

An Empirical Study of the Economic Effects of Tourism Development on Local Communities

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Abstract

The development of tourism has become a major source of economic growth for developing and emerging economies, particularly the areas rich in culture, nature, and Religious Heritage. This study examines the financial impact of tourism on local communities using Structural Equation Modelling (SEM) techniques within AMOS software. Utilising a survey of residents living in areas that host a lot of tourism activity, this study looks at how tourism development affects Employment, income, infrastructure, and overall Economic Well-being in the communities they reside in. Community member participation was assessed to determine the mediating role it plays in transforming tourism development into the types of economic outcomes that local Community Members Experience. This study uses Confirmatory Factor Analysis (CFA) and SEM to validate the research model. The results demonstrate that tourism development provides a Very Significant Positive impact on the Economic Well-being of a Community Directly & Indirectly through Community Member Participation. This Research provides Theoretical Contributions to tourist Economics and Practical Implications for policymakers and planners to create more Inclusive and Sustainable Tourism Strategies.

Keywords: Tourism Development, Economic Impact, Local Communities, Community Participation, Structural Equation Modelling, AMOS

1. Introduction

With the worldwide expansion of tourism, this industry has developed into one of the fastest-growing parts of the economy, and therefore it has provided a significant number of jobs, created income, generated foreign currency (Hiernaux, 2018), and assisted in the development of new regions. In addition, in the last few decades, there has been a strong focus on the promotion of tourism as an important strategy to promote economic development, especially in the case of developing and emerging economies that do not have a long-standing industrial base. Tourism can boost local economies (Stoeckl, 2008) and provide a variety of opportunities for local people; additionally, tourism enhances the quality of life for tourist destinations. Therefore, governments and other agencies around the globe have made significant investments in tourism-related infrastructure (Sakai, 2006), in addition to promoting the development of destinations and developing policies to maximise the benefits of tourism to local communities.

Numerous economic channels contribute to the effects of tourism development on communities. Tourism industries, like accommodation, transportation, food & beverage, travel services, and recreational activities, create jobs and salaries (the direct effect) (Cárdenas-García et al., 2015; Stynes,

1997). The money that has been earned from tourism jobs and is spent in the local area creates another economic effect called the induced effect (Vellas, 2011), which produces additional economic activity through the multiplier effect of local tourism. Together, all three effects will help develop local economies and allow many individuals in that area to have better access to entrepreneurial opportunities and/or self-employment.

Providing local employment and increasing household income, tourism development plays an important role in improving the infrastructure and services that benefit local communities. The need for improved transportation networks (roads and airports), communication and sanitation systems, and utilities can often be justified through projected future visitor demand for these services; however, they also provide major benefits to the local population (Srinivasu & Rao, 2013). The growth of the tourism industry has also led to the preservation and commercialisation of local culture, heritage, and traditional skills, providing additional opportunities for income generation for local artisans and small-scale producers (Goodwin, 2008), especially in rural and peripheral areas.

Local communities do not experience a uniform experience (Caroline et al., 2007; Mihalič, 2013). In most cases, tourism-generated income is not equally distributed among local communities, with a large amount of the income being captured by external investors, large corporations, or urban stakeholders. Furthermore, tourism-generated income typically does not go directly into hosting communities but rather leaks out of these communities through various means, such as the importation of goods and services to service visitors, the repatriation of profits to the countries from which those businesses are headquartered, and the reliance on non-local labour (Cong et al., 2025; Zhang, 2024) as well as to employment opportunities being seasonal, low-wage, and economically vulnerable because the host community is reliant on fluctuating levels of tourism demand. These factors create the need for additional research to provide a clear understanding of how tourism development impacts the overall economic well-being of local communities.

Community participation is a crucial element in determining how much economic benefit is derived from tourism development by local communities (Timothy & Tosun, 2003). This refers to how much the local people have been actively involved in all aspects of tourism development, including planning, decision-making, implementing, and benefiting from the process. There is a much greater likelihood that when communities are significantly involved in tourism development, they will benefit from getting job opportunities and/or being able to create their own local businesses, and also retain a larger percentage of the tourism revenues within their local economy (Tosun, 2001). Community participation will strengthen local ownership, empower local communities, and build their capacities; all of which are critical in sustaining longer-term economic benefits. When there is limited community participation, communities tend to feel marginalised, become less supportive of tourism initiatives, and have more socio-economic conflicts (Giampiccoli & Saayman, 2018). Understanding the role that community participation plays in mediating the economic impacts of tourism development will therefore be important in understanding tourism development's economic benefits.

