community in which it operates. This not only includes the community itself, but the accompanying natural, social and cultural elements in the area. It is for this reason that Section 2.5 provided an in-depth view of the importance of incorporating sustainability into development programmes. Here it is mentioned that there is indeed a strong link between tourism and the environment, and for this reason the degradation of the environment could lead to a decrease in tourist activities. In turn this could lead to various spill-over effects, which may possibly have a negative influence on the economic and social aspects of any community. As the tourism industry is considered as one of the most climate sensitive industries in the world, climate change and the impact it may have on not only the tourism industry, but others as well, should be taken seriously. It is suggested that the tourism industry could take the lead to a sustainable future.

Chapter 2 proceeded with a review of the various economic aspects surrounding tourism. This included an elaboration on tourism's economic share both internationally and nationally. The tourism industry created one out of ten jobs internationally in 2016 and in South Africa the sector directly contributed 3 per cent to the economy, which showed that there is still much room for improvement. The various direct, indirect and induced effects of the tourism industry on an economy were also explored, where after some of tourism's positive and negative impacts were addressed.

Policymakers have to apprehend how the community, government, industry and tourists interconnect in economies. For this reason Chapter 3 had the purpose of reviewing three of the most applicable development theories that could aid policymakers in their decision-making processes to develop the tourism industry. Furthermore, before these theories and policies could be implemented, a thorough understanding of what the research area entails should be provided. Chapter 3 further had the main objective of achieving the empirical objective of conducting a regional analysis identifying trends in several indicators within the two study municipal regions. Hence, Chapter 3 included a regional analysis of the Vaal Triangle region. Firstly, the region's history was briefly explored, where after some of the various tourist attractions came to light. This showcased the Vaal Triangle region's untapped potential, as it is rich in numerous cultural, historical and natural elements. In order to better understand the area under investigation, a detailed economic profile of the Vaal Triangle region was provided. Here the region's HDI and the economic performance of the nine main economic sectors were provided and discussed in Section 3.3.2.

Through analysing the aforementioned section it became evident that the region is in need of economic diversification, as the overreliance on the manufacturing and construction sectors has put the economy of the Vaal Triangle under pressure during recent decades. Moreover, with the breakdown of the economic performance of the main sectors during the past decade, it became evident how international economic downturns will ultimately impact local regions as well. In addition, this chapter included a review of previous empirical studies. Here it became evident that although the tourism industry has received more attention during the last decades, there is still a gap in literature with regard to the industry's impact on economic growth and development in especially local regions. Most of the previous studies were conducted with an empirical analysis on a group of diverse countries mixed together as one. But seeing that all countries are diverse, treating them as one to determine the impact of tourism on economies may not be as effective. The empirical research review saw a number of studies that contradicted the general thought that tourism does have a positive impact on economic growth. Moreover, it became evident that there is very limited research available on tourism and its impact on economic development.

Chapter 4 had the main purpose of explaining the research methodology that was used in an effort to address the research enquiry. Considering the nature of this study it seems to fall more towards the positivist paradigm. Furthermore, in order to achieve the primary objective of the study, the research approach chosen was a mixed method approach. Regarding the quantitative

part, a panel data model was utilised. Here annual data from 2001 to 2016 were collected with the use of Global Insight and analysed with the statistical software program E-views. The various statistical methods used to determine the impact of tourism on LED included normality tests, correlation, covariance, granger causality, the Johansen Fisher co-integration test as well as the FMOLS and DOLS estimators. The qualitative part consisted of semi-structured, in-depth interviews with key local stakeholders of the tourism industry in the Vaal Triangle region. This was done in an effort to gain a better understanding of the opportunities and constraints faced by tourism in the Vaal Triangle region. All questions were open-ended and reported on anonymously to ensure confidentiality and add to the richness of the results.

In line with the empirical objectives of the study, Chapter 5 presents the results gained from the aforementioned quantitative and qualitative methods employed. This is surmised in the subsequent section, Section 6.3.

### **6.3 REALISATION OF THE OBJECTIVES OF THE STUDY**

The subsequent section presents a summary of the realisation of the objectives set out in Chapter 1, which have all been achieved. The various objectives were divided into three groups' namely primary, theoretical and empirical objectives. The theoretical and empirical objectives were formed in accordance with the primary objective of investigating the impact of tourism on LED by analysing the Vaal Triangle area.

