

DEVELOPMENT OF TOURISM SECTOR THROUGH SMALL AND MEDIUM-SIZED ENTERPRISES: THE CASE OF ALBANIA

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Abstract Small and Medium-sized Enterprises (SMEs) are considered the main actors of national and regional development because of their important role in the modern economy. SMEs are job creators and contributes to the competitive state of the market leading to better satisfaction of consumer's need. Tourism is the world's largest industry, making a major contribution to the economies of most countries. Its multiplicative effect generates income from goods and services consumption by tourists and taxes on businesses in the tourism industry, provides employment in services related to tourism and creates jobs in the tertiary sector. The Covid-19 marked a major turning point in its development, intensifying the effects because tourism is a labour-intensive industry and most companies in the sector are SMEs. The aim of this paper is analysing the economic dimensions of sustainability for tourism SMEs, as vital actors for enhancing innovation, competitiveness, entrepreneurship and establishment of an effective innovation system for developing countries. In conclusion tourism brings positive impact on the local economy and entrepreneurial development in particular. As regard, will be given some recommendation on measures and actions which have to be taken by the competent authorities for further stimulation of SMEs taking in consideration the sustainability goals.

Keywords:

tourism,
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1 Introduction

Tourism is considered an important socio-economical phenomenon which is characterized by dynamic development, resulting in many positive direct as well as indirect economic effects. As an industry that generates income from goods and services consumption by tourists as well as from taxes, this industry provides employment in services related to tourism and also contributes to create jobs in the tertiary sector by having a multiplicative effect. In this context, are of great importance the small and medium tourism enterprises which dominate in the tourist destinations because they provide direct contact with tourists and encourage tourists for spending in a local community. In this regard, the main objective of this paper is to analyze how SMEs can affect the development of tourism in Albanian context taking in consideration the sustainability principles.

2 Literature Review

Tourism has become a worldwide industry and the competition between tourism destinations in the world is increasing. In the global context, tourism serves as an important facilitator for providing employment opportunities and supporting countries' economic growth (UNWTO, 2022). This is because where tourism activity emerges, new opportunities for jobs and economic activity emanates. Tourism is also an opportunity for host community to participate in urban growth, infrastructure overhaul and planning, rural development, environmental restoration, coastal protection and cultural heritage preservation.

The tourism sector is mostly composed of small enterprises and micro-businesses (Mair et al., 2016). Based on the positive advantages of tourism, it is of much interest on analyzing the effect of small businesses in the tourism industry. In today's age of globalization and technology, SMEs, and especially those focused on the tourism sector, face new challenges to be successful in the increasingly complex operating environment within which they encounter unpredictable events at the economic, social and institutional aspects. This is because tourism has proved to be one of the most vulnerable sectors because of economic or financial, health, climate, energy, environmental, political issues, etc. The orientation towards sustainability, both at programmatic, strategic level and at the level of projects, represents a success factor

in the development of tourism, through its multiplier effect highlighted in the related fields (Manolescu et al., 2019).

Looking at more recent studies of resilience in tourism with a focus on private businesses, Badoc-Gonzales et al. (2022) suggest that tourism SMEs are particularly vulnerable to systemic shocks. Existing research suggests that resilience can explain a SME's ability to recover a pre-existing condition after an exogenous shock/crisis, and that SMEs are highly dependent on the resilience of the whole system in which they are embedded (Pal et al., 2014). Resilience is necessary though not sufficient to attain sustainability (Espiner et al., 2017), but achieving tourism sustainability necessitates tourism resilience as an important factor (Saarinen & Gill, 2019).

SMEs are the engine of the national economy, because they contribute in raising the living standards of society by stimulating the economic activity, the diversity of products offered to consumers and creating new jobs. Dynamism, flexibility, adaptability, mobility and their innovative potential are considered to be essential for the harmonious development of the economy and may ensure the cohesion of the economic structure, good economic growth and, of course, creation of new jobs. Furthermore, SMEs' easy access and exit of the markets renders economies more flexible and competitive. However, they face different difficulties which come at two levels. In least developed economies, and in some transition and developing economies deficiencies in both the macroeconomic and microeconomic environments pose challenges: high budget deficits and unstable exchange rates and legal, regulatory and administrative environment poses major obstacles to access of SMEs specially to financing. In more advanced developing countries, where there is reasonable progress in the fundamental institutions, SME may still face challenges in accessing formal finance in the form of bank loans, guarantees, venture capital, leasing and so on.