Research on tourism's economic effects has employed a number of methods for quantifying its impact at the macro or aggregate level. These methods include input–output analysis, computable general equilibrium (CGE) models, and cost–benefit analyses (L. Dwyer, 2015, 2023a; L. M. Dwyer, 2015). Empirical models using these various methods have generated valuable information on tourism's macroeconomic contribution; however, they have not provided sufficient insight into how residents perceive tourism, the micro-distributional effects of tourism on local economies, or the interrelationship

of key variables affecting tourism. In addition, many studies only examine a single economic indicator, such as employment or income (Ana Lugo, 2007), and do not consider other indicators related to economic well-being. There is increasing recognition that integrated empirical models should include both tourism development and a variety of other factors that influence the economic conditions of the locality.

This study will take an empirical perspective to investigate the Economic Impacts of Tourism Development on Locally Based Communities, using Structural Equation Modelling (SEM) as the methodological framework to analyse the 12 different variables associated with this area of concern. The study defines Tourism Development as a multi-faceted construct based on four dimensions, namely: Infrastructure Development, Employment Creation, Inflow of Investment, and Tourism Developmental Activity; therefore, the study uses the term Economic Well-Being (EWB) to refer to the Local Community's EWB, including four dimensions: Income Improvement, Employment Security, Standard of Living & Economic Stability. Additionally, as an important element to understanding the relationship between the effects of Tourism Development on Local Economy, it is necessary to introduce Community Participation (CP) as a Mediating Variable.

The objectives of this study are:

1. To conceptualise tourism development as a multidimensional construct;
2. To examine its direct impact on the economic well-being of local communities;
3. To assess the mediating role of community participation; and
4. To provide policy-relevant insights for sustainable and inclusive tourism development.

2. Review of Literature

2.1 Tourism Development

Tourism development has been the subject of much research as an engine of economic growth and development; however, it is also seen as having a complicated relationship to the host community and presents many positive benefits and challenges to the local community. While many authors state tourism has the potential to create vast economic benefits to host communities, including job creation, providing the means to invest in local businesses, improving infrastructure, and growing revenues generated from taxes to help fund community services and public investment in infrastructure

Empirical data from rural and historic tourism destinations within various socio-economic contexts identify tourism as a driver of economic opportunity by increasing local business activity, as well as the influx of capital from outside sources to invest in and develop the local economy (Frederick, 1993; Lee, 2013). However, tourism does not share its economic impacts evenly. Therefore, although tourism can produce great economic opportunities, the type of impact that tourism creates varies from region to region. Overall, there exists a wide variety of socio-economic disparities, inflationary pressures on local markets and increases in living costs around the world as a consequence of tourism. As a result of this unevenly shared benefits, the discussion around how best to manage (Archer et al., 2012).

Researchers have identified that community-level results, such as the distribution of income or enhancing livability among the poor, must be taken into consideration along with macro-economic outputs when developing sustainable tourism (Samra Mahmudlu & Sebahattin, n.d.). Additionally, the economic impact of tourism has a mediating effect on multiple stakeholders, as well as a condition of access to appropriate infrastructures. Communities without adequate access to the appropriate

infrastructure will likely have fewer economic spillovers from tourism development than those that do (Ma et al., 2015).

Recent research efforts have also looked at the relationship between the stage of development and the local impact of tourism. While some research has shown that early-stage tourism development provides a strong basis for many individuals, employment and income, advanced-stage tourism development can lead to negative environmental and social externalities that impact the overall community welfare. As a result, researchers have called for a more integrated approach to managing the relationship between the growth of tourism and the local demands for development.

In addition to providing macroeconomic opportunities, rural tourism development has also supported the revival of rural communities and diversification of the economies of agrarian communities that rely on tourism as a supplemental income source in addition to their traditional means of livelihood.

The impact of tourism development on local economies, strategic planning, stakeholder cooperation, and inclusive policies all play critical roles in establishing a successful tourism industry (Brogi et al., 2022; Ma et al., 2015; Nyanjom et al., 2018). As a result of this, while tourism has been heralded as an economic development tool, the type of development resulting from tourism will depend on the equitable distribution of benefits, how tourism is governed at the national and local levels, and how communities are integrated into the tourism value chain.