The study had six main theoretical objectives presented in Chapter 1. The first theoretical objective was to provide a brief outline of the history of tourism as well as the various different types of tourism. The aforementioned was achieved in Section 2.2 and 2.3, where a review on the available literature relating the aforementioned was provided. The second theoretical objective was to review the various institutions governing tourism development and was realised in Section 2.4. This included an embellishment of both international and national organisations aimed at developing sustainable tourism as well as an outline of what local government's role is in tourism development in a region. This included an elaboration of both international and national organisations aimed at developing sustainable tourism as well as an outline of what local government's role is in tourism development in a region. As sustainability plays such an important role in everyday life, influencing everyone, the third theoretical objective was to review literature on the importance of sustainable tourism development. This objective was realised in Section 2.5, with a detailed discussion of sustainability, climate change and how they are linked to the tourism industry. From the analysis it is evident that sustainability is critical for

the growth and survival of tourism. The fourth theoretical objective was to provide a review of the link between tourism, LED and economic growth. This comprised of an economic outline of tourism, both internationally and nationally and was achieved with a detailed discussion on tourism and its impact on the world economies and in South Africa's economy. The aforementioned discussions were presented in Section 2.6.1 and 2.6.2. The fifth theoretical objective was to conduct a literature review on the importance of tourism, analysing both the advantages and disadvantages. The aforementioned objective was realised in Section 2.6.3. The sixth and last theoretical objective was to analyse the development theories most applicable to this study. After reviewing various development theories, three theories were recognised and chosen based on their applicability to the tourism industry in local regions, especially the Vaal Triangle. The three selected theories were presented in Section 3.2 and as a result the last theoretical objective was realised.

This study had four main empirical objectives, set out in Chapter 1. The first was to conduct a regional analysis identifying trends in several indicators within the two study municipal regions. This objective was achieved in Section 3.3, where it was evident that the Vaal Triangle does have potential in tourism development and that the region is still over reliant on the construction and manufacturing industries. The second empirical objective was to analyse the relationship between tourism and LED in the study region. This was achieved in Section 5.2.3 and Section 5.2.5, with the use of the econometric modelling techniques of the Johansen Fisher panel co-integration test and Granger causality tests. The results in these sections provided evidence of a long-run relationship between tourism and LED, which includes economic growth and development. The third empirical objective was to analyse and measure the impact of tourism on economic growth (model 1) and economic development (model 2). This was also achieved with the use of econometric modelling, where the results are presented in Section 5.2.4. For determining the long-run impact of both of the models, the FMOLS and DOLS tests was utilised. Here the results showed that in the long run a 1 per cent increase in tourism could most likely lead to an increase of between 1,37 per cent and 2,62 per cent in economic growth. In addition, it showed that a 1 per cent increase in tourism is further likely to lead to an increase of between 0,87 and 1,34 per cent in economic development in the long run. These results proved similar to studies such as Dubarry (2004), Po and Huang (2008) and Saleh et al. (2013), which aids in strengthening this study's case. Conversely, the results gained here proved to be in contrast to studies such as Eugenio-Martin et al. (2004) and Balcilar et al. (2014), where these authors found no evidence of a relationship between tourism and economic growth. The varying results may be due to other external factors contributing to the different findings. This shows that more research

in this area should be done in order to obtain more concise results in the future. The fourth and last empirical objective was to develop guidelines and recommendations on how to improve tourism's contribution to economic development in the study region, which could be applicable to other local regions as well. This objective was achieved by conducting the interviews presented in Section 5.3 and the resulting recommendations are presented in Section 6.5.

The theoretical and empirical objectives were all set out in an effort to address the primary objective of this study, namely to investigate the impact of tourism on LED by analysing the Vaal Triangle area. With the achievement of the empirical objectives, it provided evidence that tourism does indeed have a positive impact on economic growth and development, thus positively influencing LED in the Vaal Triangle area. Therefore, the primary objective of this study has been successfully realised.

