

The Economic Impact of International Tourism on Small Businesses

Norashikin Adam., *Mohd Sufian Ab Kadir., Afzan Sahilla Mohd Amir Hamzah., Nur Hazneem Suraya Idris

Faculty of Business and Management, Universiti Teknologi MARA, Malaysia

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ABSTRACT

International tourism plays a crucial role in shaping the economic landscape of small businesses. This paper explores how the influx of foreign travelers contributes to the growth and sustainability of small enterprises in various sectors, including hospitality, retail, and services. It examines both the positive effects, such as increased revenue and job creation, and the challenges, including market dependency and seasonal fluctuations. The study utilizes case studies and statistical data to provide a comprehensive analysis of international tourism's economic influence on small businesses. The findings aim to provide insights into strategies for resilience and sustainability in tourism-driven economies.

Keywords: International tourism, economic, small businesses, tourism, seasonality

INTRODUCTION

International tourism has long been recognized as a catalyst for economic development, particularly in developing countries. International tourism has long been a significant driver of global economic growth, contributing substantially to the gross domestic product (GDP) of many countries. In 2023, the industry continued its robust recovery from the COVID-19 pandemic, with international tourism receipts reaching approximately \$1 trillion, marking a 50% increase compared to 2022 (WTO, 2024). This resurgence has had a pronounced impact on small businesses, particularly those in popular tourist destinations. Sectors such as hospitality, retail, and local transportation have benefited from the influx of international visitors. Tourism is one of the fastest-growing industries in the world, with international travel contributing significantly to global GDP. For small businesses, particularly those in tourist destinations, international visitors represent a major source of revenue. Empirical results suggest that tourism has positive effects on socioeconomic development, acting as a tool that reduces poverty, lessens inequalities, and improves the living conditions of the resident population (Alcatraz-Ordóñez and Segarra, 2025). However, the rapid expansion of tourism also presents challenges for small businesses. Issues such as market dependency, seasonal fluctuations, and increased competition can pose significant risks to their sustainability. Moreover, the pressure to cater to international visitors can sometimes lead to the erosion of local cultures and environmental degradation. Small businesses in tourism-heavy regions remain disproportionately vulnerable to fluctuations in tourist arrivals caused by factors such as changing traveler preferences, economic downturns, and global crises like the COVID-19 pandemic. For instance, Malaysia's tourism sector was severely impacted by the pandemic, with many small businesses in the travel and hospitality industries struggling to stay afloat (Nazry and Mapjabil, 2021; Abhari et al., 2021). Although government interventions like the National Recovery Plan provided crucial support, the crisis highlighted the need for long-term resilience strategies (Abhari et al., 2021).

Despite the substantial benefits of international tourism, small businesses often face significant challenges, including competition from larger corporations, seasonal demand fluctuations, and limited access to government assistance. Tourism expenditure has a multiplier effect on various subsectors, such as arts, entertainment, and recreation, but income distribution remains uneven, particularly between urban and rural areas (Nor et al., 2021). Moreover, climate change and environmental factors, such as air quality, pose long-term risks to international tourism and its economic contributions (Rai et al., 2022). Addressing these challenges requires sustainable tourism strategies and targeted support to ensure small businesses can withstand industry disruptions and capitalize on emerging trends such as eco-tourism and digital transformation.

This research explores the impact of international tourism on small businesses, focusing on three key areas: the role of government support in sustaining small enterprises, the influence of cultural food preferences on business profitability, and the effects of tourism seasonality on small business expansion. By examining these factors, this study aims to provide insights into how small businesses can adapt to the evolving tourism landscape and develop long-term resilience strategies. Additionally, the findings will offer practical recommendations for policymakers to enhance small business sustainability in tourism-dependent economies.

LITERATURE REVIEW

International tourism plays an important part in the growth and development of small businesses. It presents opportunities for these businesses to increase their revenue by attracting foreign customers willing to spend on local products and services. Many small businesses, such as shops, restaurants, and tour operators, rely on tourists to sustain operations. However, they also face challenges such as competition, seasonal demand, and the need to meet the evolving expectations of international travelers. Understanding how international tourism impacts small businesses is essential to ensure their ability to benefit and prosper in the international marketplace. This research investigates the multifaceted economic impact of international tourism on small businesses, examining how factors such as government support programs, the impact of diverse cultural tastes in food, and the challenges of seasonal demand fluctuations affect their profitability and growth within the global tourism market.