Sustainable tourism development must consider not just macro-economic outputs such as GDP growth or foreign exchange earnings, but community-level outcomes like income distribution and livelihood diversification (Mitekaro, 2018; Shen, 2008; Sofield et al., 2004). Moreover, tourism's economic impact is mediated by factors such as stakeholder governance, infrastructure capacity, and market linkages. For instance, destinations lacking adequate infrastructure often experience reduced economic spillovers for residents (Cao et al., 2022; Wang, 2022).

2.2 Community Participation

Tourism studies have shifted their focus from studying how tourism impacts people to studying how people can better participate in tourism planning and decision-making. Community member participation is the process where residents are involved at every step of tourism development, from the planning stages through to implementation and final decision-making. Researchers have argued that involving community members throughout all of the phases of tourism development provides direct access to economic benefits for the community, while also creating positive attitudes toward and support for tourism initiatives (Rustini et al., 2022).

Studies show that when community members are able to participate in governance within tourism, such as by providing input and feedback to tourism-related policies and programs, this creates an atmosphere of trust and mutual respect among stakeholders and enhances the socio-economic outcomes for residents. Community member participation also provides opportunities for entrepreneurship, job creation, and improved local capacity for making good choices in managing tourism resources (Aref & Redzuan, 2009; Hall & Richards, 2000). The level of community member participation in tourism has a strong correlation with community members' perceptions of being empowered, as well as their self-efficacy related to tourism. Community members are more likely to view tourism as a benefit to their community and support tourism development when they have an active role in the planning of tourism projects and policy. Conversely, when community member participation is limited or lacking, there is typically a higher level of marginalisation and resistance toward the implementation of tourism policy,

and community members will likely view the benefits of tourism as being inequitably distributed (Gannon, 1994; Jaafar et al., 2015).

Several researchers have highlighted the key role institutional support and a participatory framework play in enabling community participation. Without capacity building and/or incentives for participation, there often will be superficial participation or "tokenism", where the participation does not result in tangible gains (both economically or socially). However, empowering communities through genuine and robust participation allows local communities to co-design their tourism strategy, control their own natural resources, and create benefit-sharing agreements.

Some researchers have identified levels of participation - consultation through decision-making - as an important factor in how effectively communities receive the benefits of tourism. The positive effects of participation on communities are not limited to the economic aspect; in addition to its benefits as an economic opportunity, community participation fosters social capital, creates an enhanced community identity, and helps develop sustainable practices for tourism that meet the needs of local communities.

While literature identifies community participation as both a moral obligation for inclusive growth and an economic opportunity for community members to benefit equitably from tourism development, research has also viewed it as a means of establishing a framework for measuring and maximising the benefits to the community of tourism development.

2.3 Economic Well-Being

Economic Well-Being: While there are two distinct groups of people (individuals and households), economic well-being refers to the monetary and non-monetary components of their quality of life, such as employment/income/wealth, the stability of their economy, and their access to resources (Godovykh et al., 2023; Mathew, 2022). There has been significant research on the positive and negative pathways through which economic well-being impacts a population/community/residents. The literature has identified a number of positive impacts associated with tourism expansion, including the creation of additional job opportunities, higher wages, and increased infrastructure improvements, which increase the quality of life for the community (Hall & Richards, 2000; Kumar De & Devi, 2010). Tourism expansion provides opportunities for rural communities to diversify their sources of income. This allows for diversification away from solely being dependent on agriculture and enhances rural communities' ability to withstand adverse environmental events.

The Economic Benefits of Tourism (Dwyer et al 2022, 2023; Pyke et al. 2016; Ratz and Michalko 2011) There are several factors that mediate the impact of tourism on the economy. Some of the factors that influence an area's economic health are fluctuations in tourism due to seasonality, unequal distribution of economic benefits from tourism, and reliance on fluctuating tourist numbers, which will likely hinder the long-term economic health of residents. Additionally, while tourism may generate an income for some low-income households, increased living costs and inflationary pressures within the community may offset these earnings for many of these households. According to socio-economic studies, tourism development (as measured by increased access to transportation, improved infrastructure, and access to marketplaces and services) may provide benefits over time through support for broader economic development. However, if residents are not fully integrated into the tourism value chain, a significant portion of the economic benefits will leave the area, and residents will not benefit from the increase in economic opportunities provided by tourism.

