

Tourism as a Driver of Local Economic Development: A Case Study of Micro Business Actors in the Nirwana Beach Area, Bau-Bau.

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Abstract

Tourism is a strategic sector with great potential to drive local economic growth, particularly through the involvement of micro business actors as a key component of the tourism ecosystem. This study aims to examine the role of tourism as a driver of the local economy from the perspective of micro business actors, identify the structural challenges they face, and describe the adaptation strategies applied in responding to the dynamics of the tourism sector. This study uses a qualitative approach with a descriptive-exploratory research design. Data were collected through in-depth interviews, participant observation, and documentation studies of micro business actors operating in tourist areas, including culinary businesses, handicrafts, transportation services, simple lodging, and other tourism support services. Data analysis used the interactive analysis model of Miles, Huberman, and Saldaña (2023), with data validity ensured through source and method triangulation. The results show that tourism plays a real role in increasing income, creating local jobs, and driving the diversification of micro business products. However, micro business actors still face four main challenges: limited access to capital, income fluctuations due to dependence on the tourist season, limited managerial and digital capacity, and competitive pressure from business actors outside the region. In response, micro business actors apply strategies of strengthening local product identity, business network collaboration, and the adoption of digital marketing. This study concludes that the inclusion of micro businesses in the tourism value chain is a fundamental prerequisite for achieving just and sustainable tourism development, requiring affirmative policies that are more systematically and structurally oriented toward local micro business actors.

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1. INTRODUCTION

Tourism has long been recognized as one of the strategic sectors driving economic growth, both at the national and local levels. In a global context, the World Tourism Organization (UNWTO) notes that the tourism sector contributes significantly to the Gross Domestic Product (GDP) of various countries, while also serving as a major source of employment for communities across different

segments of society (Roy & Medhekar, 2026). In Indonesia, tourism has even been established as a national development priority sector, reflected in various government policies that promote the development of leading tourist destinations as drivers of regional economic growth (Pramono et al., 2026).

The economic impact of tourism is not always felt evenly across all segments of society. The greatest benefits are often enjoyed only by large business actors, while micro business actors—who actually form the backbone of the local economy—frequently face various structural challenges in accessing the opportunities offered by this sector (Qi et al., 2026). Yet micro businesses play an irreplaceable role in the tourism ecosystem: from vendors of local food and beverages, souvenir and handicraft artisans, local transportation service providers, to managers of simple lodgings. Their presence not only enriches the tourist experience but also represents the authentic face of a destination's cultural identity and local wisdom (Ardika et al., 2026).

Data from the Central Statistics Agency (BPS) shows that micro businesses dominate the structure of business actors in Indonesia, contributing more than 98 percent of the total number of business units. In tourist areas, the presence of micro businesses even serves as a genuine indicator of local economic vitality (Khafifa et al., 2026). When the flow of tourists increases, micro business actors directly feel the impact through increased sales turnover, expanded marketing networks, and emerging opportunities for product diversification. Conversely, shocks to the tourism sector, such as those that occurred during the COVID-19 pandemic, also dealt the hardest blow to micro businesses, which have limited capital, financial reserves, and access to social safety nets (Shi, 2026).

From a theoretical standpoint, the relationship between tourism and local economic empowerment has been extensively examined within the framework of development economics theory, particularly through the concepts of the trickle-down effect and pro-poor tourism. The pro-poor tourism approach emphasizes the importance of designing tourism policies that explicitly prioritize the involvement and benefit of poor communities and small business actors (Islam et al., 2026). In practice, this requires holistic policy interventions, including capacity training, easier access to capital, development of supporting infrastructure, and strengthening of local product distribution and marketing networks (Syaripuddin et al., 2026).

Nevertheless, empirical studies on how micro business actors actually experience and respond to the dynamics of the tourism sector remain relatively limited, particularly from their own perspective (Suárez-Tostado & Petit, 2026). Most existing research tends to focus on macroeconomic indicators or policy analysis from the perspective of government and academics, so that the voices and direct experiences of micro business actors are often overlooked. Yet an in-depth understanding of their perspective is essential for designing inclusive and sustainable tourism development strategies (Pramono et al., 2026).

Stemming from this gap, the present study seeks to examine in greater depth how Tourism Serves as a Driver of Local Economic Development: A Case Study of Micro Business Actors in the Nirwana Beach Area, Bau-Bau. By exploring the experiences, challenges, and adaptation strategies undertaken by micro business actors in tourist areas, this research is expected to make a real contribution to the development of tourism policies that are more favorable to local communities, while also enriching the body of knowledge in the study of tourism economics in Indonesia.

2. LITERATURE REVIEW

A study by Li et al. (2025) confirms that tourism growth has strong backward linkages, in which the sector encourages local businesses to improve product quality and production capacity to meet tourist demand, while also driving the structural transformation of the economy from low-productivity sectors toward services and modern industry.