#### **6.4 THE STUDY'S CONTRIBUTION TO EXISTING LITERATURE IN THE FIELD**

The high unemployment and poverty rates in South Africa and the rest of the world is of an immense concern. The affected persons are usually unable to find a job due to a lack of skills, education and opportunities. Tourism provides an escape from this perceived poverty trap, as the industry allow for the creation of low skilled jobs and various opportunities suitable for anyone. However, although research in this matter has increased during recent decades, gaps still exist and the industry is more often than not, not taken seriously in its potential for alleviating unemployment and poverty. Studies done on the impact of tourism on economic growth usually focussed on an array of countries grouped together, which does not take into account each of the country's unique set of challenges and opportunities. Therefore, the empirical research on tourism's point of origin -local regions- have been extremely limited. Furthermore, empirical research on whether or not tourism does have a trickle-down effect on economic development has also been limited. The aforementioned gaps are especially noticeable in the South Africa scenario. For this reason this study contributes to existing literature in that it provides evidence that tourism development, if correctly managed, could have a positive impact on a regions' economic growth. In addition, it could further lead to an improvement in the economic development of a region, therefore improving the standards of living of the region's community. The study further provided a behind the scenes view of what tourism stakeholder's in local regions perceive as obstacles and potential elements that could be used to develop tourism. In essence, this study aids to strengthen the case that tourism, especially given South Africa's current climate, could aid to promote economic growth and development and as a result

contribute to the fight against unemployment and poverty. The use of a mixed method approach incorporating a human element (qualitative) to the study further enhances the contribution of this study to the current LED body of knowledge.

## **6.5 RECOMMENDATIONS**

As the findings of the study show that tourism holds infinite potential for LED, yet remain unacknowledged for this potential, policy implications are likely to occur. Moreover, due to the tourism industry having such a close relationship with the social, cultural and natural elements of a community, it is essential that the right policies and management thereof is in place. Through the qualitative part of the study certain obstacles and recommendations came to light. This section consequently presents some recommendations on developing the tourism industry, which could be applied not only on the Vaal Triangle region, but other regions as well. The following recommendations, which could be used in the formulation of strategies and guidelines, are made in accordance with achieving the last empirical objective, set out in Chapter 1, by conducting the qualitative part of the study.

### **6.5.1 Improving awareness of the tourism industry**

Development practitioners could find it difficult to improve the tourism industry in a region without adequate awareness. The tourism industry of a region will not be able to attract more tourists and grow if tourists are unaware of the region and its various attractions. Globalisations and the advancement of new information and technology have paved the way for better communication among tourism operators and between tourism operators and tourists (Zamfir, 2010:84-85). Nedelea and Bălan (2010:501) suggests that the Internet will become the key determinant in the success of a region's tourism industry, as it allows tourism organisations to advertise their specialities, identify tourist's needs and respond to it. In accordance with Zamfir and Corbos (2015:12714) organisations within the tourism industry will have to adapt to the advancements in technology and information services, where they should implement these new ways of spreading information. It is often found that certain tourism services such as advertisements and area awareness campaigns are out-dated and therefore unsuccessful. This is found to be the case in the Vaal Triangle region. It is suggested that the region in particular should consider promoting the tourism industry through increasing awareness. This could be done with the use of various media such as the Internet, social media, newspapers and magazines to name but a few. As Nedelea and Bălan (2010:492) point out, the establishment of a comprehensive website allow tourism operators to increase their market size and reach a wide

range of potential tourists, originating from inside and outside the operational region. Tourism campaigns could also be launched in the area with the aim of creating awareness of the tourism industry, its benefits and how to develop a sustainable community.

### **6.5.2 Develop local infrastructure**

A central theme throughout reviewing the obstacles faced by the tourism, which also came to light during the interviewing processes were the challenge of inadequate infrastructure. Infrastructure ensures the accessibility to a region and contributes to the regions aesthetics. In the case of the Vaal Triangle region, pollution in the Vaal River is a major concern as a result of deficient infrastructure. In addition, the region is burdened with poor road maintenance, which proves to be a hindrance for not only the residents, but visiting tourists as well. The weak Rand that the country is currently faced with ensues that South Africans are more likely to undertake domestic trips due to the result of lower disposable income, therefore the domestic tourism industry has a chance to develop its local markets. However, as BMI (2016:18) indicate, the poor condition of the roads in local regions of South Africa makes accessibility a pressing issue. In line with Stănciulescu and State (2012:127), government investment should be aimed to develop the infrastructure of a tourism region, which includes hotels, water sanitation, heritage sites, conference centres, roads, museums and so forth. This is deemed necessary as it constitutes to the invisible and visible impact of tourism on the community and the environment.