2.5 Research Gap

Many researchers have explored how tourism can enhance local economies through both direct and ind-

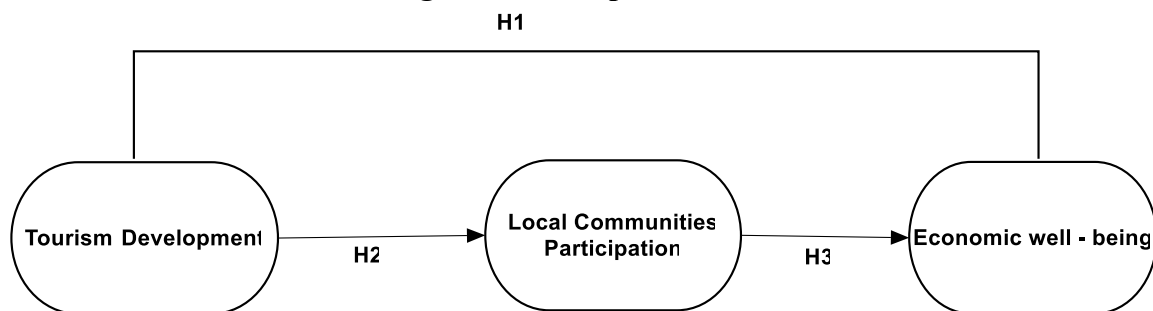
irect channels; however, most researchers have concentrated on macroeconomic indicators without fully considering how community-level factors impact this relationship. (Amir et al., 2015; Manner-Beldeon et al., 2024). Community participation is an essential aspect of creating a sustainable and inclusive tourism sector, yet we are still lacking empirical evidence of the role that community participation plays in mediating the relationship between tourism development and positive impacts on the economy (Gannon, 1994; Jaafar et al., 2015). Most of the current research is (still) focused on developed destinations, which means that there is limited research regarding emerging, heritage and rural tourism contexts (Hampton, 2005; Ismagilova et al., 2015; Pedrana, 2013; Strauss & Lord, 2001). Therefore, there is a need for a comprehensive model to understand how tourism can enhance the economic well-being of local communities via community participation, and this study proposes to develop such a model.

3. Conceptual Framework and Hypotheses Development

3.1 Conceptual Model

The literature supports the creation of a theoretical model that describes Tourism Development (TD) as an independent variable, the Economic Well-Being of Local Communities (EWB) as a dependent variable, and Community Participation (CP) as an intermediate variable. The proposed theoretical model states that Tourism Development has a direct effect on the EWB of Local Communities and an indirect effect on the EWB of Local Communities through CP.

Figure 1: Conceptual Model



3.2 Hypotheses

H1: Tourism Development has a significant positive effect on the Economic Well-Being of Local Communities.

H2: Tourism Development has a significant positive effect on Community Participation.

H3: Community Participation has a significant positive effect on the Economic Well-Being of Local Communities.

H4: Community Participation mediates the relationship between Tourism Development and Economic Well-Being of Local Communities.

4. Research Methodology

4.1 Research Design

A quantitative design based on the cross-sectional approach was used for the research study. Structured questionnaires were administered to residents living in selected tourism destinations to collect primary data. To test measurement and structural models, the SEM (Structural Equation Modelling) method was employed using AMOS (Analysis of Moment Structures).

4.2 Sample and Data Collection

The individuals who make up the sample in this study were all members of the local community living

in areas where tourism developments are taking place. The multi-stage sampling method was employed to collect data from these individuals. 450 questionnaires were mailed out to community members; 380 questionnaires were returned with valid responses, resulting in a response rate of 84.4%. Furthermore, the sample size meets the appropriate minimum level required for SEM analysis.

4.3 Measurement of Constructs

The multi-item scales measuring all Constructs were derived (adopted or adapted) from established studies (for reliability & validity) and contextualised to this specific study. All scales were measured on a 5-item Likert-type scale (where a score of 1 means "strongly disagree" and a score of 5 means "strongly agree"). Construct definitions are as follows:

- Tourism Development (TD): Infrastructure development, employment opportunities, investment inflow & provision of tourism facilities.
- Community Participation (CP): Involvement in tourism decision-making, participation in tourism-related activities and benefit sharing, and establishing consultation mechanisms
- Economic Well-Being (EWB): Income improvement from employment security, standard of living and stability.

4.4 Data Analysis Techniques

Data analysis occurred in two phases: (1) Confirmatory Factor Analysis (CFA) was used to determine the reliability and validity of the measurement model, and (2) Structural Equation Modelling (SEM) was utilised to investigate the proposed relationships. Model estimation was performed using AMOS version 24, and was accomplished.

