



# The prospects of tourism and hospitality industries as drivers of Local Economic Development (LED): The case of Port St Johns (PSJ), Eastern Cape, South Africa

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## Abstract

Globally, the tourism and hospitality sectors contribute meaningfully to both developing and developed economies. These sectors have been identified as drivers of local economies due to the potential number of jobs they can create. However, Port St Johns (PSJ) remains one of the poorest tourism regions despite the number of tourists that come to the area and the revenue generated through these sectors. Consequently, the paper explores the prospects of tourism and hospitality contribution to local economic development in the context of PSJ. A simple random sampling technique, characterised by face-to-face surveys on the residents in PSJ was utilised to collect data. The findings indicate that the majority (75%) of respondents are aware of tourism development activities that take place in PSJ and the potential to contribute to Local Economic Development (LED). The findings of this paper recommend that PSJ tourism stakeholders (public sector, private sector and local communities) should partner to ensure that tourism development initiatives that take place in the area are optimised. These findings have implications for the stakeholders such as local business, tourism planners, community and the municipality that are responsible to manage the local industry. Furthermore, stakeholders must be part of the development process from the outset. Hence it is recommended that the findings of this paper be utilised as a basis of developing an opposite strategy for tourism and hospitality industries to drive LED.

**Keywords:** Tourism, Hospitality, Local Economic Development, Port St Johns.

## Introduction and background of the study

Tourism and hospitality are the world's biggest economic drivers in both developing and developed economies. The World Travel & Tourism Council (WTTC, 2018) reports that these sectors are responsible for every 5 out of 10 employment opportunities created across the globe. As such, these sectors inject the much needed foreign exchange towards higher tourism receipts. Furthermore, economic development is achieved through these sectors due to their contribution to the Gross Domestic Product (GDP) of a country. The tourism and hospitality



sector is well poised in enabling the people to establish entrepreneurial ventures and to support local communities in their efforts to develop.

These industries are generally accessible to those that might not be highly educated and are less capital intensive in comparison to other sectors. The entrepreneurial venture establishments range from the following businesses: attractions, hotels, shuttle services, restaurants, to name but a few. These enterprises create employment opportunities within the local economies (Mxunyelwa, 2019). Furthermore, (Mxunyelwa, 2019) quotes the global economic and employment impact of Travel & Tourism and says that in 185 countries and 25 regions it is insurmountable. According to the WTTC (2018) research indicates that the industries were responsible for 10.4% of the world GDP and 319 million jobs, or 10% of total job opportunities in 2018.

Tourism and hospitality are considered to be valuable economic development drivers for a country and are the quickest and biggest developing sectors across the global spectrum (World Tourism Organisation (WTTC, 2018). Many countries both developed and developing such as Brazil, China, India South Africa (BRICS) are involved in tourism. Tourism and hospitality is characterised by some different actors with different interests and values on different fronts (Satha, 2003). Consequently, there is a need for a country or destination that has a desire to benefit from tourism, to ensure that all the actors or stakeholders are involved (Nicolaidis, 2015).

Tourism and hospitality stakeholders have to work together in order to achieve their interests and values. Carroll (1993), writes that tourism stakeholders may have influence on, or can be influenced by actions, decision, policies, practices or goals of an organisation or tourism destination. Tourism and hospitality stakeholders all have a role to play for tourism to be boosted in any destination. Tawonezvi, Mirimi and Kabote (2014) espouse that the involvement of tourism and hospitality stakeholders such as the public sector, private sector, local community and the tourists is critical, particularly in a context of developing economies.

It is underscored that both positive and negative impacts on overall tourism have impacts; these range from lack of growth, and a currency that is experiencing negative growth. Consequently, these challenges can potentially become a hindrance to the stakeholder involvement in tourism growth and ultimately sustainability. In this light it can be argued that such challenges can exacerbate the current sluggish economic development of South Africa (Tawonezvi at al, 2014). These scholars further argue that for the tourism and hospitality industries to thrive, it is imperative that there is synergy amongst the stakeholders. This helps the local economies grow and especially when the resources are combined.

