

The background features several large, stylized, overlapping swirls in shades of green, purple, and blue. Scattered throughout are numerous small, yellow, triangular shapes, some pointing upwards and others downwards, creating a dynamic and celebratory feel.

# The Contribution of Tourism to Micro and Small Enterprise Growth

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# Introduction

- Tourism is an increasingly important economic sector in many developing countries.
- It is the second greatest contributor to GDP after agriculture.
- Although tourism has the potential for economic development in Kenya, not all types of tourism contribute positively to sustainable economic development.
- Maximizing tourism's potential for economic development can be achieved through enhancement of linkages between tourism and other sectors such as agriculture and MSEs.
- The sector can also minimize foreign exchange leakage by stimulating local entrepreneurs to start tourist establishments (Joosten and Marwijk, 2003) and by encouraging local entrepreneurial activity.

# Introduction - continuation

- It is assumed that by stressing smaller-scale and local ownership, tourism will increase its multiplier and spread effects within host communities
- Most tourism research in Kenya has concentrated on measuring a few economic effects such as the contribution of tourism to the GDP and creation of employment (Summary, 1983; Jommo, 1987; Bachmann, 1988; Sindiga, 1999; Ondicho, 2000).
- Little attention has been paid to the contribution of tourism to the growth of other sectors of the local economy, especially farm and non-farm MSEs which are owned by and draw labour from local communities.
- This study is motivated by an interest in examining the contribution of tourism to MSE growth and its effect on local communities.



# Methods

- The study was conducted in the Coast Province of Kenya:
- The population of interest was MSEs engaged in tourism activities.
- Multistage sampling was used to arrive at a sample of 449 MSEs
- The survey instrument was a semi structured questionnaire
- Analytical Model :Evans growth model (Evans, 1987) was used as shown in the following equation:



# Methods - Continuation

- $GA = f(\Omega_e, \Omega_b, \Omega_t)$ 
  - where  $GA$  represents growth in assets,
  - $\Omega_e$  represents entrepreneur characteristics,
  - $\Omega_b$  represents business characteristics and
  - $\Omega_t$  represents tourism factors.
- A firm's average growth rate was computed as the change in the value of business assets between the study period of 5 years.
- Growth of the businesses interviewed was also considered in terms of:
  - addition of new products
  - increase in the activities of the business,
  - starting other businesses.

# RESULTS

## Respondents Perceptions of the Effect of Tourism on business Growth

Effect of Tourism	Type of business				Total
	art and souvenirs	restaurant, bed and breakfast	Car hire and taxi business	Farm MSEs	
to a great extent	70.6%	30.5%	73.8%	31.0%	56.6%
to a moderate extent	25.6%	39.0%	20.4%	39.3%	29.4%
to a small extent	3.3%	20.7%	4.9%	27.4%	11.4%
no effect	0.6%	9.8%	1.0%	2.4%	2.7%
Total (N= 449)	100.0%	100.0%	100.0%	100.0%	100%

# OLS Estimates of the Determinants of MSE Growth

	POOLED DATA		NON-FARM MSEs		FARM MSEs	
	Coeffic.	t	Coeffic.	t	Coeffic.	t
Education level	0.069	1.630*	0.069	1.444	0.166	1.865*
Marital status	0.062	1.519	0.079	1.725*	0.029	0.364
Age of business	0.075	1.655*	0.089	1.763*	0.017	0.186
Form of business organization	0.092	2.226**	0.098	2.150**	0.034	0.355
Location - mombasa	-0.002	-0.039	-0.009	-0.166	-0.094	-0.864
Location- Malindi	0.041	0.887	0.035	0.671	0.194	2.025**
Number of employees	0.091	1.892*	0.078	1.820*	0.182	1.942*
Business income	0.496	11.868** *	0.505	10.884***	0.683	8.252** *
No. of tourist activities	0.148	2.797***	0.204	3.401***	0.266	2.763** *