5. Data Analysis and Results

5.1 Demographic Profile of Respondents

Table 1: Demographic Characteristics of Respondents

Variable	Category	Percentage
Gender	Male	62.5
	Female	37.5
Age	Below 30 years	28.3
	31–45 years	44.2
	Above 45 years	27.5
Occupation	Tourism services	41.7
	Small business	33.1
	Others	25.2

Table 1 presents the demographic profile of the respondents. In terms of gender distribution, the majority of respondents were male (62.5%), while females accounted for 37.5%, indicating higher male participation in tourism-related economic activities in the study area.

Regarding age composition, the largest proportion of respondents belonged to the 31–45 years age group (44.2%), followed by those below 30 years (28.3%) and above 45 years (27.5%). This suggests that middle-aged individuals form the core workforce engaged in tourism and allied activities.

With respect to occupation, a substantial share of respondents were engaged in tourism services (41.7%), reflecting the relevance of tourism as a primary livelihood source. This was followed by small business owners (33.1%), while the remaining 25.2% were involved in other occupations.

5.2 Measurement Model Assessment

5.2.1 Confirmatory Factor Analysis

A three-factor measurement model comprising Buddhist Tourism Development (BTD), Community Participation (CP), and Economic Well-Being (EWB) was tested using CFA.

Table 2: Standardised Factor Loadings

Construct	Item	Standardized Loading
TD	TD1	0.79
	TD2	0.82
	TD3	0.76
	TD4	0.84
CP	CP1	0.81
	CP2	0.77
	CP3	0.83
	CP4	0.79
EWB	EWB1	0.85
	EWB2	0.88
	EWB3	0.82
	EWB4	0.80

The results from this analysis show that the Tourism Development (TD), Community Participation (CP) and Economic Well-Being (EWB) constructs exhibit a good level of convergent validity for the measurement model, based on the standardised loadings reported for each of these constructs.

The Tourism Development (TD) construct has four items (TD1-TD2) that each demonstrate strong standardised loadings ranging from 0.76 to 0.84. The standardised loadings of these items exceed the minimum recommended value of 0.70 and, therefore, indicate that these items are reliable indicators of the TD construct.

As well as having satisfactory standardised loadings for each of the four CP items (CP1-CP4; loading between 0.77 and 0.83), the Community Participation (CP) construct provides evidence that the four indicators are aligned and collectively provide a good representation of how much the community is involved in tourism-related activities.

The Economic Well-Being (EWB) construct has excellent properties with standardised loadings between 0.80 and 0.88. The high loadings for the EWB items indicate that these items are strong indicators of the EWB of a local community.

5.2.2 Reliability Analysis

Table 3: Reliability and Internal Consistency

Construct	Cronbach's Alpha	Composite Reliability
Tourism Development	0.88	0.91
Community Participation	0.86	0.90
Economic Well-Being	0.89	0.92

Table 2 depicts the internal consistency and reliability of the constructs used in this research. The findings of this analysis demonstrate that all constructs exhibit high reliability.

Cronbach's alpha scores for Tourism Development (0.88), Community Participation (0.86) and Economic Well-Being (0.89) exceeded the recommended minimum acceptable level of 0.70, signifying high internal consistency across the measurement items.

Composite Reliability (CR) values are between 0.90 and 0.92 and are above the minimum acceptable recommendation of 0.70. The elevated CR scores also support construct reliability. These high CR scores illustrate that each of the constructs' latent variables consistently exhibits reliable measurement through the various indicators associated with them.

5.2.3 Convergent Validity

Table 4: Average Variance Extracted (AVE)

Construct	AVE
Tourism Development	0.67
Community Participation	0.64
Economic Well-Being	0.69

Table 3 displays the Average Variance Extracted (AVE) scores for the constructs within this research. The values of each construct are above the minimum AVE threshold of 0.50, with Tourism Development at 0.67, Community Participation at 0.64, and Economic Well-Being at 0.69. Therefore, each of the constructs has been found to have adequate convergent validity, since all three constructs provide sufficient explanation of greater than 50% variance within the observed indicators for each construct. Economic Well-Being has the highest AVE among the three constructs, which indicates that the economic well-being factor has the most powerful correlation with the other three factors.