The World Tourism Organisation (WTO, 2015) states that tourism stakeholders are divided into categories including the tourism industry, environmental support, local community and government. WTO (2015) further identifies tourism stakeholders as key drivers of LED in tourist destinations especially in the context of underdeveloped areas. Therefore, tourism and hospitality practitioners ought to facilitate the interface between various stakeholders in order to work towards common vision. Pavlovich (2003) and Nicolaidis (2015) underscore that the relationship between tourists (demand), industry (supplier) and the host community are pivotal in order for tourists' destinations to optimise their unique product offerings. Gunn (1994) defines



tourism stakeholders as the business sector, non-profit and public sectors. Either way, tourism stakeholders have an important role to play in prompting tourism in Africa and developing countries generally.

Importantly both domestic and international tourism play an important role in the tourism development of a local economy. It has the ability to attract investments and bolster tourist expenditures, and importantly decreases the rates of unemployment and seasonality issues. Domestic tourism's economic contribution can be significant even when domestic tourists do not have high spending power (Scheyvens, 2007). Domestic tourism also leads to infrastructural development thereby boosting entrepreneurship and innovation. It is central that all tourism stakeholders understand the contribution of domestic tourism and ensure that they are all involved in domestic tourism so as to help alleviate unemployment and poverty.

### **Problem statement**

Tourism and Hospitality are recognised as essential sectors in driving the local economic development in many countries. There appears to be a paucity of research that addresses the prospects of tourism and hospitality as drivers of local economic development in the context of Port St Johns. Port St Johns boasts with natural attractions that can drive the tourism industry in a sustainable way, which could thus translate into economic development of the region. In addition, there are various other tourist and hospitality attractions such as the PSJ Museum, lodges, restaurants, the beaches, the Mzimvubu river, Sinuka water, PSJ forest and the Mountain Falls. The economic contributions of tourism and hospitality to the economy of PSJ appears not to be well understood by the community and its possible immense contribution to their livelihoods. However, Ngaka and Mtshokotho (2020) reported that over the last couple of decades, tourism has been recognised as playing a significant role in global and national economies. There is an anecdotal evidence of the contribution of these sectors to the local economies, particularly in PSJ. Therefore, this study explores the prospects of tourism and hospitality as drivers of local economic development in Port St Johns towards sustainable local communities.

### **Objectives of the research**

To summarize what is to be achieved by this study, the objectives of this research were the following:

- To identify the **benefits** of tourism's economic development in the Eastern Cape Province of Port St Johns and its people.
- To identify the main **stakeholders** in tourism development in the Eastern Cape Province of Port St Johns.
- To identify the main **challenges** to tourism economic development in the Eastern Cape Province of and Port St Johns conditions in marginalized regions.

### **Literature review**

The literature review is in relation to perceptions of local community development and the role of stakeholders in boosting tourism in the PSJ. The literature gives us an overview of tourism in



PSJ with a focus on tourism stakeholder involvement in domestic tourism and the challenges faced in promoting domestic tourism in developing countries such as South Africa. The role of various tourism stakeholders in promoting tourism in PSJ is briefly discussed below.

### **An overview of tourism**

Tourism is the fastest and largest growing industry in the world (WTO, 2018). Many countries including both developed and developing countries such as South Africa are involved in tourism. South Africa is one of the African countries that are well known for tourism (Muchapondwa & Pimhidzai, 2011). The Department of Environmental Affairs and Tourism (DEAT) (2004) states that after 1994, South Africa was presented an opportunity to pursue the unique travel and tourism sector. This was further proven when the South African government adopted the 1996 Tourism White Paper regarding development and promotion of tourism in South Africa (DEAT, 2004). The White paper was anticipated to increase the country's share in the world's tourism market, as well as to develop the sector that contributes towards country's economic development by ensuring economic and social empowerment, while promoting responsible tourism (Schwarzlander, 2006).

As a result, there has been an increasing interest on responsible tourism activities from several stakeholders (DEAT, 2004). According to Cornelissen (2005) responsible tourism is a strategy that promotes responsibility towards the environment through sustainable use, which is aimed at involvement of local communities in the tourism industry and for the safety of visitors. Furthermore, the South African government recognised that tourism is one best sectors, which is capable of offering acceptable societal impacts to the host communities through creation of employment opportunities while uplifting standards of the livelihood both in rural and urban areas (Schwarzlaender, 2006).

