



# The Wild Coast as a catalyst for local economic development (LED) in Coffee Bay, Eastern Cape, South Africa

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## Abstract

Globally coastal tourism has been recognised as a key driver for economic prosperity. As such, coastal tourism offerings are utilized as a vehicle for local economic development, especially in developing countries such as Namibia, Brazil and Mauritius. The objective of this paper was to analyse the role of relevant stakeholders in participating in tourism as a catalyst for Local Economic Development in Coffee Bay. For the purpose of this study, both qualitative and quantitative research techniques were adopted. A questionnaire survey was utilized to collect data and Statistical Package for Social Sciences (SPSS) was used to analyse data. The findings of this study indicate that there are entrepreneurial initiatives in Coffee Bay, however, these initiatives are seemingly not well managed due to poor education levels. The study also found that the community of Coffee Bay appear to be unsure of who owns the tourism businesses and who does not. In light of these findings the Wild Coast has not been fully utilized as a catalyst to bring about economic benefits to the local community. Therefore, it is envisaged that these findings will play a significant role in creating community awareness in Coffee Bay about tourism and its various benefits. It is recommended that entrepreneurial hubs be established in Coffee Bay in order to assist locals in managing their businesses. The limitation to this study was time. It had to be completed within a year and only focuses on Coffee Bay area not Wild Coast at large. The findings of this paper will hopefully contribute meaningfully in improving social standards of the impoverished Coffee Bay community.

**Keywords:** Tourism development, local economic development, Wild Coast tourism.

## Introduction

Globally tourism is seen as an economic sector that plays a vital role for employment creation both formal and informal. It improves the standards of living by its job-creation potential and attracts foreign investments (Meyer, 2015). Tourism is recognised as a strong driver of Local Economic Development (LED). Tourism development enables job creation and other spin-offs in the local community. These range from reducing unemployment, inequality and poverty to locals. Tourism can also help in a destination branding its attractiveness to tourists and investors (Carnac, 2009) and this is important because the industry is poignant for developing the underdeveloped economies.

There are many examples of the value of tourism in recent years, such as for example, tourism in Mexico contributed about 10 % to the Gross Domestic Product (GDP), the majority of this revenue was generated from coastal tourism (Gaubert & Cecile, 2018). On the other hand Ha Long Bay in Vietnam is an area of exceptional natural beauty that has developed as a significant asset for



cultural and economic development and it has played a major role in country's improvement as an international destination (Pham, 2012).

In Africa, countries like Mauritius took the advantage of their natural attractions, attractive marine environment and year round subtropical climate to promote and prioritise tourism. Employment rates increase rapidly every year and Small and Medium Tourism Enterprises (SMTEs) are growing owing to masses of tourists visiting the island country. Mauritius shows a number of tourism characteristics that are relevant to its future development such as direct flights from United Kingdom (UK) and South Africa, no charter flight policy in protection of national airline, repeated visits and it is a major employer (Sharpley & Naidoo, 2010). Many countries including South Africa (RSA) have recognised tourism potential to drive socio-economic progress. In developing destinations, tourism industry development is recognised as an important tool for economic growth enhancement, environmental protection, poverty alleviation, curbing unemployment and reduction of unemployment. Van der Merwe, Slabbert and Saayman (2009) state that beaches are considered to be one of the major attractions of the tourism industry. In many developing countries coastal tourism has been recognised as an important sector for economic development. Introduction of poverty alleviation strategies such as new venture creation and creating a sense of ownership is important in destinations and for communities it brings positive tourism impact on Local Economic Development (Meyer & Meyer, 2016).

In South Africa, the tourism sector is considered to be an important driver of economic development of local regions owing to its rapid potential support to economic growth on local and national level. Tourism is also an essential driver for social and local economic development (LED) by encouraging economic growth through income generation and job creation ranging from tour guides, crafters and coffeeshop. Emerging countries like South Africa have managed to develop their economies by emphasising the positive aspects and potentials of the tourism sector (Meyer & Meyer, 2016). The country's favorable climate, wild life and golden beaches have made it a competitive destination. The summer seasons are deemed to be attractive to international visitors. South Africa offers ocean and coastal sports, quality hotel and restaurants, beach resorts and cruise ship trips which contribute to LED by creating jobs, promoting the multiplier effect and input on GDP (Merwe at al., 2015).