5.2.4 Discriminant Validity (HTMT)

Table 5: HTMT Ratio

Constructs	BTD	CP	EWB
TD			
CP	0.61		
EWB	0.68	0.65	

Heterotrait–Monotrait (HTMT) of the relationship between Tourism Development, Community Participation, and Economic Well-Being. The HTMT relationship between Tourism Development and Community Participation has an HTMT ratio of 0.61, while the HTMT ratio between Tourism Development and Economic Well-Being is 0.68. Lastly, Community Participation and Economic Well-Being was determined to be 0.65 with respect to the HTMT relationship. Each of the HTMT correlations above indicates that there is sufficient empirical evidence supporting the distinctness of each construct, as well as the establishment of satisfactory discriminant validity. While the individual HTMT ratios from each construct suggest a moderate correlation (which is consistent with the expectations from both theory and practice), the HTMT scores indicate a low level of overlap amongst the three constructs.

Table 6: CFA Model Fit Indices

Fit Index	Recommended	Obtained
χ^2/df	< 3.00	2.41
GFI	≥ 0.90	0.92
AGFI	≥ 0.90	0.90
CFI	≥ 0.90	0.95
TLI	≥ 0.90	0.94

RMSEA	≤ 0.08	0.056
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Table 4 provides evidence regarding the fit of the confirmatory factor analysis (CFA) model to the measurement model. The ratio of χ^2 to df is 2.41, which is below the recommended level (3.00), thus allowing for an acceptable model fit to be established.

The Goodness-of-Fit Index (GFI) received a score of 0.92, and the Adjusted Goodness-of-Fit Index (AGFI) received a score of 0.90; both, according to these values, reflect a good overall fit with the proposed model and the observed data. Similarly, both the Comparative Fit Index (CFI) and the Tucker–Lewis Index (TLI) exceed the minimum recommended level of 0.90 (CFI = 0.95; TLI = 0.94) and confirm that the measurement model fits with excellent accuracy. Moreover, the Root Mean Square Error of Approximation (RMSEA = 0.056), which is below the recommended level of 0.08, supports close linkage to the population covariance matrix. In summary, the reported CFA model fits well, and the measurement model can be used for structural equation modelling and hypothesis testing.

5.3 Structural Model Assessment

5.3.1 Structural Path Analysis

Figure 2: Structural Model

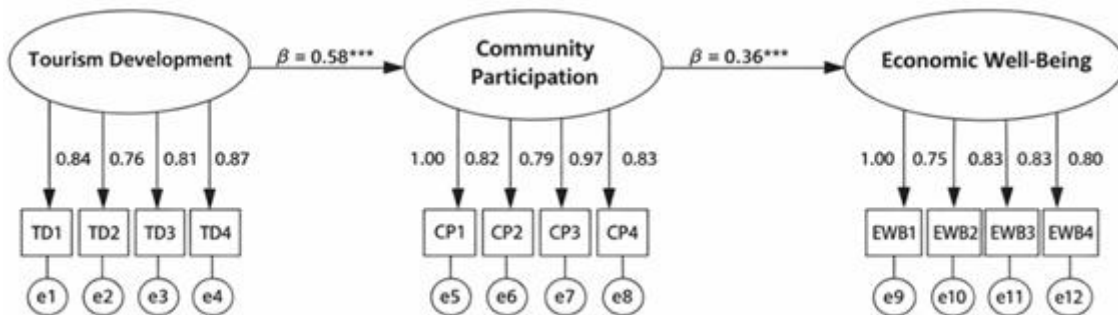


Table 7: Structural Path Coefficients

Hypothesis	Path	Estimate (β)	C. R.	p- Value	Result
H1	TD → EWB	0.36	5.98	<0.001	Supported
H2	TD → CP	0.58	9.21	<0.001	Supported
H3	CP → EWB	0.43	6.84	<0.001	Supported

Exhibit Five shows the findings of a structural equation model that investigated the hypothesised relationships between Tourist Development (TD), Community Participation (CP), and Economic Well-being (EWB). The findings support the hypotheses developed for this study. In examining the hypothesis that Tourism Development positively impacts Economic Well-Being (H1), the results indicate that Tourism Development does significantly positively affect Economic Well-Being (H1; $\beta = 0.36$, C.R. = 5.98, $p < 0.001$). Therefore, as Tourism Development increases, so too does Economic Well-Being for local communities. Thus, the hypothesis regarding H1 is supported. The findings also support the hypothesis that Tourism Development does significantly impact Community Participation (H2); that is, Tourism Development encourages local community members to be actively engaged in the development of the Tourism Industry (H2: $\beta = 0.58$, C.R. = 9.21, $p < 0.001$). Therefore, the hypothesis regarding H2 is supported.

