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**TOURISM ENTREPRENEURSHIP: AN ANALYSIS OF LOCAL**  
**COMMUNITIES ENGAGEMENT AND PERCEPTION TOWARDS**  
**SOCIOECONOMIC IMPACT**

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***Abstract***

The purpose of this study is to examine the local communities' engagement in tourism activities and to analyze the socioeconomic impact among the community of Pulau Tioman. The study used quantitative method involving 150 respondents comprising local communities working as tour entrepreneurs. The sample were chosen by using purposive and snowball sampling technics. The findings show that the majority of entrepreneurs are male, aged between 25 to 44 years old, receive education until secondary school and married. Most of the local tourism entrepreneurs run the food and beverage business and manage their businesses for 11 to 15 years and earn a monthly income of RM2001 to RM4000. In addition, the findings reveal that tourism sector in Pulau Tioman are able to contribute to employment opportunities as well as improving the quality of life of the community. However, the tourism sector has also resulted in increased prices of goods and houses. Apart from that, the tourism sector also have both positive and negative impacts on the social development of the community in Pulau Tioman. This research is crucial as a reference to government organizations in drafting plans and policies of socio-economic development of local community, especially in the island area of Malaysia.

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**Keywords:** Community involvement, tourism entrepreneurship, socio economic impacts.



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## **1. Introduction**

In Malaysia, the tourism sector has been a major driver of national socio-economic development and has become the second largest contributor to the economy after the manufacturing sector (Ibrahim & Abdul Razzaq, 2010). Through the Tenth Malaysia Plan, 2011-2015, tourism development has been recognized as one of the major catalysts in the National Key Economic Area (NKEA) and serves as a driver of economic activity that has the potential to contribute to Malaysia's economic growth (EPU, 2015). RMK 10 also places Malaysia 16th in the global tourism revenue, which is about 2% of the global tourism market in 2008. The tourism industry also provides an opportunity to 1.7 million jobs or about 16% of total workforce on in 2008. In general, the development of the island's tourist destination began to be noted after the Third Malaysia Plan (3MP, 1985-1990) which focuses on the development agenda to empower the development of the island on the east coast of Peninsular Malaysia (Mapjabil, Yusoh, Mohd Zainol, & Marzuki, 2015).

Tioman Island is located in the state of Pahang, Malaysia and is approximately 19 km long and 11km wide. The island has about 69 km of coastline, of which 29 km (42%) are sandy beaches while the remaining 58% are composed of limestone and high cliffs. Most of the island is made up of dense forests and in the ocean is rich in rich marine coral reefs that make Tioman Island a popular spot for divers and those who inspire snorkeling. The island is accessible via two jetty, Mersing Jetty, Johor and also at Tanjung Gemuk, Pahang by boat or ferry. Apart from sea transport, tourists can also use the air transport to the Island from Sultan Abdul Aziz Shah Airport in Kuala Lumpur and Changi International Airport in Singapore (Pahang Marine Park Department, 2017).

### **1.1. Community involvement in the tourism sector**

Chapman and Kirk (2001) point out community involvement as an important part of the process of regeneration and create a strong, sustainable and united community as well as promoting community voice in decision making. Timothy (1999) found that the involvement of local communities in the tourism sector can provide opportunities for communities to improve their economy and standard of living through opportunities arising from the development of tourism activities. According to Timothy (1999), the involvement of local communities in tourism activities can be seen from two perspectives: a) Involvement of the local community in decision making, through which the local community has the opportunity to voice their hopes and wishes to those who will develop the area, and b) Involvement of local communities to benefit from tourism activities that provide opportunities for communities to improve their economy and standard of living.

### **1.2. Socioeconomic impact of the tourism sector**

The growth of the tourism sector can lead to positive and negative impacts on the community (Gursoy, Jurowski, & Uysal, 2002) especially in small island areas due to its unique features such as limited space, small amount of raw material, and limited labor force. It is undeniable that the tourism sector can contribute to economic benefits as it seeks to create jobs (Ahmed & Jahan, 2013; Sharpley & Forster, 2003) and income generation (Chifamba, 2013; Eshliki & Kaboudi, 2012). In addition, the tourism sector can also create opportunities for entrepreneurship activities (Ahmed & Jahan, 2013; Cloesen, 2007) and help

potential entrepreneurs explore opportunities in developing new tourism products and services (Chiutsi & Mudzengi, 2012; Lordkipanidze, Brezet, & Backman, 2005). In addition, the involvement of the community in direct tourism activities can reduce the unemployment rate among local communities and thus reduce poverty among the community (Zaei & Zaei, 2013).

