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# Empowering Local Communities through Tourism Entrepreneurship: The Case of Micro Tourism Entrepreneurs in Langkawi Island

Aleff Omar Shah Nordin<sup>1</sup>, Ku Azam Tuan Lonik<sup>2</sup>, Mastura Jaafar<sup>3</sup>

<sup>1,2</sup>School of Distance Education, Universiti Sains Malaysia, 11800, Penang, Malaysia

<sup>3</sup>School of Housing, Building and Planning, Universiti Sains Malaysia, 11800, Penang, Malaysia

**Abstract.** The tourism sector has a huge effect in developing countries by providing immense economic opportunities to the local community. Entrepreneurship has been identified as essential actors for creating job opportunities, generating income, increasing standard of living and generally growing the economy. Using the random sampling approach, the questionnaires were distributed to the tourism entrepreneurs in the tourism attraction area in Langkawi Island. During the survey period, only a total of 263 entrepreneurs completed the questionnaires. The objective of this study is to explore the economic empowerment of the tourism entrepreneurship in contributing to income level, creating job opportunities and increasing standard of living. The findings of the study clearly show that the tourism entrepreneur activities contribute positively to income level, jobs, opportunities and standard of living of the local community.

## 1 Introduction

Empowerment has attracted the interest of those writing on tourism development. Empowerment also can be viewed as either a precursor to, or as both a cause and effect of community participation in tourism development [1]. The concept of empowerment has been a mainstay of alternative development approaches, especially in the tourism sector. In the context of tourism, empowerment refers to a process of enabling local communities to obtain the authority to gather resources to meet their needs, make decisions, take action and to achieve social justice [2]. The concept is supported by tourism developers who inspire to a bottom-up and participatory approach for development and those who are concerned about the western conduct of development that has been destroying resources and values [3].

In addition, in tourism sector, empowerment process can be viewed as the development of community [2]. Where development of tourism sector will encourage involvement of local community due to the existence of many employment opportunities offered in the tourism sector and increasing quality of life. According to [4], participation or involvement is not just about achieving more efficient and more equitable distribution of material resources. Participation includes sharing of knowledge and putting the process of learning itself in the service of the self-development of the people. As most of the tourism destinations are located in an inhabited rural area, empowerment is focussed to the local community in the area. Local communities benefited from the development of tourism industry in rural area through various activities related to the tourism.

In the tourism literature, empowerment has been discussed in the context of endorsing the significance of community participation and sustainable tourism development [5]. Community participation can be seen as either an integral component of empowerment or as both a cause and an effect of empowerment [1]. It is usually recognized as being akin to local participation, in which local people are empowered to mobilize their own capacities, make decisions, control their resources and manage activities that affect their lives [6].

Specifically, the purpose of this research is to explore the extent of economic empowerment among the local communities through tourism entrepreneurial activities especially in rural area. The high level of community involving in tourism entrepreneurship leads to greater socio-economic benefits for the majority of local community tourism destination. This paper discusses the extent of the tourism entrepreneur contributing to the increasing in income level, creating job opportunities and improving standard of living among the local community.

## **2 Economic empowerment through tourism entrepreneurship**

Economic empowerment in tourism sector can be defined by the tourism activities that bring lasting economic gains to a rural community [7]. This is characterized by the long term financial benefits to a destination community through tourism entrepreneurship. Entrepreneurship in a sustainable economic development strategy focuses on building wealth by supporting individual public and private entrepreneurs as they identify opportunities and gather resources to create and to grow their enterprises. Entrepreneurship is the willingness and ability of an individual to seek out investment opportunities, establish and run an enterprise successfully [8]. The entrepreneur is essentially a person who owns or controls a business through which income is gained. Onyebueke and Ochonogo (2002) site in [9] defined entrepreneurship as the art which involves recognizing a business opportunity, mobilizing resources and persisting to exploit that opportunity.