Definitions of Profitability

The simple definition of profit provided by (Stepanenko et al., 2023) is the positive difference between income and expenses. This essential idea emphasizes that profitability is defined as a company's net financial gain after expenses are paid. According to (Yenni Rohmatun, 2022), profitability is the capacity of a business to turn a profit over a given time period based on its sales volume. By linking profitability to sales performance, this definition emphasizes how important it is to find a balance between cost control and revenue generation. According to Ranjithkumar and Gunasekaran (2022), profitability is the capacity of an organization to generate a substantial amount of profit. The study also found a connection between profitability and organizational efficiency, indicating that long-term success depends on maximizing wealth and profit at a fair rate.

Definitions of Cultural Food Preferences

In their investigation of cultural food preferences, (Shyon Baumann et. al, 2022) defined them as dietary decisions influenced by one's cultural background, customs, beliefs, and values. These choices demonstrate the complex nature of eating habits as social status, moral beliefs, and aesthetic standards further impact them. (Juan Carlos Archila-Godinez and Jean Pierre Enriquez, 2021), food is a way for people to express their identity, values, and way of life. The study emphasizes how dietary choices are closely related to one's culture and personal identity in addition to being pragmatic considerations.

(Pin-Jane Chen and Marta Antonelli, 2020) investigated how broader societal influences influence food choice. Their study revealed that cultural standards, economic circumstances, and political issues greatly impact what individuals eat, underscoring the relationship between food and social structures. Sociocultural food habits were the main emphasis of (C. Monterrosa et.al, 2020). These activities highlight how shared customs and social norms influence group eating habits by encompassing the concepts and resources that influence food preferences and patterns. (Shyon Baumann et.al, 2019) looked at the dietary choices of consumers from lower socioeconomic backgrounds. According to the study, these consumers create unique cultural repertoires that are impacted by wider socio-temporal circumstances as well as material limitations. The adaptation techniques people use within their social and economic reality are highlighted by this research.

Relationship between Cultural Food Preferences and Profitability

Using information from Korea, (G. Cho, 2023) investigated how Hofstede's cultural dimensions affected global food commerce. The study showed that cultural traits like masculinity, individualism, and uncertainty avoidance significantly affect a country's food import and export practices. These results emphasize how crucial it is to

comprehend cultural factors when creating plans for the global food trade. In Sichuan, China, (Fangtao Zhao et.al, 2023) used questionnaires and SPSS for correlation analysis in their study. Key consumer consuming preferences were discovered, and their effects on customer flow and catering businesses' profitability were examined. This implies that improving economic success in the food industry can be achieved by customizing services and goods to suit consumer preferences.

A cross-sectional study was conducted by (Gudrun Sproesser et.al, 2022) in eleven nations, including the USA, France, China, and Brazil. Their findings showed that food behaviors extend beyond simple nutrition and emphasized The intricate connection between food culture and, health, and well-being. To enhance diets and lower the incidence of diseases linked to diet, the study emphasizes the necessity of culturally competent interventions.

(Danyi Qi et.al, 2022) investigated customer behavior in North Carolina, California, and the Nordic nations using marketing techniques and an online discrete choice experiment. They discovered that if "ugly" carrots are promoted as genuine and natural, people are more likely to purchase them. Selling bunches of 60% typical carrots with leaves intact and 40% ugly carrots at farmers' markets is the most successful strategy. By utilizing consumers' perceptions of authenticity, this tactic can assist farmers in reducing food waste and boosting profitability.

In Portugal, (Sofia G. Florença et.al, 2020) reviewed the literature to determine the elements that make new food products successful. The study underlined how critical it is to comprehend the attitudes, ideas, and cultural preferences of consumers. To guarantee commercial success, companies creating innovative food products must concentrate on satisfying consumer expectations and price sensitivity.