### **6.5.3 Building local partnerships and ensuring community participation**

It has been emphasised that if the community is left out of tourism development and its resulting benefits, they are more likely to perceive tourism and tourists as threats. It is important to build and develop private and public cooperation, as this could ensure the effective and efficient development of a community and its tourism industry. The relationships in the community should be perceived as a triangle, where there is an on-going link between the community, public and private sectors, where one cannot function without the other. The aforementioned will as a result improve the linkages and result in a multiplier effect of tourism on the economy (Phiri, 2016:50). Additionally, tourism operators should ensure that they involve the community in their operations, taking their needs and desires into account within their development strategies. Emanating from Chapter 2, the tourism industry has far ranging impact on the ecological and socio-economic development of regions. For this reason, tourism operators have the ability to contribute to enrich the livelihoods of the community in which they operate. Tourism operators can do this through:

- Employing local community members, thus increase local sourcing.
- Using locally sourced and manufactured products and services.
- Support local cultural and social establishments.
- Ensure that the community stays central in tourism development projects.
- Invest in local skills and educational development (ITP, 2004:7; Richardson, 2010:4).

#### **6.5.4 Enhanced government support**

With the aim of promoting economic development in any region, it goes without saying that it is imperative to have effective and realisable policies and strategies in place. As with tourism development local government has a central role to play and Section 2.4.3 elaborated on this matter. Corresponding to Pedrana (2013:93), LED is based on the development of four axes namely inward investment, labour skills, local corporations and infrastructure. A deficiency in any one of the aforementioned will most likely lead to negative spill-over effects to the other. Therefore, local government should play an active, supportive role in facilitating LED in a region. Throughout the interviews discussed in Chapter 5, respondents mentioned the need for more government support in building the tourism industry. Without the political and institutional will to develop and promote tourism and the community as a whole, the effective growth of the local region will in all likelihood not be satisfactory. In accordance with Ashley *et al.* (2007) and Richardson (2010) local government should consider the following points in promoting tourism and LED:

- Encourage inclusive business operations with the implementation of regulatory public contracts and fiscal policies.
- Establish and implement a coherent and all-inclusive tourism strategy.
- Build and maintain public-private sector partnerships.
- Implement legislation aimed to protect local tourism operators and attractions.
- Create marketing strategies that build on the comparative advantages in a community.
- Build an encouraging environment for local entrepreneurs.
- Invest in local infrastructure development.
- Reduce corruption and crime.
- Encourage domestic tourism and a tourism culture amongst the local residents.

### **6.5.5 Focus on developing and promoting sustainability and sustainable tourism**

Emanating from previous chapters, it became clear that the tourism industry is heavily reliant on its surroundings, hence the protection of the natural, social and cultural environment are imperative to develop the tourism industry. What is more, especially since the Vaal River is such a key attraction in the Vaal Triangle, the incorporation of sustainability in policies, strategies and development plans are of immense importance. With developing policies and strategies where sustainability is a key focus point, it is important that the desires and needs of the community are taken into account and incorporated into these policies, whether it is governmental or organisational. By involving the local community and ensuring that they share in the benefits of tourism, they may feel more inclined to protect the cultural and natural assets of a region. Although there is no panacea for effective sustainable tourism, it is recommended that tourism organisations and local government consider the following in their decision-making practices, some of which conform with Pedrana (2013) and Zamfir and Corbos (2015):

- Adopt and adapt international sustainable tourism standards.
- Develop sustainable recreational tourism activities.
- Preserve cultural heritage and natural assets.
- To implement a certifying and authorisation scheme for the protection of local biodiversity.
- Educate the community on the importance of living and operating sustainable.
- Restrict environmental degradation and waste.

Moreover, it is recommended that sustainable tourism should form a fundamental part of all planning and development strategies, together with tourism management. The aforementioned is needed to ensure that the tourism industry does not exceed the ecological limits of the region.

### **6.5.6 Establish an institutional body**

The development of the tourism industry of a local region should rather not be placed entirely in the hands of local government. As the importance of building private, public- and community-based relationships are echoed throughout the study, it may prove obliging if there is an independent institution developed in a region with the aim of governing sustainable tourism. This institution could develop a platform where tourism operators, local government, community members and other company stakeholders are able to get together and discuss pressing issues, potential developmental action plans and solutions to the adverse events present in a particular

region. This could result in the encouragement of relations between the various parties in the region (McLachlan & Binns, 2014:109; Meyer, de Bruyn & Meyer, 2017:794). For example, in the Vaal Triangle the North-West University could provide the environment where these people can make their voices heard and form cooperative relations between tourism operators and the rest of the community. As Ashley *et al.* (2007:20) point out, institutions such as the aforementioned could allow for the creation of quality standards, educational training centres, and cooperative relations. The platform could also allow for the transfer of new technology and information among not only tourism companies, but other more traditional industry members as well. As asserted by Biddulph (2015:99) it often occurs that the most successful campaigns are the ones that occur due to small community-based initiatives.