Entrepreneurship is the ability to seek investment opportunities and establish an enterprise based on identifying opportunities [10]. An entrepreneur is one who chooses or assumes risks, identifies business opportunities, gathers resources, initiates actions and establishes an organization or enterprise to meet such demand or market opportunity [11]. However, according to [8] entrepreneurship is the creation of products using the latest ideas and the ability to move resources from low productivity into the higher one to acquire profit, which consequently leads these entrepreneurs to be recognized for their effort in advancing society [12].

The rapid growth of the tourism industry has contributed to economic development through the generation of income for the population and increase employment opportunities. Through the tourism development, community have the opportunity to diversify their income by venturing into entrepreneur activities [13]. Support by [14] state that the economic impact of entrepreneurship is of enormous benefit to the economy. The economic empowerment through tourism entrepreneurship is very important in process in community development.

The community will benefit through entrepreneurship included fuelling economic growth with leads to increased income, the improvement of living standard, an increase in investment opportunities, the enlargement of the tax base, especially through formalization, technological development, skill development, and the creation of job opportunities. Therefore, it is noted that a higher level of community involved in tourism entrepreneurship will lead to a greater socio-economic benefit for the majority of the community. Economic empowerment is inclusive as empowerment will include of all people, women, elderlies, youth, people with disabilities, and people living in rural areas to involve in tourism entrepreneurship.

### 3 Research methodology

#### 3.1 Respondents (setting and sampling)

The data collection process took place on March 2014 involving 12 students from the University Sains Malaysia as interviewers. The research covered micro operators that operate at nine rural tourism attraction destinations in Langkawi Island namely, Kilim Geopark, Oriental Village, Makam Mahsuri, Cenang Beach, Air Hangat, Tanjung Rhu, Pantai Kok, Beras Terbakar, and Padang Matsirat. The booklet of questionnaires together with an introduction letter was brought together when the survey was carried out in order to get the cooperation of the entrepreneurs. Of the 300 questionnaire distributed only 263 gave responses representing 87.7 % response rate. Before conducting the survey, the interviewers were briefed in detail to ensure that they understand the objectives of the study and the questions. The questionnaires consist of 87 questions and were divided into 5 sections, as follows: 1) Section A: Profile of the respondents; 2) Section B: Business background; 3) Section C: Business operations and management

### 4 Research finding and discussions

#### 4.1 Characteristics of respondent

Table 1 shows the summary of the characteristics of 263 respondents (n=263) in term of gender, age, race, marital status, education level, dependents and household income. This tourism business is mostly owner by males, in which 53.2 % (140) of the respondents are males and 46.8 % (123) of them were female. The data on the tourism entrepreneur, age are separated into three main groups namely, young, medium-aged and elderly. Many of the tourism entrepreneurs age around 31 to 45 years old (38.4%), follow by 46 to 60 years old (35.4%), 22 to 30 years old (17.5%), above 61 years old (5.3%) and below 21 years old (3.4%). Based on the age, most of the entrepreneurs involved in this tourism business were between 31 to 60 years old, which can be assumed as the pioneer group in this business. What concerns is the young entrepreneur below 21 years old in the tourism industry is very low 3.4%. It is caused by several factors such as lack of knowledge, experience in the tourism business and young people prefer salaried jobs. Apart from that, capital factor also influences the young entrepreneur to entry in tourism business. Age of the entrepreneur is one of the success factor influences the survival of the business [15].

In terms of marital status, 81.8 % of them were married and only 18.2 % were single. From the race aspect, many of the respondents were Malay 89 % (234) while 20 % (20) were Chinese, 6 % (2.3) were Indian and only 1.1 % (3) was from a different ethnic. Essentially shows, a lot of Malays is occupied in rural area than the Chinese. The population history in Malaysia is the major factor Malays inhabiting in the rural and Chinese inhabiting in the city. Apart from that, based on statistics of total population in Langkawi in 2010 the majority of people in Langkawi were Malays 83.3 %. From the observation, most of the Chinese entrepreneurs run their business at Kuah Town in a big scale and Malay run small scale business in the rural area.