According the World Travel & Tourism Council, most businesses operating in the tourism sector are also small ones - 80% according to the latest estimate. The contribution of tourism in the economic development on regional and local levels is due to its multiplier effect on the other sectors. There are celebrated cases internationally where small businesses have created an identity for a destination that has subsequently been harnessed by local municipalities. In this regard, tourism offers opportunities to open up businesses which would ultimately benefit the

destination region and its people. As a result, tourism SMEs can also be a source of innovation and help shape destination development.

An economy based on tourism must take into consideration the “sustainable” with the “development” aspects. SMEs operate as a catalyst for local economic development and therefore their sustainable development is vital not only to it, but also as a vehicle for physical and electronic infrastructure investment and popular uptake, and in providing larger frameworks for managing and maintaining prosperity from the natural resource.

However, the reality can be more complex based on the fact that sustainability is becoming a necessity due to changing perspectives around the world. In this regard, the destination-hosting environment must first be environmentally sustainable. However, no matter the size and structure of a company, debate still exists as to whether sustainability efforts are economically justifiable. With this notion, it becomes essential that a company can see strong economic benefit to implementing these new environmentally friendly processes. In this regard, sustainability is important for tourism SMEs for some main reasons:

1. *Economic sustainability*: The development of a healthy economy can serve people’s needs and improve their living standards while avoiding future economic crises or stagnation and protecting future generations.
2. *Social sustainability*: Through social sustainability are provided chances for all members of society to be equal, thereby reducing the risk of social conflict or war.
3. *Environmental sustainability*: It is vital to encourage sustainable development through a circular economy, which aims to maximize the use of natural resources while also conserving and improving the quality of life.
4. *Helps improve brand and competitive advantage*: Tourism businesses can improve their brand’s reputation, develop trust with partners and the social community by demonstrating concern and respect for environmental and social considerations.
5. *Attract investments and funds*: Many financial and investment experts have found that organizations with sustainability plans are likely to attract investors more than those who do not have one.

The benefits of tourism sustainable development must be expressed in the form of a positive long-term impact for all stakeholders: local communities, governments, investors, tourists, the environment, etc. During the recent years, SMEs have faced major disruptions and unprecedented challenges such as the armed conflicts in Syria and Ukraine, the global financial crisis in 2008 and the COVID-19 pandemic. In conflict situations, internal / external tourist flows change dramatically, causing macroeconomic imbalances. In order to best manage this difficulties, resilience and adaptability are crucial for leading them through continuous cycles of change. Thus, in order to achieve the long-term efficiency, effectiveness and competitiveness of tourism and to strengthen the resilience of the sector, solutions must be identified to neutralize the factors that can generate sectoral crises and to minimize their effects, but also is needed the adoption of some appropriate practices for crisis management. Under these conditions the results obtained will be: improved image of tourism destination (safety and security), increased economic performance of tour operators and the business value, increased operational efficiency, increased societal and environmental protection.

3 Methodology

This paper follows a qualitative research approach. Its point of view presents the idea that SMEs have an important role in the overall economic development of a country. It aims to analyse the economic dimensions of sustainability for tourism SMEs, based on a qualitative research method. In this regard, it provides some descriptive data on the number of SMEs, reflecting their importance in the Albanian economy (taking in consideration that tourism sector is mainly composed by SMEs).

4 The Case of Albania

Tourism is currently a significant contributor to the socioeconomic development of the country, which effects the entire society in many ways by being one the most prominent service sector. According to the Bank of Albania, the income of tourists for the 6 months of 2022 is calculated at around 1.13 billion euros, which highlights its importance in Albanian economy. Tourism is an industry sector that is generally composed of SMEs which play a prominent role in the socioeconomic development of a country especially to the developing ones like Albania. Their role in economic

Table 1: Data on enterprises 2019 – 2021

Indicators	Number of enterprises			Number of employed			Turnover (mln All)			Investments			Value added		
	Year	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020
Micro (1-9 employed)	96,924	95,558	97,022	196,403	186,400	191,250	474,255	481,945	582,764	27,863	25,815	30,723	130,770	121,554	147,002
Small (10-49 employed)	5,736	5,674	5,608	114,451	111,347	111,318	729,171	673,675	810,182	78,938	62,475	63,942	143,274	142,153	184,030
Medium-sized (50-249 employed)	1,251	1,173	1,227	122,330	114,767	121,002	583,552	555,661	702,931	58,150	55,151	38,240	147,422	142,847	174,155
SMEs (1-249 employe)	103,911	102,405	103,857	433,184	412,514	423,570	1,786,978	1,711,281	2,095,877	164,951	143,441	132,904	421,466	406,554	505,186
Large (250+ employed)	179	169	174	97,669	91,472	95,669	476,774	436,518	556,363	76,870	50,438	41,104	160,617	142,026	159,031
Total	104,090	102,574	104,031	530,853	503,986	519,240	2,263,752	2,147,799	2,652,240	241,821	193,880	174,008	582,083	548,580	664,217

Source: Instat (2023)

growth has been quite satisfactory and there can be little doubt that small and medium-sized enterprises play an important part in destination competitiveness (www.oecd.org).