Definitions of Government Support

(M. Barbosa, 2024) described the many types of government assistance that businesses might receive, such as direct public investment, tax breaks, and subsidies. Businesses can prosper in cutthroat industries thanks to these technologies, which provide them with growth prospects and financial respite. Government assistance was defined by (E. S. Gudkov, 2023) as a tool of state management intended to stimulate economic activity and fulfill larger public interests. This viewpoint emphasizes how government actions can address economic inefficiencies while also advancing societal objectives.

(Xiang Su and Junlan Tan, 2023) concentrated on how governmental assistance might encourage energy transitions in China's various areas. Their results show that these policies have the greatest impact in the central areas and the least in the eastern regions, indicating the necessity for regionally specific approaches. (Tam Nguyen et.al, 2023) investigated the connection between innovation and government support. According to their research, investments in technology and human capital are important catalysts for innovation since they greatly increase the possibility of new products and processes when staff training and technical development are supported. Younghun Lee and Eugene Song, 2019) looked at a number of government assistance programs, such as financial aid and R&D financing, with the specific goal of making venture firms more competitive. Their research highlights how important it is to broaden these rules to increase the entrepreneurial ecosystem and spur economic expansion.

Relationship between Government Support and Profitability

In China, (Jinpeng Yang and Xiaolin Liu, 2023) used Smart PLS modeling in a survey-based study to investigate the variables affecting a business's financial performance. According to the study, financial performance is strongly correlated with elements like financial literacy, investment strategies, and alignment with The United Nations' Sustainable Development Goals (SDGs). Furthermore, the beneficial benefits of these elements on profitability are greatly amplified by government backing. The significance of government policies that motivate businesses to embrace profitable and sustainable practices is highlighted by this study.

Panel information from firms that are listed publicly on the stock markets in Shenzhen and Shanghai (2009–2013) was examined by (Marzieh Abolhassani et.al, 2020). According to their findings, The financial

performance of a business is adversely impacted by larger degrees of government ownership, whether direct or indirect. It's interesting to note that businesses that are already very profitable are more negatively affected. This implies that government ownership might reduce these businesses' productivity or ability to compete.

(Chengqi Wang et.al, 2020) examined data from 18,430 Chinese companies to look into the impact of government ties on company results. According to the study, the advantages of government ties differ depending on the governmental level. While businesses associated with subordinate governmental tiers are often more profitable, those associated with greater levels tend to be more inventive. Furthermore, the degree of these advantages is determined by how well intellectual property is protected in the area where the company operates. This highlights how legal and regulatory frameworks affect how well government-business partnerships work.

(H. Kaya, 2020) investigated the function of state and local government assistance for firms in the United States using non-parametric estimate techniques. The results demonstrate that more government assistance results in quicker company expansion and a more optimistic business climate. These observations can help legislators create initiatives that will help small businesses locally.

(Nguyen Tran Thai Ha et.al, 2019) used a two-step system-GMM method to analyze 503 non-financial enterprises in Vietnam from 2007 to 2015. Their findings indicate that boosting regional competitiveness nationwide is essential to improving the business climate as a whole. To maximize economic performance, Additionally, the study highlights the importance of thoroughly assessing government ownership in businesses and argues for modifications based on market conditions.

Definitions of Tourism Seasonality

According to (Vincenzo Caponi, 2022), seasonality has a bad impact on tourism efficiency. The study emphasizes that the operational and financial efficiency of tourist enterprises is severely impacted by the cyclical nature of demand, which is defined by peak and off-peak seasons.(A. Zvaigzne, 2022) investigated the reasons behind the seasonality of tourism and found that the main drivers were both natural and man-made. These elements are strongly related to the geographic location of popular tourist spots and are also impacted by institutional and financial circumstances. This highlights how important it is to understand how environmental and socioeconomic elements engage in order to manage seasonality.