For the educational level, majority of tourism entrepreneurs (59.3 %) had secondary level education, about 16.3 % had primary level education, 12.9 % had diplomas, 8 % had degree, 3% had no formal education and 0.4 % had Masters. It was interesting that 78.6 % of the respondents only had secondary or lower level of education and did not have any specialisation related to tourism but they could involve in tourism business because of the opportunities. There has been a study conducted to examine the relationship between educational level and success in entrepreneurship. Entrepreneur with high education usually have a broader view, initiative, and will to introduce new management [16]. On the other hand, there are also studies that show that no relationship exists between education and success in entrepreneurship. According to [18], there are also those have degrees but unable to

perform the business. Nevertheless, concluded that formal education is not a significant factor in the success of the business in a small scale.

In term of the number of dependents, 4.2% of the respondents have no dependents. While the rest 95.8 % of the respondent have between one to four dependents. Nevertheless, majority (46.4%) of the entrepreneurs have dependents of four dependents. Regarding to the household income, respondents with income RM 2001-RM 4000 dominates 76%, followed by RM 4001-RM 6000 with 12.5%, RM 8001-RM 10,000 with 6.1%, RM 6001-RM 8000 with 3% and the lowest is RM 10,000 and above with 2.3%. What is a surprising, there are no respondent with household income below RM 2000. That mean, the entire respondent out of the poverty line RM 700 in rural area (refer appendix for poverty line table in Malaysia). Poverty can be happen because of working with low income, high number of dependents, and unemployed [19]. Clearly shows that tourism business generates high income to the respondent and increase their standard of living. Besides that, through the tourism entrepreneur, local community have the opportunity to diversify their income by diversifying business opportunities in tourism sector especially in a rural area.

**Table 1.** Summary of respondent profile

Description	Criteria	Frequency	Percentage (%)
Gender	Male	140	53.2
	Female	123	46.8
Age	< 21	9	3.4
	22 – 30	46	17.5
	31 – 45	101	38.4
	46 – 60	93	35.4
	61 >	14	5.3
Race	Malay	234	89
	Chinese	20	7.6
	India	6	2.3
	Others	3	1.1
Marital Status	Single	31	11.8
	Married	220	83.7
	Widow	8	3
	Widower	4	1.5
Level of education	No formal education	8	3
	Primary school	43	16.3
	Secondary school	156	59.3
	Diploma	34	12.9
	Undergraduate	21	8
	Masters/PhD	1	0.4
No. of dependents	No dependents	11	4.2
	1	28	10.6
	2	42	16
	3	60	22.8
	4	122	46.4
	5 and above	0	0
Household Income	Below RM 2000	0	0
	RM 2001 – RM 4000	200	76
	RM 4001 – RM 6000	33	12.5
	RM 6001 – RM 8000	8	3
	RM 8001 – RM 10,000	16	6.1
	RM 10,001 and above	6	2.3

## 4.2 Business Background

Table 2 shows the respondent's business background. There are many types of tourism entrepreneurs such accommodation, transportation, attractions, tour operators and corporate planners [20]. However tourism businesses in Langkawi Island are divide into five main groups namely accommodation, transportation, services, entertainment, and supporting services. Majority of the respondents 37.3% are running the supporting services business (grocery store, laundry, cyber cafe, food and drink shops, bars and restaurants), followed by tourism service business (tourist guides, local sightseeing, scuba diving/snorkelling, souvenir shop, clothing shop, medications shop) 36.9%, transportation business (cars rental, taxi, water taxi, travellers bus and etc.) 13.3%, accommodation (hotel/motel/resort, chalet/inns, homestay, guest range/lodges and others) 11% and the lowest is entertainment 1.5%. Business on accommodation and entertainment are lowest because the initial capital to start-up the business is high. Besides that, entertainment business such pub, bar, and karaoke centre are not suitable in rural area to respect the local culture.