The predominantly rural area of the Wild Coast has a potential for Local Economic Development through tourism. The region possesses eco-tourism and nature-based tourism potential with its scenic beauty and heritage that can be converted into sustainable market to develop and benefits its communities (Ntonzima, 2014).

### **Research Methodology**

This paper adopted both qualitative and quantitative research techniques. Qualitative research technique was used for examination of views and opinions of the locals on tourism offerings and their benefits. The Quantitative research technique was also used for the analysis of the total number of respondents.

### **Ethical consideration**

The permission to undertake this research was granted by the leaders of the community of Coffee Bay. Furthermore, the participants were assured of the confidentiality of their responses. Moreover, the respondents were informed that the findings of the study will not be utilized for commercial purposes.



## **Data Collection methods**

There are two types of data, primary and secondary. Primary data is a data that is collected by a researcher from first-hand sources, using methods such as surveys and interviews whereas secondary data is a data which is collected by someone from other people's writings through newspapers, books, journals and articles (Goliath & Mxunyelwa, 2016). The paper made use of secondary data such as academic peer-reviewed journal articles, popular articles, academic books, and government publications. Primary data was collected using a structured questionnaire. The closed ended questions formed part of the question in the data collection process. The closed ended questions enabled the researcher to collect the data that specifically related to the research problem.

## **Sampling**

The population of Coffee Bay consist of approximately five hundred inhabitants. A total of 250 questionnaire were randomly distributed to the community of Coffee Bay. The researcher received a total 100 usable questionnaire from the respondents. Goliath and Mxunyelwa (2018) define simple random sampling as a sampling technique in which the respondents are randomly selected from the whole population in such a way that every respondent is equally selected. The researcher randomly selected respondents from the community. This means that the study adopted a simple random sampling technique. Therefore, this sampling enabled the researcher to include relevant stakeholders such as local community members.

## **Data Analysis**

The paper utilized the Statistical Package for the Social Science (SPSS) version 25 software to analyse the study results. Descriptive statistics was used to explain community's perceptions regarding economic and social impacts of tourism in the Coffee Bay community.

## **Validity and Reliability**

For the purpose of the current paper, the measures that were embraced to ensure the findings of the study were valid and reliable are as follows:

- The questionnaire was designed based on the research questions asked in the study.
- The questionnaire was submitted to the study supervisor for editing before the data collection.

## **Overview of tourism**

In recent years, many international organisations such as United Nations World Tourism Organisation (UNWTO) and World Travel and Tourism Council (WTTC) have argued that tourism can be seen as an economic development tool for many regions. Tourism value chain includes various economic sectors, and thus tourism needs a well-developed infrastructure such as telecommunications, energy and environmental services; manufacturing, agriculture and other support services (Din, Habibullah & Saari, 2016). Nations such Namibia and Brazil are typical examples in utilizing their Coastal tourism resources to promote local economic development.

Tourism is one of the key sectors that contributes in many economies of developed and developing countries (Mahashi, 2017). The industry contributes to foreign exchange, creates employment opportunities and triggers economic development in general. Tourism can play a fundamental role in achieving economic growth and development in various developing countries (Samami & Sadeghi, 2013).In the context of South Africa the development of tourism has been



identified by the government as a strategy to boost economy growth whether rural or urban. The South African economy suffers from sluggish economic growth and (triple threat challenge) high unemployment rate, inequality and poverty. Thus, tourism is viewed as one of the strategies that can be utilized to circumvent these challenges. The government of South Africa has also relaxed the visa regulations in order to boost tourism receipts in the country's economy. Statistics South Africa (2018) indicates that the tourism industry is said to be responsible for every 5 jobs in 10 around the global spectrum.