Seasonality in tourism is a significant obstacle to regional and tourism growth, according to (Thomas Krabokoukis et.al, 2021). The uneven allocation of demand for tourism all year long has an impact on the social and infrastructure stability of areas that rely heavily on tourism in addition to their economic sustainability. (José María Martín Martín et.al, 2020) investigated the seasonality-related alternating peak and valley periods. Their study brought to light the associated adverse effects on social, environmental, and economic systems. These include the wider socio-environmental consequences of irregular tourism flows, the strain on resources during peak times, and decreased profitability during off-peak times.

Tourism seasonality was viewed holistically by (Dimitrios Tsiotas et.al, 2020), who described it as a complex phenomenon with socioeconomic, temporal, and spatial components. This ontological paradigm highlights how seasonality is interrelated and calls for multifaceted approaches to regulate it.

Relationship between Tourism Seasonality and Profitability

The proportional hazards model was used in a study by (Jinghua Xie, 2023) in Norway to examine the effects of distinct travel patterns among various types of tourists. Their study demonstrates how these apparent patterns can assist hotels in efficiently handling the peaks and valleys of the travel season. But they also discovered that the kind of tourists a hotel serves has a significant impact on how much these trends affect its chance of closing.

Next, a global quantitative analysis by (César Lapa Barros and Bruno Miguel Sousa, 2022) highlighted the significance of more research into pricing strategies and the more general phenomena of seasonality in tourism contexts. Their research highlights the necessity of creative methods for comprehending and resolving the difficulties brought on by seasonal fluctuations in traveler demand.

In another study, (Jinghua Xie et.al, 2020) investigated how economic factors affect the year-round spread of tourism using econometric models. The results showed that contrary to prior assumptions, economic expansion had a greater influence on the seasonality of tourism. Businesses are urged to implement differential pricing methods, charging higher rates during peak seasons and providing discounts during off-peak months, in order to accommodate the unequal flow of tourists. The study also indicates that the influence of seasonal travel from those areas is probably going to decrease over time as nations undergo economic expansion.

(Dengjun Zhang, 2020) investigated how seasonality affected Norwegian business performance using dynamic panel models. According to the study, the unequal distribution of visitors throughout the year has varying effects on revenues depending on the kind of visitors and the location of the firm. Interestingly, profit margins per sale are more affected by seasonality than asset utilization efficiency. Businesses were advised to use tactics like demand-driven pricing and focused marketing efforts as efficient means of reducing seasonal difficulties.

(José Maria Martín and José Manuel Guaita Martínez, 2020) surveyed business owners in Spain who operate in popular tourist destinations during peak seasons. Their research showed that although business owners are aware of the financial consequences of shutting down during the off-season, other factors frequently take precedence. These include the durability of their firms, chances to make more money elsewhere, and their own quality of life. This implies that government programs designed to lessen the effects of seasonality might not necessarily coincide with the goals of business owners.