**Table 2.** Summary of business background

Description	Criteria	Frequency	Percentage (%)
Types of business	Accommodation	29	11
	Transportation	35	13.3
	Services	97	36.9
	Entertainment	4	1.5
	Supporting services	98	37.3
Year premises operate	1990 and below	3	1.1
	1991-2000	79	30
	2001-2010	100	38
	2011 and above	81	30.1
Starting a business	Family legacy	31	11.8
	Own initiative	208	79.1
	Sharing	18	6.8
	Cooperative	6	2.3
Business Entities	Sole Proprietorship	159	60.5
	Partnership	104	39.5
No. of business premises owned	1	220	83.7
	2	28	10.6
	3	10	3.8
	4	4	1.5
	More than 5	1	0.4

In term of start-up time, majority of the premises existed during the period of 2001-2010 38% (100), followed by 2011 and above 30.1% (81), 1991-2000 30% (79) and while only 1.1% existed before 1990. Most of the respondent started their business after 1990 because Langkawi Island experienced rapid grow after it was declared as a duty free island in 1987. Since becoming a duty free island, local community previously employed in agriculture as farmers and fishermen have taken the opportunity to get involved in business activity related to the tourism sector. It was interesting to note that every year tourism business shows an amazing enhancement. Even in year 2011 until 2014 the number of premise exists was strongly encourages and expected will continue increase.

Majority of the respondent start their business with own initiative 79.1% (208) followed by those from family inheritance with 11.8% (31), sharing (sharing with family or friend) with 6.8% (18), and cooperative with 2.3% (6). While, in term of business entities, majority 60.05% (159) is sole

proprietors and the rest 39.05% (104) as partnerships. Majority of the respondents 83.7% (117) own only one business premise followed by those owning two business premises 10.6% (28), 3.8% (10) owning three business premises, while those owning business premise from 1.5% (4) and only one of the respondents has more than five business premises 0.4%.

### 4.3 Business Start-up and Financial Sources

Table 3 shows the business financial characteristics of the respondent consist of sources of capital to start business, loan, capital to start business and income. Majority of the respondents preferred to use their own capital to start-up business. From the result, a majority of the respondents used their own saving as a capital to start their businesses 53.6% (141), while others 46.4% (122) depend on loan to start-up business. From 46.4% of the respondents who depend on loan, 19.4 % (51) take loans from banks to start-up business, 14.8 % (39) take loans from government agencies (TEKUN, AIM, MARA, and etc.), 8.7% (23) borrow from families and friends, and 3.4% (9) obtain loan from cooperatives. For the financial sources, the owner-managers relied on the strong ties with family members to back up their early business start-up. Difficulties in accessing loans from bank and others financial sources were the main reason for most of the respondents to depend on own saving to start-up business. Moreover, getting loan from banks require many procedures that they could not afford to fulfil such as requiring guarantors, collateral and strong financial support (McGrath, 1987). In addition, micro and small entrepreneurs also do not the ways and other sources to get loans.

**Table 3.** Summary of business characteristics

Description	Criteria	Frequency	Percentage (%)
Sources of capital to start business	Own saving	141	53.6
	Cooperative loan	9	3.4
	Commercial bank loan	51	19.4
	Loan from family & friends	23	8.7
	Government agencies	39	14.8
Loan amount	RM 25,000 and below	67	54.9
	RM 25,001-RM 50,000	40	32.8
	RM 50,001-RM 75,000	11	9
	RM 75,001-RM 100,000	2	1.6
	RM 100,001 and above	2	1.6
Capital to start business	RM 5000 and below	56	21.3
	RM 5001-RM 10,000	47	17.9
	RM 10,001-RM 15,000	36	13.7
	RM 15001-RM 20,000	30	11.4
	RM 20,001 and above	94	35.7
Business income	Below RM 2000	0	0
	RM 2001-RM 3000	142	54
	RM 3001-RM 4000	56	21.3
	RM 4001-RM 5000	18	6.8
	RM 5001 and above	47	17.9