### **Understanding the development and promotion of domestic tourism.**

According to WTO (2015), notable overall tourism development has been seen through domestic tourism growth hence there is need not only to promote tourism internationally but also domestically. Domestic tourism is one of the major players in sustainability of most successful tourism destination and is important to the overall country's economic standing. This has seen more developing countries moving towards the development of local attractions so as to get more locals become active in domestic tourism activities (Telfer and Sharply, 2007; Le-Klahn and Edwards, 2014; Nicolaidis, 2020). Tourism is one of the backbones for growth of the economy in most countries. As such the government of South Africa in its economic growth strategy, has included a tourism programme such as the Programme for Socio-Economic Transformation (SAPSET).

The main idea was to have domestic tourism as an economic tool leading to improved living standards in the communities. In addition, the government of South Africa in their bid to improve domestic tourism which has been on the decline from 2000, introduced a short term programme (STERP) where initiatives such as the multicurrency were introduced. This in turn improved the performance of the tourism industry as income of potential local tourist increased (Kararachi, 2010) In order to promote domestic tourism in South Africa, more focus has been given to increased awareness where the government encouraged the provision of information about



tourism products and services to be circulated in and around PSJ. The Zhou (2016) for instance, has been participating on public gatherings in the bid to lure more domestic tourists to places of interest which include South Africa (South Africa broadcasting Cooperation (SABC), 2012).

## **Research Methodology**

A mixed research method was used for the study. Qualitative research focuses on qualitative data collection through interviews, surveys, observations and literature review. For this research, quantitative research was applicable, in which semi-structured questionnaires and observations were employed. Qualitative research methods were used to provide insight into the roles of the stakeholders, their level of involvement and what can be done to promote their involvement in boosting domestic tourism and also to uncover their opinions. According to Veal (2006), information collected can be qualitative in nature, but can be presented in a quantitative form. Quantitative research was used in generating numerical data or information that can be transformed into useable statistics. A sample size of 100 community members was used and 60 questionnaires were collected from three villages. The questionnaires included both closed and open ended questions which were self-administered using purposive and random stratified methods in order to access better understanding on community perception of the role of tourism stakeholders. The data was used to quantify attitudes, opinions and behaviours of stakeholders in promoting domestic tourism in PSJ, EC, SA.

## **Findings of the research**

The findings of the research are highlighted, analysed and discussed based on data that was given by the respondents. As stated previously, a sample size of 100 community members was used and 60 questionnaires were collected from three villages concerned. The questionnaires included both closed and open ended questions which were self-administered using purposive and random stratified methods in order to access better understanding on community perception of the role of tourism stakeholders. The findings showed that the majority of the respondents were in the ages between 31-40 years. In terms of their gender, 40% were males and 60% were females, while all of the respondents were blacks. It should be noted that close to the majority (74%) of the respondents were literate having either a matric certificate or higher qualification.

The findings revealed that there was lack of community capacity where individuals, organisations both private and public, and the community showed low levels in terms of their ability to manage their affairs and work together in order to create sustainable developmental change. In addition, on the statement which said there are visible tourism projects from ideas that came from the community, more than half of the respondents disagreed while the rest either agreed or were neutral, with neutral having the lowest percentage. An amount of 20% remained neutral about visible projects from suggested ideas. Furthermore, 47% of the community disagreed that the government is encouraging social responsibility among tourism businesses, although quite a number of the respondents also felt they were involved (41%) and the rest of the respondents were neutral.



## **Employment status**

The findings indicated that 32.1% of the respondents were in full time employment while 27.9% of these respondents were in part time employment. The respondents also consisted of 30% of unemployed, followed by 2.3% who were students. 13.2% of these respondents were self-employed while a relatively small percentage (1.6%) represented the housewives. The results indicate that there was a balance in terms of respondents' employment status.

