

Impact Of Tourism On Small Business Performance: Empirical Evidence From Malaysian Islands

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Abstract

The tourism industry has become an important sector to both developed and developing countries. According to the World Travel and Tourism Council, tourism in the recent period has turned out to be the second largest industry and one of the main contributors to global Gross Domestic Product. Tourism is the conduit for generating foreign exchange and, as a labour-intensive industry, it provides jobs for relatively unskilled labour. More importantly, tourism has potential to foster economic growth, improve the standard of living, promote inter-cultural understanding and nurture world peace. Despite the extensive literature on tourism, its direct empirical impact on small business performance remains unexplored. This paper presents an empirical result of a study on small businesses operating on four main tourist destination islands in Malaysia. Employing the multiple regression analysis with some control variables, the tourism sector, measured either by the number of arrivals or by the number of tourist customers, has been found to be significantly positively related to small business financial and non-financial performance. This study consolidates tourism development theory that tourism has positive impact on the economy, including entrepreneurial development. This also provides the signal that tourism should be consistently promoted for further development of the small businesses.