In 2021, Albania's 103,857 small and medium-sized enterprises represented 99.8% of all enterprises in the economy. Their contribution to employment in the business sector slightly increased by 2.68 % as compared to 2020. Meanwhile, the investment has decreased by 7.24 %, although the value added has been increased by 24 %, emphasizing once again the important impact they have on the economy. In this regard, Tourism being a multidimensional sector that belongs to many subsectors, more SMEs are needed to be established in this sector to flourish this dynamic industry, especially based on the fact that Albania is an economy dominated by services.

SMEs which are traveler-friendly, nature-friendly and community-friendly are the best promoter of sustainable tourism. In this regard, by being traveler-friendly SMEs create an attractive environment with comfortable facilities for tourists by offering them opportunities to explore and discover the local nature and culture. These SMEs must aim to produce zero waste in order to be nature-friendly. Being community-friendly involves close communication with locals on all aspects of the tourism-related business, employing local staff where possible and constantly looking for ways to promote the local culture. As long as the local people benefit from the tourism business, any SME is likely to be warmly welcomed into the local community and contribute to the tourism development.

5 Discussion and Conclusion

Tourism applies in all economies, it is essentially international in focus, is information intensive, covers a range of directly and indirectly associated businesses, and often has low entry barriers by creating business opportunities for small entrepreneurs in various tourism-related business activities, including in local agricultural, manufacturing, services and construction-related businesses.

It is an industry sector that is generally composed of SMEs which play a prominent role in the socioeconomic development of the country especially to the developing ones like Albania. In this context especially important are small and medium tourism

enterprises which dominate in the tourism destinations according to their number, originating a variety of benefits for them by providing direct contact with tourists and by encouraging tourist for spending in a local community. The prospect of SMEs in this sector is huge through which development of entrepreneurship, enhancement living standard of the local rural people, and poverty reduction by engaging more people in the industry is possible. So, well-developed tourism SMEs is a prerequisite to attain higher growth of tourism. So further studies should be carried out on small tourism businesses in order to identify any support needed by them. Despite the case, future studies should also look into the different impact of foreign and local tourism on small business performance.

The development needs of SMEs must be considered as a system, which operates in relation to yet more complex systems of sustainable environments, sustainable technologies, sustainable cultures and sustainable economies. The sustainability of an economy depends on the introduction of appropriate production, distribution, and consumption to promote environmental sustainability, as well as on economic growth. This is why SMEs, that often constitute the backbone of any economy, should adapt this concept and embed it into their daily functioning and should view sustainability not as a burden, but an opportunity to better promote their business. In so doing, sustainable SMEs will attract the rapidly growing consumer group who are willing to pay more for environmentally-friendly products and services. In this regard, a good start for small businesses stepping towards sustainability is to consider environmental certification.

It is of great interest to encourage the cooperation between SMEs, because the more these SMEs communicate and interact, the more are they likely to satisfy their customers. Such success leads to cuts in transaction costs (economics of scale), sharing resources, and openly discussing further strategies of cooperation. This can be achieved through joint workshops where can be presented the benefits of a “supply chain” consisting in the SMEs that can be included in offering a set of services that are complementary to each other.

In a fast-changing business, political and social world, SMEs need to become better prepared to tackle sudden economic and political shocks, building the resilience needed to navigate an uncertain future. But, there is little empirical evidence on how organizations, especially SMEs, may achieve degrees of resilience.

The resilience of tourism implies the adoption of political and economic measures to improve the response capacity of governments and to prevent the negative effects of crises. In this regard, government have a role to play in:

- Improvement of legislation in terms of accelerating the creation of SMEs.
- Alignment of Albanian legislation in the field of SMEs with European standards.
- Review of fiscal legislation in terms of enhancing tax transparency and easing the tax burden
- Creating support programs, particularly in terms of financial and technical assistance to increase the competitiveness of SMEs towards regional markets, European and international markets.

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