## **6.6 LIMITATIONS OF THE STUDY AND AREAS FOR FUTURE RESEARCH**

It is worth mentioning that no study is without its limitations. Firstly, the findings of this study are based upon the results of testing two municipal areas and results may differ across other local regions. These aforementioned shortcomings do however pave the way for possible areas for future research. Instead of only focussing on the Vaal Triangle region, future research could include more local regions across South Africa. In addition, other local areas could also be examined for tourism's impact on the local area, which could aid in determining which regions are better suited and has the potential in developing their tourism market. Thirdly, more stakeholders in a region could be contacted to gain a clearer understanding of tourism and its role in local communities, based on a larger sample. Moreover, instead of only focussing on stakeholders, members of the local community and staff in the tourism industry could be included. With this one would be able to determine how tourism is impacting these people's lives and if it does contribute positively to the community as statistics suggests.

## **6.7 SYNOPSIS**

The main aim of this study was to determine the impact of tourism on LED, to see whether or not it influences economic growth and if it does indeed influence economic development in local regions, hence studying the Vaal Triangle. In order to achieve this, the study made use of modern econometric pooled panel approaches, as well as conducting semi-structured, in-depth interviews with key local stakeholders in the Vaal Triangle region.

Research on the impact of tourism on economies has been relatively new when compared to other fields and the impact the industry has on economic development in local regions has

received restricted attention. The findings that arose from the study suggest that tourism does indeed have a positive impact on economic growth in the Vaal Triangle and it does not only impact economic growth but further leads to an improvement in economic development in the long run. This study provided significant results, as it adds to reduce the uncertainty surrounding tourism and its impact on local economies. It was found that the tourism industry could contribute between 1,37 to 2,62 per cent to economic growth and further contribute between 0.87 and 1.34 per cent to the economic development of regions. This indicates that tourism does have the potential to decrease unemployment and further more contribute to alleviating poverty and improve the standards of living for people in local regions.

The various responses gained from the interviews suggest that the Vaal Triangle does have tourism potential, yet the region has not yet been able to get the most out of it. Through the interviews it became apparent that cooperation, government support, awareness and sustainability are some of the main attributes that prove to be obstacles in realising the Vaal Triangles full tourism potential. Local government support is essential together with establishing close net relations between the community and the private and public sectors. Establishing a governing institution could aid in developing new projects, sharing of new solutions and information, promoting sustainability and lead to improved coordination among industry leaders. Corporate social responsibility together with sustainability could form part of newly formed legislation, whereby especially tourism operators should be required to adhere to certain predeterminants for operating within the region. Furthermore, with synergy between the public and private sectors, the natural environment and its resources would be able to be more effectively protected, as well as improve the region's marketing, branding and image building.

As is often the case, the tourism industry is still not taken seriously for its potential as a leading economic sector and studies such as this could aid to indicate that the tourism industry does not only have the potential to promote economic growth and development, but create representations and meaningful attributes for a region. Especially for a developing nation such as South Africa with its rich biodiversity, historic and cultural assets, tourism could be the key factor to enrich the lives of all South Africans, irrespective of race, gender, culture, religion and age.

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## APPENDIX A: DATA USED OF EMFULENI AND METSIMAHOLO (VAAL TRIANGLE)