## **2. Problem Statement**

In the context of the island, it is often associated with enclosed ecosystems and bounded with features such as small size and isolated location and isolated from the development process (Ibrahim, 2007). In addition, the island area also has a low level of infrastructure and services (Andriotis, 2000), and has no cost for better access and transportation improvements (Sheldon, Knox, & Lowry, 2005). This situation directly affects tourism activities in the affected area. Research on the development of tourism entrepreneurship among the communities in Tioman Island are less conducted by other researchers.

## **3. Research Questions**

There are research two research questions that arise in this study:

- 1) How are local communities involved in tourism entrepreneurship on Tioman Island?
- 2) What is the perception of the local community on the socio-economic impact of tourism development on Tioman Island?

## **4. Purpose of the Study**

This study was conducted to fill the gap by focusing on empowering the community as a local tourism entrepreneurs, and analyzing their perceptions towards the socioeconomic impacts on Pulau Tioman.

## **5. Research Methods**

### **5.1. Data collection**

In this study, a quantitative method was used involving 150 respondents consisting of local tourism operators. The total number of respondents was obtained directly through the data collection method by focusing on local communities working as tourism entrepreneurs in Pulau Tioman. Therefore, the researcher chooses the purposive sampling technique by selecting samples that have certain characteristics as respondents. Through this sampling technique, researchers have gone to tourist destinations in Pulau Tioman to find local entrepreneurs and distribute questionnaires to respondents who meet the criteria set out in this study. Among the key criteria that have been outlined for selecting respondents are: a) a local community (native) on the island of Tioman, b) 18 years old and older, c) local entrepreneur (not an outside island or foreigners), d) the owner of the premises or enterprise, and e) run companies engaged in the tourism sector. Researchers will continue to distribute questionnaires to respondents if they meet the characteristics of the respondents. In addition to using the Purposive sampling techniques, the Snowball sampling techniques was also used in this study. Through this sampling, respondents will be asked to suggest other

respondents who have similar characteristics. After respondents are given a questionnaire to answer, they will be asked to inform or nominate other local entrepreneurs with similar characteristics. The sampling method will continue until the researcher obtains all the desired respondents. Most of the respondents found good cooperation by suggesting and demonstrating the location of other entrepreneurs involved in the tourism sector in their corporate areas.

## **5.2. Data analysis**

In this study, Statistical Package for Social Science (SPSS 22 for Windows) software is used in the analysis process. This software is used to analyse the statistically data, then processed briefly to obtain results based on analytical requirements. This study uses statistical analysis of frequencies, percentage (%) reliability test and factor analysis. Factor analysis is used to identify factors that can explain the correlation between the variables involved and to find the strength of the relationship between the variables. According to Chua (2012), factor analysis is a commonly used procedure for identifying, reducing and compiling a large number of questionnaires into specific constructs under a dependent variable in the study. Factor analysis uses the Exploratory Factor Analysis (EFA) method to test the validity of the relationship and to measure the strength of each variable's coefficient in forming a new cluster structure. If the value of KMO obtained is greater than 0.05, then the variables involved are appropriate for the factor analysis. Similarly, with Bartlett's test showing a significant value in which the value- $p = 0.000$  is less than the significant level ( $\alpha = 0.05$ )

## **6. Findings**

### **6.1. Demographics profile**

The results of this study found that most tourism operators in Tioman Island are male (92.5%), while female tourism operators are only 7.5%. In addition, most of the tour operators (53%) are 25-44 years old as they are the most economically productive group. For the tourism operators in Tioman Island, they are not as concerned about the level of education as they are about prioritizing work experience or running a tourism-based business. This is reflected in the research that found that 63% of them had secondary school level and 26.5% had a primary school level. In terms of marital status, the majority of respondents (90.5%) were married.

### **6.2. Entrepreneurship information**

In Tioman Island, the food / beverage shop was the most choice of the local community to run their business (27.5%), followed by 17% of respondents who run tourist boat services. In addition, accommodation business such as chalets and resorts were also managed by 12.5% of entrepreneurs in Tioman Island. In addition, the majority of respondents (29%) run their business for 11-15 years and 28% of the respondents managing their business for 6-10 years. There were also respondents who managed their business for 16-20 years (18%) and another 11% of respondents have been in the business for over 26 years. In terms of estimated monthly income, 36% of local entrepreneurs on Tioman Island earn RM2,001.00 to RM4,000.00 per month, followed by receiving of RM1,00.01 to RM2,000.00 per month (34.5%).

