

# The Impact of Economic Innovation and Government Support towards Sustainable Performance of Tourism Entrepreneur in Malaysia

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## Abstract

Sustainable tourism keeps growing in Malaysia recently due to the importance of sustainability practices that lead to a better living environment. The gauge of economic innovation, driven by government support could help the tourism entrepreneur to diversify their business and growth. This paper examines the role of economic innovation and government support that influence sustainable performance of tourism entrepreneur in Malaysia. Data was collected using survey questionnaires which has been distributed to the tourism entrepreneur across Malaysia. The study used correlation and multiple regression analysis to determine the relationships among variables, and the IBM SPSS Software was used to analyse the data. A multiple regression test was conducted to investigate the relationship between economic innovation, government support and sustainable performance of tourism entrepreneur. The findings revealed that both economic innovation and government support are positively related to sustainable performance. This study shows the constructive role of economic innovation and government support in helping the tourism entrepreneur to embrace sustainability in their business practices.

**Keywords:** Tourism Entrepreneur, Economic Innovation, Government Support, Sustainable Performance

## Introduction

Entrepreneurship contributed to the development of nation by generating income and cultivating innovation. This has led for the set up of entrepreneurs in various sector for example entrepreneur related to tourism sector. Tourism entrepreneur has a great potential to play an active role to contribute and transform the standard practices into a sustainable action.

Apart from it, tourism entrepreneurship has become one of the agents that contribute to the climate change and environmental issues. If their role were ignored and underestimated, the destruction of environment will be worse as the number of tourism entrepreneur grows over time. Therefore, tourism entrepreneur should be educated to support for the sustainable

development of the nation. The emerging concept of sustainability stressed on managing the needs of current situation without neglecting the needs of future generation. The demand for sustainable tourism destination and activities keep on increasing due to the awareness among public on the issue of global warming and sustainability.

To reduce the impact of diminishing environmental resources, innovation must be done to create a sustainable tourism. Ministry of Tourism in Malaysia has set a mission to make tourism industry a major contributor to socio-economic development of the nation which is in accordance with United Nation 2030 Agenda for sustainable development. The gauge of economic innovation, driven by government support could help the tourism entrepreneur to diversify their business and growth.

In Malaysia, sustainable practices among the tourism entrepreneurs are still low. This is said to happen because of the poor development planning and weak policy made by the government especially in reference to the issues of the management of water and reforestation (Papargyropoulou et al., 2015). As such, tourism entrepreneurs in Malaysia need to be proactive in showing that they are socially aware and practising sustainability as part of their responsibility in helping the social and nature. This study aims to examine the role of economic innovation and government support towards sustainable performance of tourism entrepreneur. Therefore, this study posits objectives based on the Research Question as below:

1. Does economic innovation positively relate to sustainable tourism performance of tourism entrepreneur?
2. Does government support positively relate to sustainable tourism performance of tourism entrepreneur?

## **Literature Review**

### *Tourism Entrepreneur*

According to Lordkipanidze et al., (2005), entrepreneur is a person who carried specific business task and supply his own capital, creates new product or methods, willing to take risk, organizing social and economic mechanism. Entrepreneur played an important role for tourism development as they has a great potential to cater the needs in tourism industry (Khan and Krishnamurthy, 2016). Therefore, entrepreneur can be known as those who have the application of skills, knowledge, and competencies where they launch a business to pursue growth while generating money, employment and social good.

Based on Mbajwa (2003), tourism has a direct impact not only on economic development as argued by Hall (1995), but also on social, environmental, and ethical developments of a destination country. Navickiene et al. (2015), also stated that small tourism enterprises and their opportunities to develop the principles of sustainable entrepreneurship, which includes ecological, socio-cultural and economic aspect. Within tourism, entrepreneurship has gained an increasing importance. The role of tourism entrepreneurs is vital for the development of sustainable tourism.

### *Sustainable Tourism*

Sustainable Performance refers to the ability of an organization to achieve its objective by three dimensions of sustainability which is the environmental, social and economic impact. The environmental aspect is the impact on natural environment through natural resources, waste and emission. While social is referring to the impact on stakeholders. Lastly, the economic impact is related to local, national, international economy.

Even though tourism has been acknowledged as one of the most significant economic sectors in most of the countries in the world, tourism has brought a lot of negative effect towards the environment. Thus, environmental issues in the context of tourism should receive a special attention in order to develop a sustainability in tourism (Butler, 1999). The words green tourism usually perceived a tourism where it took care the environmental issues that happens in tourism sector (Lu and Nepal, 2009). Based on the research by Lenzen et al. (2018), they found out that tourism caused the emission of the carbon dioxide to increase by 8% in the world. So, it is important to tackle this problem and focus on creating a sustainable tourism.