## **Tourism creates jobs for local residents**

The findings of the study demonstrate that '*tourism creates jobs for local residents*'. A cohort of 45.0% of the respondents strongly agreed that tourism creates jobs for local residents, while 28.3% of them agreed with the statement as well. Out of the respondents, only 5.0% were on the neutral position about this statement. 11.7% of these respondents were against the statement. This was followed by 10.0% of the respondents who strongly disagree with the statement. This is in line with what Ivanovic et al. (2009), says about job creation that host communities benefit from the overall improvements of the standards of living brought by indirect effect of economic empowerment and jobs that have been created by tourism.

## **Tourism leads to infrastructural development**

One of the statements that were given to respondents was that '*tourism leads to infrastructural development*'. Over a quarter, 30.0% of the respondents strongly agreed with the statement and 15.0% indicated that they were neutral. On the other hand, 18.3% disagreed with the statement and 6.7% strongly disagreed. Up to 60.0% of the respondents agreed with the statement. Ivanovic et al. (2009) tells us that the renewal of local and cultural pride, the promotion of socio-cultural awareness and peace, the revival and conservation of cultural heritage, the improvement of standards of living and the provision of shared infrastructure are some of the benefits that are brought by tourism.

## **Tourism leads to foreign exchange earnings**

With regards to the statement '*tourism leads to foreign exchange earnings*', over half of the respondents 53.3% respondents strongly agreed with the statement whereas 30.0% of the respondents agreed. 8.3% of the respondents were neutral. On the other hand, only 3.3% disagreed and lastly 5.1%. The results reveal that some of the residents are aware of the economic activities that are brought by tourism and international tourism and trading. According to Swanson and Edgell (2013), expenditures by international tourists travelling for recreational, leisure or business purposes contribute in a major way to individual country foreign exchange earnings and their balance of payment, and more than 83% of the respondents attest to this statement.

## **Conclusion**

In the study a brief history of PSJ was provided and the lack of development of tourism was also stated. The expectations and plans of tourism in PSJ were also detailed. Key terms and



terminology were explained to enhance understanding. It is evident from the study that tourism development is one of the most lucrative strategies that could assist in fostering economic development in the ECP of PSJ, and as such, research into the current state of affairs in the tourism subsectors is important and more should be undertaken.

## **Recommendations**

The following recommendations were based on conclusions mentioned above. Tourism development depends upon different tourism stakeholders for it to be successful and sustainable (Freeman, 2010; Nicolaidis, 2015; 2020). That is all tourism stakeholders have a role to play, in promoting domestic tourism in the ECP of South Africa, each one of them should be equally involved in the tourism development and promotion of domestic tourism. Poor stakeholder involvement in promoting domestic tourism can be caused by poor policies formulation and lack of effective implementation. Hence, in the current study, the researcher recommends that the South African government needs to amend its tourism related policies and ensure consistency in their implementation. Poor promotion and marketing is a problem that can be solved by the government together with the private sector including the local communities.

All these stakeholders should be involved in innovative and intensive promotion of the PSJ tourism and the whole of South Africa, which currently can be solved through policy consistency and ongoing research activities. This can assist in attracting positive investments. Lack of investment, lack of skills training and education, and problems such as these can hamper the promotion of domestic tourism in the country. A greater availability of funds can go a long way in solving these challenges. Lastly there is need for institutional coordination among all tourism stakeholders. The researcher therefore recommends that all tourism stakeholders especially the government should champion activities that promote stakeholder cooperation and coordination among all tourism stakeholders.

## **Study Limitations**

The study was conducted on the PSJ local residences in the ECP. Study limited to PSJ, longitudinal studies could be undertaken in communities.

## **Future research direction**

The directive of the current study was to measure the level of awareness and the involvement of tourism development and the activities in the area of PSJ. Therefore, the study offers a positive contribution to the little existing literature on the subject. Moreover, the studies in the future that are related to this topic should be carried out as this will assist on pointing out the differences as well as similarities as well as put a greenlight on the issues that emerged after the study had been carried out. Furthermore, the research in the future should look at developing more theoretical frameworks to help in evaluating the extent to which the tourism development brings costs to the communities nor the benefits.



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