Regarding to the loan amount, from 122 respondents who take up loans, majority, 54.9% (67) take loans amounting to RM 25,000 and below, followed by loan amount of RM 25,001-RM 50,000 by 32.8% (40), loan amount of RM 50,001-RM 75,000 by 9% (11), loan amount of RM 75,001-RM 100,000 and RM 100,001 and above each by 1.6% (2). The loan are used either as initial capital to start-up business or for business expansion. Generally, a small and micro business operation does not

require a huge initial capital to start-up the business knowledge, experience, skills, talents and self-reliant. Besides, the loan or micro finance is very important for small and micro entrepreneur in economic empowerment process.

In case of small and micro tourism business in Langkawi Island, 64.3% (169) of the respondents start their businesses with capital of less than RM 20,000 and the rest, 35.7% (94) start-up capital is RM 20,001 and above. The initial capital to start up business depends on type of business. Most of the respondents with start-up capital of RM 20,001 and above are involved with businesses related to accommodation, transportation and water base activities. In term of income from business, the majority of the respondents, 54% (142) are earning between RM 2001-RM 3000, followed by RM 3001-RM 4000 with 21.3% (56), RM 5001-and above with 17.9 % (47) and the lowest income group are RM 4001-RM 5000 with 6.8 % (18). Finding shows that no respondent gain income below RM 2000. This clearly shows that tourism business produces substantial income and is profitable. This finding is in line with most of the literature on economic empowerment focusing on poverty reduction among the community [21].

Table 1.5 explains the type of business contributing to the number of workers. Employment is one of the most readily available indicators to begin measuring economic empowerment in tourism industry. Majority of the respondents hire one or two workers to operate their business (185 respondents), followed by three to four workers (40 respondents), five to six workers (29 respondents), seven to eight workers (6 respondents), and the only three respondents do not employ any worker. From the analysis, it can be said that most of the respondents produce at least one number of worker. This finding is in line with that of many previous studies in the economic empowerment where entrepreneurship activities contributed a lot of job opportunities to the local communities [22]. Job creation generally helps to increases standards of living, increased in income and related socio-economic progress [23]. Local community will benefit from the employment opportunities offered from the tourism activities and opportunity to increase their income and standard of living [24].

**Table 4.** Summary of type of business vs worker

Type of Business	No. of Workers					Total
	No Worker	1 - 2	3 - 4	5 - 6	7 - 8	
Accommodation	0	13	9	4	3	29
Transportation	1	20	8	6	0	35
Tourism Services	1	77	4	12	3	97
Entertainment	0	4	0	0	0	4
Supporting Services	1	71	19	7	0	98
Total	3	185	40	29	6	263

## 5 Conclusion

The objective of economic empowerment is to increase income level, creating jobs opportunities and increasing standard of living. Based on empirical findings and literature reviews carried out in these studies, clearly shows that economic empowerment through tourism entrepreneur has been increasing the income level of local community. All 263 of respondents have income level more than RM 2000 and indirectly have lifted them out from the poverty gap (RM 650) in rural area. These finding is in line with [25], that tourism business tourism can create direct or indirect income from tourist expenditure by providing tourist goods and services. Apart from that, tourism entrepreneur also create job opportunities to the local community. Tourism entrepreneur in Langkawi Island offer at least one to two job opportunities. Majority of the respondents (70%) have one or two workers to operate their business. In addition, majority of the workers belong to the local community. These finding is similar

with [23] who states that a tourism business is one of the economic activities that contributes a lot of job opportunities to the local communities. Regarding to the standard of living, if members of the local community obtain a better jobs and bearable incomes from the tourism activities, their standard of living also will be increased. Developments of tourism industry enable the community to have opportunities to enhance their capabilities and skills to participate especially in tourism entrepreneurial and able to increase income level, employment opportunities and thus increase their standard of living [26]. Generally, tourism entrepreneurship is the catalyst to boost the economics of local community, increase income and employment opportunities for the local community to increase their standard of living.

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