Surprisingly, there are also local entrepreneurs who earn a monthly income of RM5001 and above a month, as a result of their involvement in the tourism sector on Tioman Island (Table 01).

**Table 01.** Entrepreneurship information

Variable	Criteria	Frequency	Percentage (%)
Tourism entrepreneurship	Tourist boat	34	17
	Accommodation-chalet / resort	25	12.5
	Souvenir	12	6
	Boat service and water activities equipment	18	9
	Food / beverage shop	55	27.5
	Tour van drivers	7	3.5
	Grocery store	21	10.5
	Travel agent	8	4
	Massage services	2	1
	Draws pattern of batik	1	0.5
	Vehicle rental (motorcycles and bicycles)	14	7
	Laundry Shop	3	1.5
Period of time managing the business	5 years and below	15	7.5
	6 - 10 years	56	28
	11 - 15 years	58	29
	16 - 20 years	36	18
	21 - 25 years	13	6.5
	26 years and above	22	11
Estimated monthly income	RM1000 and below	23	11.5
	RM1001 - RM2000	69	34.5
	RM2001 - RM4000	72	36
	RM4001 - RM5000	6	3
	RM5001 and above	30	15

### 6.3. Perception of the economic impact

Factor analysis is used to analyze the economic impacts received by local entrepreneurs in Pulau Tioman which consists of 15 items. The results of the KMO test is 0.810. Whereas, Bartlett's test shows a significant value where  $\rho = 0.000$  is smaller than the significant level ( $\alpha = 0.05$ ) ( $\chi^2 = 3510.103$ ,  $df = 105$ ,  $\text{sig } \rho < 0.05$ ). The result of the factor analysis (Table 02) found that the economic impact variables were grouped into 2 main components and this was shown by the eigenvalues where there were two eigenvalues greater than 1. The eigenvalues of component 1 were 1.878 while component 2 was 1.332. The percentage variance obtained for component 1 is 23.3% and component 2 is 14.8%. Subsequently, the varimax rotation performed on 15 economical impact variables resulted in 3 extracted components. Factor 1 (Job opportunity to the population) consists of 9 items, Factor 2 (Improve the quality of life) consists of 4 items while factor 3 (Increased cost of living) consisting of 2 items. The study concludes that tourism sector can contribute to the economic development of the local communities on Tioman Island such as providing jobs, raise the quality of life as well as improving the standard of living of the people. It is undeniable that the tourism sector can contribute to economic benefits as it seeks to create employment opportunities (Ahmed & Jahan, 2013) and income generation (Chifamba, 2013; Eshliki & Kaboudi, 2012) (Ahmed & Jahan, 2013; Cloesen,

2007) as well as helping potential entrepreneurs explore opportunities in developing new tourism products and services (Chiutsi & Mudzengi, 2012).

**Table 02.** Factor analysis of the economic impact of local entrepreneurs

<b>Rotated Component Matrix</b>			
	Component		
	1	2	3
<b><i>Employment opportunities to residents</i></b>			
Revenue is higher than other sectors	.940		
Attract foreign investors	.937		
Increase household income of local residents	.880		
Offer entrepreneurship opportunities	.862		
Reduce unemployment rate	.847		
Easy to get a job in the tourism sector.	.838		
Offer more job opportunities to locals.	.836		
Opportunity to women and single mothers.	.643		
Reducing the poverty rate of the population.	.479		
<b><i>Improve quality of life</i></b>			
Contribute to the development of tourism products		.887	
Contribute to major revenue generation to locals.		.882	
Many benefit the locals		.854	
Improve living standards		.685	
<b><i>Increased cost of living</i></b>			
Prices of goods and services are increasingly expensive			.944
Property value increased			.934
<i>Cronbach's alpha</i>	.935	.897	.998
<i>Overall Cronbach's alpha</i>	.921		

By engaging in tourism activities, it can also reduce unemployment rates among local communities (Goodwin & Santilli, 2009) and thus reduce poverty rates (Zaei & Zaei, 2013). The rate of poverty among the people must be eradicated to ensure that the quality of their lives is in good condition, and therefore can improve the well-being of the community in a particular area. However, Faulkenberry, Coggeshall, Kenneth, and Backman (2000), also found that the local community was impressed with the negative impact of tourism development. Among the negative impacts of the economy are the rising cost of living, the price of goods and services, the price of lands and the houses.