Small and mid-sized enterprises have contributed about 97% towards the sustainability issues around the world, given this situation, it is important for business to respond to the sustainable issues as soon as possible. Their respond towards this issue plays a significant role in creating a sustainable tourism performance. But this issue is not easy for the business to take action as most of the business lack in terms of the resources where they can practice sustainability action (Yacob et al., 2013).

Business could not be successful if they only focus on generating income or where they focus on the economic aspects only, while neglecting the environmental and societal performance. The complexity to achieve sustainability in business has increased the goals for the entrepreneurs to take on responsibility for social and environmental challenges in a more proactive way (Seelos & Mair, 2004). Apart from it, study shows the important of tourism sector as having a complex and adaptive system that need to be align with the sustainability.

### *Economic Innovation*

The introduction of a new good; the introduction of a new method of production; the opening of a new market; the conquest of a new source of supply of raw materials or half manufactured goods; and the carrying out of the new organization of any industry. Taatila et al., (2006) has come out with four phases of economic innovation; period prior to the idea, development of idea, implementation ahead in economic success and period succeeding economic success.

Innovation from the economic perspective can help a nation to received advantages such as generate tax through tourists, generate more foreign exchange and create more employments especially in the rural areas (Ekanayake and Long, 2012). Improvement in the sustainable tourism able to improve the quality of life of the future generations as all the business took sustainable approach when doing their business (Liyanage et al, 2009).

Nowadays, entrepreneur task is not only focus on generating income, but it also needs to shape the business cultures and place importance on human values and ethical attitudes (Fassin et al., 2011). In order for a business to be successful, the business need to depend on

the local environment which the business have to provide a suitable infrastructure, education for the community and collaboration with the local suppliers.

### *Government Support*

Government support could be implied in term of assistance and support that was made available to the business firm (Arasti, Pasvishe & Motavaseli, 2012). This includes the power of the government to set up rules, regulations or policy in various aspect that may trigger the performance of the business players (Obaji & Olugu, 2014). To create and promote sustainable tourism, effective government support play a big role as they can bring a lot of changes.

In order to create a place that promote sustainable tourism, effective government support play a big role as they can bring a lot of changes. Usually, this situation involves in having a good system where the coordination of all aspects is being taken care in a collective way (Butler, 2010). Unfortunately, there are a lot of challenges that government need to face in order to give their full support. One of the challenges that government must face is that its concerns about other sectors with the policy that promote sustainable tourism such as regional development, transport, and employment. This is because the policies made to promote sustainable tourism need to be combine with a wider economic, social, and environmental policy considerations within an overall sustainable development framework (Hall, 2006). The policy made for a sustainable tourism usually paid a very little attention to the tourism itself where end up there will be implications.

In Malaysia, past researchers have noted that the role of government is very important in practising a sustainable business where the government can influence the rules and regulations related to the practice of it (Dana, 1987). Government has tried their best to provide support to business in order to boost the industrialisation in Malaysia (Ismail et al., 2015). Government has provided business with many resources that do not require them to pay back (Shu et al., 2016). Government in most countries have tried their best to provide resources in order to establish policies where it can uplift the entrepreneur to kept innovate and bring new improvement.

### **Methodology**

This study employed quantitative survey of questionnaires using purposive sampling technique. This survey was collected from tourism entrepreneur who involved in operating homestay and small businesses which act as an economic innovator towards promoting a sustainable tourism.

The data was collected using a self-administered survey questionnaire, which had 2 sections. Section A asked question about the demographics of the participants themselves while Section B asked questions related to the research model. For Section B, this section consists of 16 questions and the variables are measured by using a 7-point Likert Scale. The data obtained was analyzed using SPSS.

### **Analysis and Discussion**

The data gathered through the questionnaire was coded and analyse using the computerized SPSS (Statistical Software Package for Social Science) software. Frequencies analysis was used

to analyse the categorical data from this study. Descriptive analysis was used to analyse the data according to the hypothesis. Cronbach's coefficient alpha was used to ensure the internal consistency reliability of the data.