Finally, Community Participation significantly and positively affects Economic Well-Being (H3); that is, higher levels of Community Participation contribute to higher levels of income opportunities and greater improvement in Economic Well-Being overall (H3: $\beta = 0.43$, C.R. = 6.84, $p < 0.001$). Therefore, the hypothesis regarding H3 was also supported.

5.3.2 Mediation Analysis

Table 8: Mediation Effect

Path	Indirect Effect	Lower CI	Upper CI	Mediation
BTD → CP → EWB	0.25	0.17	0.34	Partial Mediation

The findings of a mediation analysis reported in Table 6 show that the effect of Tourism Development (TD) will indirectly affect Economic Well-Being (EWB) through Community Participation (CP). Results indicate that there was a significant indirect effect ($\beta = 0.25$) of Tourism Development (TD) on Economic Well-Being (EWB), with a bootstrap confidence interval ranging from 0.17 to 0.34, indicating these results are significantly different from 0. Based on the results, the presence of a statistically significant mediation effect exists. Additionally, Tourism Development (TD) has a direct effect on Economic Well-Being (EWB), and therefore Community Participation (CP) has been identified as having a partial mediating role; Tourism Development (TD) improves Economic Well-Being (EWB), both through direct and indirect means (via Community Participation).

6. Discussion of Findings

Tourism development has a lot of economic power and positively influences community well-being. The current research investigated the economic results of the effect of tourism development on the regional communities and stressed the importance of community involvement as a stimulus. The utilisation of structural equation modelling has provided strong empirical evidence of the proposed conceptual model and makes a valuable contribution to the literature on tourism economics and sustainable development.

The results provide strong empirical evidence that tourism development positively influences the economic well-being of local communities, as demonstrated by the positive standard path coefficient ($\beta = 0.36$, $p < 0.001$). The findings of this study indicate that tourism development creates jobs, generates income for residents, attracts investment into the destination's economy, and increases the amount of activity and spending related to tourism. This is consistent with previous studies that have found that tourism has a positive impact on job creation, economic diversification, and local economic development in emerging and developing destinations. (Choi & Murray, 2010; Gannon, 1994; Gong et al., 2023). As such, this study supports the proposition that tourism development can serve as an effective local economic development strategy when properly managed.

The study also shows a robust positive correlation between tourism development and community participation (H2) based upon a substantial path coefficient ($\beta = 0.58$, $p < 0.001$). Tourism development creates more significant opportunities for residents of a given area to become engaged in tourism-related decision-making processes, tourism-related activities, and sharing in the benefits from tourism development. Thus, while the study findings align with participatory development theory (Chandralal, 2010; L. Dwyer, 2022; Teye et al., 2002), which indicates that communities are motivated to participate in government and operating processes if they feel they have access to expanding economic opportunities through tourism development. Communities located within tourism-intensive destinations

have increased levels of participation when they see tangible employment/entrepreneurial/income-generating opportunities.

Furthermore, the findings indicate that community participation positively and significantly impacts economic well-being (H3) ($\beta = 0.43$, $p < 0.001$). This means that community participation is viewed as more than just a social/governance tool; it provides a significant economic mechanism for residents to obtain income from tourism benefits. Through their active engagement in tourism, local community members can develop an increased sense of ownership, enhance their capacity to establish entrepreneurship opportunities, gain access to the value chain of tourism, and reduce the loss of income through economic leakage. Previous research indicates that participatory tourism models promote a more equitable distribution of income and greater success in achieving improved livelihood outcomes (Gannon, 1994; Jaafar et al., 2015; Rasoolimanesh & Jaafar, 2016) than conventional tourism development methods.

The mediation analysis supports the conclusion that Community Participation is a partial mediator of the relationship between Tourism Development and Economic Well-Being (H4). The significant indirect effect ($\beta = 0.25$, 95% CI = 0.17-0.34) shows that (L. Dwyer, 2023b; Godovykh et al., 2023; Khan et al., 2022) both directly and indirectly increase Community Participation. Community Participation enhances not only the amount of benefits received from tourism infrastructure and investments but also increases the long-term sustainability of these benefits when community members actively participate in tourism development processes. This study fills a critical gap in the literature by providing empirical evidence that Community Participation serves as an important pathway through which tourism development creates more inclusive economic outcomes, especially for Emerging Heritage and Heritage Tourism. Within this context, it is evident that Tourism Development, if done in isolation, will not provide the greatest benefit to a community's economy, but rather will provide the greatest benefit to a community's economy through Community Participation, being a significant driver of transformation.