Sharply and Naidoo (2010) state that tourism development have been concerned with poverty reduction, over the past five years, tourism increased dramatically, it contributes to socio-economic development of destinations. The increase can be attributed to foreign exchange rate as a result of international tourists that have been visiting South Africa. These tourists are inject foreign currency to the local economy. The tourism industry should be planned to have direct supply chain linkages with existing economic sectors, such as agriculture, manufacturing and construction. Tourism as an economic sector directly and indirectly underwrites the performance of virtually all industries and to the development and prosperity of destinations. Visitors' expenditure flows through an extensive range of businesses providing services to visitors and this has the effect of stimulating the economy as noted by Litheko & Potgieter (2016). The tourism industry has a direct, indirect and induced impact on the local economy which means that the tourism industry has a greater impact on the destination economy than other sector.

If the tourism industry is planned to be pro-poor, the majority of tourism expenditure would be retained in the local economy. As many destinations jump on the tourism 'bandwagon', this has increased competition for tourists. The sustained growth of tourism, which has robust growth even in what are times of low economic growth, has led to it being regarded as an 'easy industry' in which to operate within. This is however further from the truth, as the tourism industry requires deep investment in infrastructure a range of soft resources such as safety and security to succeed.

The taxing of non-residents who are tourists can increase the tax coffers to build infrastructure that is used by locals and non-residents such as roads, airports and telecommunications infrastructure. Ferreira (2007) noted that there are unrealistic expectations about regarding the role that tourism might fulfil as an economic growth mechanism for a town. This means that tourism is regarded as a cure-all, which is not entirely the truth and this places undue pressure on the tourism industry to create "economic miracles". The "economic miracles" include labour-intensive jobs, diversifying the economy, and the inclusion of rural areas in tourism consumption.

## **Tourism development in South Africa**

South Africa (RSA) is widely recognized as a country of expanding population, increasing unemployment, declining currency and steady drop in mineral wealth. However, tourism presents an opportunity to change the tide of unemployment through job creation and formation of entrepreneurial opportunities (Briedennam & Wickens, 2004). Tourism is widely recognized by authorities in SA as a mechanism in which development can be achieved, yielding benefits to host communities (Binns & Nel, 2002). Tourism remains key for SA's economy and contributes to job creation. It contributes 9% to the country's Gross Domestic Product (South African Tourism, 2016).

National Tourism Sector Strategy (2016) indicates that SA experienced a decline in international arrivals in 2015. The decline can be attributed the Ebola epidemic in West Africa. The South African government recognized tourism sector's potential to bring employment creation and economic growth. This is evident by the creation of a standalone Department of Tourism in



2009 and in the strengthening of the tourism portfolio. The tourism sector in South Africa is committed to create a total of 225 000 jobs by the year 2020 (NTSS, 2017).

Smaller towns in South Africa face greater economic challenges, that the major urban centres, which have experienced rapid urbanisation and not house the majority of residents of South Africa. The sustained growth of tourism as an economic sector, has emerged as reliable sector to attract “new money” into a locality and transform the local economy. Small and secondary towns have begun marketing themselves as sites of tourism consumption. The majority of small towns are single industry towns such as in the Free State which depended on gold mining. There has been consolidation in the agricultural industry, which is increasingly mechanising, which has led to severe job losses in already high unemployment rural areas.

Mining has lost its shine; and has been a perennial jobs shedder, and has declined in its share of contribution to economic growth and the gross domestic product (GDP) of South Africa. South Africa’s rural areas are economically depressed, suffering from declining economic prospects, loss of brain drain, and poor human development indicators such as low levels of employment, literacy and health. Rural areas, therefore, require an economic messiah that would employ the rural population, to prevent the rural-urban migration of poverty. Tourism has been integrated in economic development policies for rural areas. Briedenhann and Wickens (2004) noted that lack of capacity at local government to assume responsibility in the rural tourism sector.