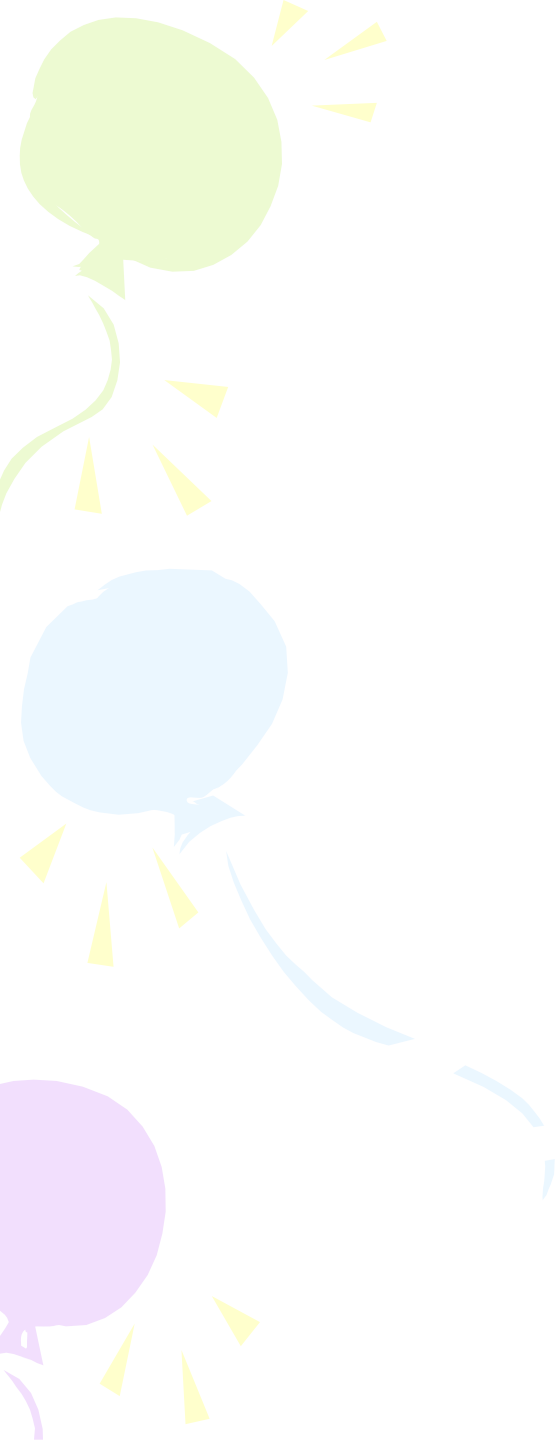
# continuation

changes in business due to tourism	0.048	1.049	0.058	1.13 <sub>4</sub>	0.200	2.122**
Access to tourist information	0.078	1.739 <sub>*</sub>	0.102	2.06 <sub>5**</sub>	0.018	0.194
Sales from tourism	0.139	2.868 <sub>***</sub>	0.127	2.19 <sub>3**</sub>	0.229	2.264**
Tourist numbers	0.094	1.841 <sub>*</sub>	0.159	2.63 <sub>4***</sub>	0.128	1.252
	$R^2 = 0.37$	$F = 12.4$	$R^2 = 0.39$	$F = 10.9$	$R^2 = 0.67$	$F = 6.3$



# Conclusion and recommendations

- Tourism was seen to contribute significantly to MSE growth.
- Results showed that tourism factors:
  - like tourist expenditures,
  - number of tourists visiting the country
  - and number of tourist activities in the country were found to have a significant effect on the growth of the MSEs.
- Additionally, most of the respondents affirmed that tourism affected their business positively.
- These findings suggest that growth of MSEs would be enhanced by a policy aimed to improve the skill-base of entrepreneurs in terms of tourism education
- Providing information on the opportunities available for MSEs in the tourism industry through a bureau or industry association may also facilitate MSE growth.
- There is also the need for business information and advice, particularly regarding marketing and the role of the Internet.



THANK YOU