EMFU & METSI	YEAR	TOTAL POPULATION	GROWTH POPULATION	GDP (X1000)	GROWTH GDP	TOTAL TOURISM TRIPS	GROWTH TOTAL TRIPS	TOTAL TOURISM SPENDING (X000)	GROWTH TOTAL TOURISM SPENDING	HDI	GROWTH HDI	HOSPITALITY SECTOR	ED INDEX
1	2001	642448.00		28251449.00		238172.97		627509.50		0.58		101944.52	281.30
1	2002	646145.00	0.58	28258733.00	0.03	262253.24	10.11	760477.20	21.19	0.58	-0.97	100747.73	279.50
1	2003	649668.00	0.55	27470072.00	-2.79	273320.14	4.22	806900.41	6.10	0.57	-0.62	102391.25	276.20
1	2004	653768.00	0.63	27496930.00	0.10	254816.84	-6.77	788268.21	-2.31	0.58	0.96	101376.51	283.60
1	2005	658501.00	0.72	27629347.00	0.48	243986.22	-4.25	784898.11	-0.43	0.58	0.78	101401.31	287.30
1	2006	663288.00	0.73	29036855.00	5.09	234268.83	-3.98	891815.96	13.62	0.59	0.25	104423.00	292.40
1	2007	670675.00	1.11	30583023.00	5.32	228156.99	-2.61	959651.31	7.61	0.59	0.34	117880.29	293.70
1	2008	677898.00	1.08	30577517.00	-0.02	218959.37	-4.03	1004266.62	4.65	0.59	0.77	110403.57	293.00
1	2009	686742.00	1.30	28951514.00	-5.32	211040.60	-3.62	963817.94	-4.03	0.61	2.69	106119.09	297.90
1	2010	695878.00	1.33	30172779.00	4.22	216544.50	2.61	979896.56	1.67	0.62	1.92	124799.49	300.30
1	2011	704382.00	1.22	31683508.00	5.01	218622.98	0.96	950131.56	-3.04	0.64	2.55	125604.10	308.50
1	2012	712065.00	1.09	32144080.00	1.45	227788.31	4.19	1022197.95	7.58	0.64	0.66	128349.72	307.40
1	2013	719504.00	1.04	32693828.00	1.71	239025.66	4.93	1049694.41	2.72	0.66	2.27	131410.66	311.30
1	2014	726516.00	0.97	32986092.00	0.89	231127.26	-3.30	1104428.79	5.19	0.67	1.68	129575.67	309.30
1	2015	733177.00	0.92	33180714.00	0.59	223139.10	-3.46	1054592.95	-4.51	0.67	0.85	127511.01	303.20
1	2016	740967.00	1.06	33208587.00	0.08	235625.00	5.60	1192858.84	13.11	0.68	0.88	133856.43	300.40
2	2001	119962.00		12603406.00		76206.55		96678.54		0.55		29754.25	290.30
2	2002	121686.00	1.44	13167189.00	4.47	94816.03	24.42	127801.67	32.19	0.55	-1.29	33077.81	287.50
2	2003	123685.00	1.64	14206676.00	7.89	111046.40	17.12	145879.58	14.15	0.55	-0.40	37866.53	285.90
2	2004	125941.00	1.82	14771484.00	3.98	113372.83	2.10	150330.86	3.05	0.56	1.81	37413.22	291.40
2	2005	128482.00	2.02	15882389.00	7.52	117592.40	3.72	157115.87	4.51	0.56	1.77	37037.98	293.80
2	2006	131331.00	2.22	19028717.00	19.81	120160.98	2.18	193226.12	22.98	0.57	0.86	43243.61	298.00
2	2007	134772.00	2.62	19628749.00	3.15	123609.49	2.87	218362.78	13.01	0.57	0.79	44069.50	299.20
2	2008	138541.00	2.80	19899542.00	1.38	130549.14	5.61	252703.56	15.73	0.58	0.88	41971.26	301.40
2	2009	142501.00	2.86	19369426.00	-2.66	136857.61	4.83	267903.04	6.01	0.60	2.91	41000.88	306.00
2	2010	146551.00	2.84	21930280.00	13.22	148050.62	8.18	309340.78	15.47	0.61	2.26	50111.96	308.70
2	2011	150520.00	2.71	22278103.00	1.59	156656.25	5.81	337808.80	9.20	0.63	2.69	52303.24	314.20
2	2012	154280.00	2.50	23426417.00	5.15	163210.25	4.18	390807.77	15.69	0.63	0.38	56191.80	311.90
2	2013	158011.00	2.42	23188256.00	-1.02	177703.79	8.88	437077.63	11.84	0.65	2.68	58156.33	316.60
2	2014	161631.00	2.29	23251279.00	0.27	171386.80	-3.55	501833.19	14.82	0.65	1.38	57618.59	315.50
2	2015	165067.00	2.13	23262209.00	0.05	167646.52	-2.18	511205.14	1.87	0.66	0.90	56855.67	319.00
2	2016	168287.00	1.95	24027525.00	3.29	168892.77	0.74	583529.10	14.15	0.66	0.36	59502.69	318.70

## APPENDIX B: LETTER FROM THE LANGUAGE EDITOR

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### DECLARATION OF LANGUAGE EDITING

13 November 2017

To whom it may concern

This is to confirm that I, the undersigned, have language edited the completed research of *Chané du Bruyn* for the *Magister Commercii in Economics* entitled: *The impact of tourism on local economic development (LED): An analysis of the Vaal Triangle region.*

No changes were permanently affected and were left to the discretion of the student. The responsibility of implementing the recommended language changes rests with the author of the thesis.

Yours truly

A handwritten signature in black ink that reads "J Müller".

Jomone Müller