Table 1

*Demographic Profile of the Respondents*

Characteristic	Percentage (%)
<b>Age</b>	
< 19	1
20 - 29	45
30 - 39	22
40 - 49	20
> 50	12
<b>Gender</b>	
Male	39
Female	61
<b>Race</b>	
Malay	81
Chinese	9
Indian	10
<b>Business Tenure</b>	
Less than 1 year	20
1 - 5 years	25
6 -10 years	24
More than 10 years	31
<b>Business Location</b>	
Kedah	28
Pulau Pinang	30
Perak	9
Pahang	11
Selangor	5
Melaka	3
Negeri Sembilan	5
Johor	3
Others	6
<b>Business Sector</b>	
Homestay	21
Transportation	5
Food & Beverages	55
Retail	16
Others	3

Table 1 represents the demographic profile of the respondents gathered from tourism entrepreneur in Malaysia. Most of the respondents who answered the survey questions were those aged around 20 to 29 years old equivalent to 45%. The survey mainly answered by female with 61% and male at 39%. Majority of respondent are Malay followed by Chinese, Indian and others. The duration of the business tenure that most of the respondents works for which is more than 10 years scored the highest with 31%. Pulau Pinang scored the highest percentage for the business location which is at 30% while Melaka and Johor score the least percentage which is both at 3% respectively. Furthermore, the business sector of food & beverages scored the highest percentage with 55%.

Table 2

*Descriptive and Reliability Analysis*

Construct	Number of Items	Items Deleted	Cronbach Alpha	Mean	Standard Deviation
Economic Innovation	5	0	0.765	3.74	0.74
Government Support	4	0	0.874	3.49	0.76
Sustainable Tourism	7	0	0.934	4.07	0.74

Table 2 shows the mean values for the independent variables and the dependent variables. Government support variables scored the lowest mean with 3.49 while sustainable tourism variable scored the highest number of mean with 4.07. The reliability analysis measured the items of independent and dependent variables. All of the measured variables are above 0.70 which can be considered as a good reliability values. None of the items were deleted in the test, as the reliability of inter item was high.

Table 3

*Correlation Matrix Analysis*

		Economic Innovation	Government Support	Sustainable Tourism
Pearson Correlation	Economic Innovation	1.000		
	Government Support	0.374**	1.000	
	Sustainable Tourism	0.449**	0.292**	1.000

\*\*  $p < 0.01$

Table 3 represent the Correlation Matrix Analysis that exhibit the relationship between the independent variables and dependent variable. The result shows that economic innovation and government support have a positive correlation with sustainable performance.

Table 4

*Results of Tested Hypotheses*

	Hypothesis	Standardized Coefficient (Beta)	Result
H1	Economic innovation positively relates to sustainable tourism performance of tourism entrepreneur.	0.395**	Supported
H2	Government support positively related to sustainable tourism performance of tourism entrepreneur	0.145**	Supported

Based on the findings in Table 4, economic innovation has a positive relationship with sustainable tourism performance. This relationship supported the study of Uzunidis (2009), that sustainable tourism relates with the continuous innovation in the economic and social aspects. Besides that, government support also shows a positive relationship with sustainable tourism. A study by Obaji and Olugu (2014) also found that government support is an important element which can help to encourage entrepreneur to operate their business which align to environment sustainability. Tourism entrepreneur need government to support them in order to bring a positive impact for them. The support perceived by the tourism entrepreneur will encourage them to apply sustainability while doing their business as government have provided a lot of resources for them. The avenue of support such as financial resource, reduce of tax, and legal support are deemed important for the business of tourism entrepreneur to survive and sustain. Thus, effective implementation by government plays a big role in promoting sustainable tourism.

**Implications**

This research furnished an avenue for tourism entrepreneurs to attune solutions by promoting economic growth and embrace product and services innovation for a sustainable tourism entrepreneurship. Besides that, this research contributes to the knowledge of suitable economic innovation practices for sustainable performance of tourism entrepreneurship. Thus, policy makers might formulate a better economic development policy towards a sustainable tourism entrepreneurship sector specifically in Malaysia. Beside that, the role of government support is important to enhance the sustainable performance of tourism entrepreneur. Thus, government must plan and develop a suitable program for the entrepreneurs in tourism sector to excel in implementing sustainability.

**Conclusion**

Tourism entrepreneur should have a clear goal of their business direction as to which part they need to focus more as a way to sustain their business. From the finding of the study, economic innovation and government support has a positive relationship with the sustainable tourism performance. The finding revealed that tourism entrepreneur must improve their economic condition for a sustainable business practice. Moreover, government must also



provide a strong support to the tourism entrepreneur. Apart from it, the tourism business needs to have a clear balance between economic, social and environmental aspect where they need to constantly integrated sustainable practices in the operation of their business. Thus, the role of tourism entrepreneur in Malaysia is deemed very important as they are the upfront face that deals with tourist.

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