7. Policy Implications

These findings provide insights for the development and management of sustainable and inclusive tourism from the perspective of policymakers, tourism planners, and developing organisations.

Policymakers must provide for the establishment of frameworks for the development and management of tourism that include communities as stakeholders in the planning process. Community involvement is an important factor in tourism development and should be reflected in the government's tourism policy. To include local residents' meaningful involvement in the planning and implementation of tourism policies, policymakers should create mechanisms that allow local communities to consult with their governments about the goals of tourism, form advisory committees for local tourism development, and use participatory budgeting processes for tourism infrastructure development.

Policymakers should provide funding and training opportunities for residents to equip them with the skills required to develop and run tourism-related businesses. Training residents in the areas of hospitality services, entrepreneurship, tour guiding, handicraft production, and digital tourism will provide them with the skills necessary to generate higher economic returns from the tourism-related activities in their community. By building the capacity of local communities to develop and participate in tourism, they will be able to progress beyond low-wage jobs to a more substantial share of the economic benefits associated with tourism.

Policymakers should be encouraging the establishment of small and micro tourism enterprises and should provide access to funding, technical assistance, and subsidies to enable such enterprises to grow. To assist with developing locally owned tourism enterprises, policymakers should encourage the development of a marketplace for locally produced goods and services, thereby allowing for the retention of income generated through tourism within the local economy.

Invest in tourism infrastructure (transportation system, sanitary system, communication system, and public utility system) to provide both the tourists and the local community with benefits (the tourists would benefit from improved tourism, while the local community would benefit from increased economic development). The increased level of satisfaction from improved infrastructure benefits both parties.

Tourist policies need to include monitoring mechanisms that provide measurable community-level economic results as well as macroeconomic indicators such as visitor numbers and revenue. Community economic development includes measuring the distribution of income, employment security, and local community business involvement in order to determine the extent to which tourism development can contribute to sustainable development.

8. Conclusion

The current study offers strong empirical evidence that tourism development has a positive effect on local economies by combining community participation with a comprehensive Structural Equation Model (SEM). The results of the study indicate that tourism development promotes a positive effect on the economic well-being of communities both directly and indirectly, through community participation. Using the findings of this study to illustrate how community-based tourism can create benefits for local communities via a partial mediating mechanism of community engagement, we expand on the theoretical understanding of how tourism affects the local economy. Results show that inclusive decision-making and engagement of the larger community are significant components of transitioning to the local community's tourism-based economic growth into continued long-term, equitable economic benefits.

The results of this study provide a foundation for the empirical modelling of the multidimensional aspects of tourism development, community involvement, and economic stability in the field of tourism economics. From a practical perspective, these results support that tourism should not only be considered an economic development tool or a source of new jobs and external capital investment, but should be an integral part of the development process from the perspective of the local community itself. Tourism development may be utilised as a significant means of improving the economic well-being of communities; however, in order to accomplish this, the integration of community participation into all phases of the planning and implementation of tourism development must be recognised as an essential requirement.

9. Limitations and Future Research

This study has certainly added to our knowledge of tourism impact studies, but there are limitations that should also be noted.

1. The methodology used in this study was Cross-Sectional. Because of this, we couldn't determine how the Economic Impact of Tourism changed over time relative to the Community Participation of the residents in the tourism destination. A longitudinal study would be better suited for this.

2. The participants in the survey were asked to self-report their perceptions of the Economic Impact of Tourism; this way of collecting data would leave room for response bias. Future studies should combine this survey method with objective Economic Indicators such as household income, employment statistics, and business performance data.
3. Although this study examined Economic Well-Being amongst the residents, it did not consider the Social Dimension or Quality of Life of the residents; it did not examine how tourism affects Social Cohesion or Environmental Impact. In order to determine how tourism affects all aspects of a destination, future studies should create a more rigorous model by adding the Social/Ecological/Environmental/Mass-Tourism components to the Economic Impact Model.
4. This study looked at only one specific area or jurisdiction within a tourism setting and, therefore, may not be generalizable to all geographic areas or types of tourism; future studies should include comparisons of the same variables across different Regions, Types of Tourism (i.e., Urban, Rural, Heritage, Eco-Tourism), and Countries to improve the external validity of the findings.

Finally, future research could explore additional mediating or moderating variables, such as governance quality, destination lifecycle stage, institutional trust, or policy effectiveness, to further refine the understanding of how tourism development influences community well-being.

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