### **Local Economic Development (LED)**

The LED concept is fairly new in South Africa. After the democratic government was established in 1995 and 1996, many debates were held on real meaning of LED and should it be implemented in a sustainable way (Binza & Ntonzima, 2011). LED is one of the fundamental functions of local government in South Africa. LED in South Africa has been concentrated on production in localities meaning production industry expansion, agriculture and mining (Rogerson, 2009)

LED ensured that local citizens and local businesses are involved contributing towards their local economic future plans. LED is a concept to do with the development of a local area, specifically aiming to encourage the local economy to grow, thrive and create jobs, by making healthier use of locally available resources (Trah, 2004: 1). The local economy of small towns such as Coffee Bay stand to benefit from Wild Coast tourism. Wild Coast in coffee bay operates as a catalyst for local economic development. Such an opening of new enterprises would come with socio-economic benefits such as creating sustainable jobs for the locals and improving the standard of living. The local community may be encouraged when local government focuses on the expansion of enterprises as noted by Helmsing (2001).

In the South African context, the National Government prioritises economic development, which allows and encourages local people to work to achieve local economic development goals Phago & Tsoabisi (2010). The policy intention is to produce economic benefits and to enhance the quality life of all the inhabitants in various areas. However, the Eastern Cape Province is regarded as one of the poorest province in the country - yet there are many opportunities, which could act as catalysts for LED. LED is not an isolated means of stimulating the local economy and promoting development, as it forms part of the overall structure and context of complete municipal strategic planning as noted by Phago (2009).



## Findings of the study

It is important to understand the demographic profile of respondents in order to determine whether the respondents of the study are a represented sample of targeted population. Therefore, this study sought to ascertain the demographic profile of the community Coffee Bay. The results are presented in the next section.

**Table 1.** Demographic profile of the respondents

Variables	Category	Percentage
Age	18-20	13.3
	21-30	31.7
	31-40	16.7
	41-50	18.3
	51-60	15
	70	5
Gender	Female	50
	Male	50
Population	Black	
Education	No formal education	25
	Standard 8-10	50
	Certificate	15
	Diploma	10
Employment	Student	18.3
	Unemployed	43.3
	Working-part time	5.0
	Self employed	21.7
	Working full time	11.7

Table 1 shows that 31.7% of the respondents was spread out in the range of 21 and 30 years. 50% of respondents were females and 50% were males. All respondents were Black were black. The results indicate that half of the respondents attended high school which ranges from standard 8 to 10. The findings underscore that 43.3% of the respondents were unemployed.



**Table 2.** Residents' perceptions on economic benefits of tourism in Coffee Bay

Item	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total
	F	%	F	%	F	%	F	%	F	%	
During summer seasons Coffee Bay experiences large number of tourists	42	70	16	26.7	1	1.7	1	1.7	0	0	60
Tourism creates job opportunities	31	51.7	14	23.3	10	16.7	2	3.3	3	5	60
Community members of Coffee Bay participate in tourism	32	53.3	17	28.3	7	11.7	0	0	4	6.7	60
Tourism have led to infrastructure development of Coffee Bay	28	46.7	19	31.7	8	13.3	5	8.3	0	0	60
Community members of Coffee Bay are interested in tourism	44	73.3	14	23.3	0	0	2	3.3	0	0	60

The majority (96.7%) of respondents strongly agreed and agreed that during the summer seasons Coffee Bay experiences large number of tourists. With regards to job opportunities, 75% of the respondents indicated that tourism enables them to

work in accommodation establishments, tourist attractions and start their own businesses. However 16% of the participants highlighted that their views are neutral in relation to job creation that come about as a result of Wild Coast tourism. This could be attributed to the fact that respondents lack awareness of tourism economic benefits. The findings highlight that 81.6% of the respondents strongly agreed and agreed that community members of Coffee Bay participate in tourism. However, 11.7% of the respondents were neutral. The findings show that 78.4% of the respondents strongly agreed and agreed that tourism led to infrastructure development in Coffee Bay. This could be evident by the construction of a tar road from Mqanduli to Coffee Bay.