#### **6.4. Perception of the social impact**

Factor analysis is used to analyze the social impacts received by local entrepreneurs in Pulau Tioman consisting of 15 items. The result show that the KMO test is 0.696. Whereas, Bartlett's test shows a significant value where the value of  $p = 0.000$  is lower than the significant level ( $\alpha = 0.05$ ) ( $\chi^2 = 5112.313$ ,  $df = 105$ ,  $\text{sig } p < 0.05$ ). The factor analysis results (Table 03) also found that social impact variables were grouped into 2 main components and this was demonstrated by eigen values where there were 1 eigenvalues greater than 1. The eigenvalues of component 1 were 4,856, while the percentage variance obtained for the components 1 is 32.3%. Subsequently, the varimax rotation performed on 15 economic impact variables

has resulted in 2 factors that have been extracted. Factor 1 (negative impact) comprises of 7 items, while Factor 2 (positive impact) consists of 8 items.

**Table 03.** Factor analysis of the social impact of local entrepreneurs

<b>Rotated Component Matrix</b>		
	Component	
	1	2
<b><i>Negative impact</i></b>		
Only a few people have enjoyed the development of this island	.982	
The absorption of western culture (negative) into the local community	.967	
The traditional culture of society has become extinct due to tourism	.960	
Residents change their lifestyle/culture in line with the island's tourism development	.953	
Travel activity has limited time with family	.949	
Local communities are easy to follow with foreign culture	.933	
Familiar relationships among local communities have become increasingly waning due to tourism activities.	.924	
<b><i>Positive impact</i></b>		
Improved infrastructure facilities		.952
Help people better understand outside cultures		.903
Travel activities have diversified into the island's culture		.895
Tourists on this island respect local culture		.888
Improved communication and internet facilities		.857
Improved facilities		.808
Raising the image of local culture		.773
Increased public amenities for communities and tourists.		.663
<i>Cronbach's alpha</i>	.985	.943
Overall <i>Cronbach's alpha</i>	.849	

This study concludes that the tourism sector can contribute both positive and negative impacts on social development of local communities in Tioman Island. In general, a tourist area has a high risk of improving the living standards of its local community. In areas that are too rapid, tourism development will lead to increased prices of goods (Tatoglu, Erdal, Ozgur, & Azakli, 2000). In addition to the rising prices of goods, the service rental rates provided are also quite high compared to other places. Demand for rising accommodation especially during the holidays may increase rental rates and land prices. However, the tourism sector also has a negative impact on local culture (Gursoy et al., 2002). This is because the presence of foreign tourists has managed to erode the positive values (Iraqi, 2007) which is the pride of the local community. This is due to the fact that there are a handful of communities, especially young people who are fascinated by western culture brought by foreign tourists, especially in terms of their words, clothing, and behavior (Tatoglu et al., 2000). This problem will lead to the loss of originality of the original community culture (Eshliki & Kaboudi, 2012) and if it is not controlled, it will create a dispute and eventually the community will reject the development of tourism.

## 7. Conclusion

While most of the entrepreneurs are involved in small businesses, they are seen to be passionate in pursuing economic activities that are their main source of income. Local communities are also seen to be conscious of taking whatever opportunities entrepreneurship is available through the tourism sector as it has great potential to be developed for the future. This can be seen through the change in the field of employment, where before the tourism sector is developed, the majority of the local community is involved in workers such as fishermen and farmers. This suggests that the process of transformation of socioeconomic development in Pulau Tioman has given a positive change to the community involved and it needs to be maintained to ensure the sustainability of future development so that the younger generation can also enjoy the development of existing development. Efforts to empower local people, it is important to ensure that the economic development of the country has a great impact on the structure of local community work. The Community Based Tourism Entrepreneurship concept emphasizes the active participation of local communities in the tourism sector.

In addition, all parties, whether government, private, non-governmental organizations or local communities themselves should always make positive changes to ensure that the island community is no longer regarded as passive and marginalized in the development. In fact, cooperation between all parties is important so that development can be carried out without any problems and is done on an ongoing basis. Hence, the island's tourism development is expected to be a catalyst for the achievement of comprehensive economic development and continues to be received by the local communities involved in parallel with the positive impact they receive. The study will contribute to the development of the country through the planning of the government in developing the country's tourism sector. This study is also important to study the contribution of the tourism sector in enhancing the quality of life of the local community and this coincides with the National Tourism Policy which aims to make the tourism industry as a major source of income for national development. In addition, research and development (R&D) should be intensified to improve service quality and sustainability in the tourism sector. In addition, this study can also be used as a reference to the Ministry of Tourism Malaysia in carrying out tourism-related research as well as monitoring the implementation of the National Tourism Policy related to organizational structure, product, marketing, employment, transportation, socio-cultural and macroeconomics.

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