Proposed Theoretical Framework

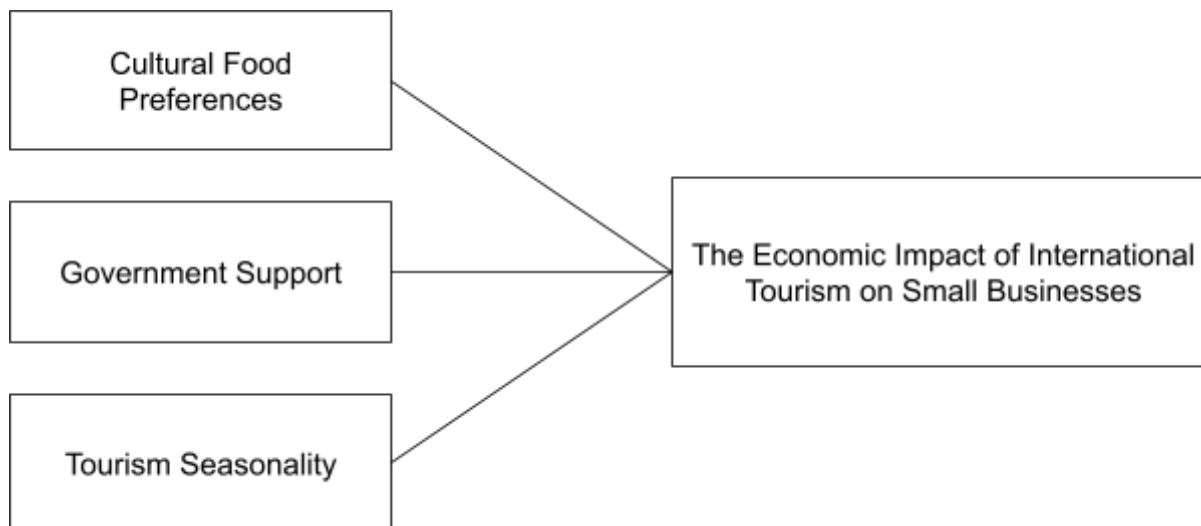


Figure 1.0: Proposed Theoretical Framework of The Economic Impact of International Tourism on Small Businesses

H1: There will be a substantial connection between cultural food preferences and the impact of international tourism on small businesses

H2: There will be a substantial connection between government support and the economic impact of international tourism on small businesses

H3: There will be a substantial connection between tourism seasonality and the impact of international tourism on small businesses

DISCUSSIONS

In this dynamic environment, international tourism has been both a great opportunity and an exceptional challenge for small businesses. This study investigates three critical factors influencing the economic impact of international tourism such as cultural food preferences, government support programs, and the inherent seasonality of the tourism industry.

The Influence of Cultural Food Preferences in Profitability

Successfully navigating the diverse culinary preferences of international tourists is crucial for the profitability of small businesses. Catering to these preferences requires a delicate balance between adapting to evolving tastes and maintaining the authenticity of local cuisine. While the inclusion of international options and a clear explanation of local dishes may attract a wider clientele, it is equally important to avoid homogenization and preserve the unique flavors and traditions that define the local culinary identity. This may involve offering dishes that creatively blend local ingredients with international cooking techniques or highlighting the cultural significance of specific dishes through storytelling and demonstrations.

Government Support's Impact on Profitability

Government support in creating an enabling environment for the growth and growth of small businesses is very important in the industry. Regarding this, to empower small businesses to increase their operations, upgrade facilities, and enhance their services, easy access to finance through affordable loans, grants, and tax incentives can be implemented. Moreover, focused skills development programs would help small business owners and their employees develop the required knowledge and competencies to serve the needs of international tourists such as language proficiency, cultural awareness, and customer service excellence. It can also be enhanced by various initiatives taken by the government for better infrastructure including an improvement in the transportation network, accessing the facility of reliable internet connectivity, and developing sustainable tourism infrastructure.

The Impact of Tourism Seasonality on Profitability

Tourism is perforce seasonal, which affects small businesses with unstable incomes during the off-peak periods, there could also be financial difficulties. In mitigating these challenges, small businesses could employ a range of strategies. Diversification into offerings such as agrotourism, eco-tourism, or adventure tourism might also attract visitors in seasons other than the traditional peak season. Development of special interest products and services will further facilitate year-round visits in niche areas of interest, such as cultural workshops, cooking lessons, or other unique experiences in the local culture. In addition, collaborative marketing by businesses involved within the tourism sector will extend tourist seasons and attract tourists during their slow months.

CONCLUSION

International tourism presents both vast opportunities and significant challenges for small businesses across the globe. This study has explored three critical dimensions—cultural food preferences, government support, and tourism seasonality—and their collective impact on the profitability and sustainability of small enterprises within the tourism sector. The findings reveal that adapting to diverse culinary expectations can enhance customer attraction and retention, government interventions play a pivotal role in fostering resilience and growth, and managing seasonal fluctuations is essential for ensuring consistent revenue streams.

To thrive in an increasingly competitive and dynamic tourism environment, small businesses must adopt adaptive strategies that blend cultural sensitivity, innovative marketing, and operational flexibility. Meanwhile, policymakers are encouraged to design inclusive and targeted support mechanisms, especially in areas heavily reliant on tourism. As international travel continues to rebound and evolve post-pandemic, the agility and resilience of small businesses will be crucial in driving sustainable economic development within tourism-dependent communities.

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