Conversely 13.3% of the respondents were neutral and 8.3% of the respondents strongly disagreed and disagreed with the statement. The results demonstrate that 96.6% of the respondents strongly agreed and agreed that community members of Coffee Bay are interested in tourism. However, 3.3% of the respondents disagreed with the statement.

Item	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree		Total
	F	%	F	%	F	%	F	%	F	%	
Tourism improves quality of life of those who are involved in tourism industry	36	60	16	26.7	5	8.3	1	1.7	2	3.3	60
Community members of Coffee Bay own many tourism businesses in Coffee Bay	7	11.7	19	36.7	8	13.3	10	16.7	16	26.7	60
Tourism helps to rejuvenate cultural pride	25	41.7	28	46.7	4	6.9	2	3.3	0	0	60
Community members of Coffee Bay respect tourists	40	66.7	10	16.7	5	8.3	4	6.7	1	1.7	60
Community members of Coffee Bay are involved in decision making	19	31.7	20	33.3	13	21.7	6	10	2	3.3	60

The results highlight that 86.7% of the respondents strongly agreed and agreed that tourism improves quality of life of those who are involved in the tourism industry. Contrary, 8.3% of the respondents were neutral whereas 3.3% of the respondents disagreed.

The findings indicate that less than 50% respondents (48.4%) agreed that community members of Coffee Bay own tourism businesses in Coffee Bay. While 13.3% respondents were neutral and 43.4% of the respondents disagreed. These findings are inconclusive; the respondents seem to be unsure of who owns the businesses and who does not.



The findings elucidate that 88.4% of the respondents strongly agreed and agreed that tourism helps to rejuvenate cultural pride. This could be evident by the annual Coffee Bay cultural Festival that they attend and participate in. Notable 6.9% of respondents were neutral.

The findings highlight that 83.4% of the respondents strongly agreed and agreed that community members of Coffee Bay respect tourists. Moreover, 8.3% of the respondents were neutral to the statement and 1.7% disagreed.

The results presented that 65% of the respondents strongly agreed and agreed that community members are involved in decision making. On the other hand, 21.7% of the respondents were neutral and 13.3% of the respondents strongly disagreed and disagreed with the statement.

### **Study Limitations**

The current study focused mainly on tourism economic benefits in the Coffee Bay area. Due to limited amount of time and financial limitations, the researcher was unable to conduct the study in the Wild Coast as a whole. Therefore the study was limited to Port St Johns and Bulungula which also possesses LED opportunities as a result of tourism. Future studies may thus adapt a wider approach to include more areas.

### **Conclusion and Recommendations**

The primary aim of this study was to uncover the potential of Wild Coast as a catalyst for local economic development. It was expressed that the majority of Coffee Bay community members lack entrepreneurial skills.

It is recommended that King Sabatha Dalindyebo local municipality should develop entrepreneurial hubs in Mqanduli to assist locals in skills development programs and trainings on how to operate businesses.

It is also recommended that there needs to be a development of crafts centres with Wireless Fidelity (Wi-Fi) that will assist locals owning souvenir shops with online marketing tools and promotion.

Local government should establish a water related company with boats that will take tourists from the shoreline to the Hole in the Wall and back. It will allow visitors to have a closer look of the wonderful Hole in the Wall. The company will employ locals thus reducing unemployment.

There needs to be a formation of a Wild Coast standalone marketing board. Wild Coast is a very wide tourism route that depends entirely on provincial marketing to be marketed. A formation of a standalone marketing board will allow enable it to reach it targeted markets directly.

It is recommended that there needs to be a creation of a strategic awareness campaign that aims at educating locals about Wild Coast tourism, this kind of a campaign will assist on understanding the benefits of tourism in their community. In addition, this campaign will give locals a sense of ownership, feeling of responsibility and practical involvement in tourism around Coffee Bay.

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