A study by Rustam et al., (2025) also shows that the involvement of MSMEs in the halal tourism ecosystem is able to create new jobs, particularly for women and youth in rural areas, who are engaged in halal food production, Islamic handicrafts, and sharia-compliant homestay services, thereby increasing family economic contributions.

Findings by Maziliauske, (2024) show that, thanks to rural contextual elements (such as local attachment, strong personal relationships, and trust), tourism SMEs collaborate within IFS together with various local stakeholders, and contribute to the socio-cultural sustainability benefits of rural destinations through local procurement, education, resource synergy, inclusion, and quality of life.

A study by Krittayarungroj et al., (2023) shows that recent trends have shifted from developed countries to developing countries. Research focus includes tourist and resident satisfaction, the impact of sustainable community-based tourism on economic growth, stakeholder participation and decision-making, and cultural heritage preservation. Future research directions are proposed with a focus on post-pandemic resilience and the contribution of community-based tourism to global sustainable development goals.

3. METHOD

Type and Approach of the Research

This study employs a qualitative approach with a descriptive-exploratory research design. The qualitative approach was chosen because this research aims to explore in depth the experiences, perceptions, and perspectives of micro business actors in responding to the dynamics of the tourism sector in their area. As stated by Perreault, (2011), a qualitative approach is highly appropriate when researchers seek to understand the meaning individuals or groups attach to a social or human problem holistically and contextually.

Research Location and Timing

This study was conducted in a tourist destination area with a significant concentration of micro business actors and that has shown tourism development in recent years. The location was selected purposively, taking into account the following criteria: (1) the area is an actively visited tourist destination for both domestic and foreign tourists; (2) there is a diversity of micro businesses operating around the tourist area; and (3) the area has adequate accessibility for field data collection purposes. This research was conducted over approximately four months, covering the preparation and instrument development stage, field data collection, data processing and analysis, and final report writing.

Research Subjects and Informants

The main subjects of this study are micro business actors operating in the tourist area, including vendors of local food and beverages, souvenir and handicraft artisans, local transportation service

providers, managers of simple lodgings (homestays), and other tourism support service providers. Informants were selected using a purposive sampling technique, in which informants were chosen based on specific criteria relevant to the research objectives. The informant criteria in this study include: (1) having operated a micro business in the tourist area for at least two years; (2) having direct experience interacting with tourists as part of their business activities; and (3) being willing to provide information openly and voluntarily.

To enrich and deepen the data, this study also involved supporting informants (key informants), including tourist destination managers, local government officials in charge of tourism and MSMEs, and local community leaders who have an understanding of local economic dynamics. The number of informants was determined based on the principle of data saturation, in which data collection is stopped when the information obtained becomes repetitive and no longer yields significant new findings.

Data Collection Techniques

Data collection in this study used three main techniques, namely:

- a. In-depth interviews
- b. Participant observation
- c. Documentation
- d. Research instruments

Data Analysis Techniques

Data analysis in this study follows the interactive analysis model developed by Perreault (2011), consisting of four stages, namely:

- a. Data collection
- b. Data condensation
- c. Data presentation

Data Validity

To ensure data validity and trustworthiness, this study applies four validity criteria proposed by Matthew B. Miles and A. Michael Huberman (2023), namely:

- a. Credibility
- b. Transferability
- c. Dependability
- d. Confirmability

4. RESULTS AND DISCUSSION

Profile of Micro Business Actors in the Tourist Area

Based on the results of in-depth interviews and field observations conducted with micro business actors in the tourist area, a varied yet relatively consistent profile pattern emerges. Most micro business actors in the tourist area are local native residents who have been running their businesses for two to ten years, with the main motivation for starting the business driven by the increasing flow of tourist visits to the area.

In terms of business type, micro business actors in the tourist area can be grouped into five main categories, namely: (1) culinary and local specialty food businesses; (2) handicraft and souvenir businesses; (3) local transportation service businesses; (4) simple lodging or homestay businesses; and (5) other tourism support service businesses such as tour guides, tourism equipment rental, and photography services. This diversity of business types reflects how tourism is able to open up broad, cross-sectoral economic opportunities for local communities, while also enriching the tourist experience through authentic products and services (Spilioti & Marinakos, 2026).

The Role of Tourism as a Driver of the Economy of Micro Business Actors

a. Increased income and business turnover

Field findings consistently show that the development of the tourism sector has a real positive impact on the income of micro business actors. Almost all informants stated that their business turnover increased significantly in line with the growing number of tourist visits to the area. This income increase is felt not only seasonally during holiday periods but also gradually throughout the year as the destination becomes increasingly well known on various digital platforms and social media.

One informant from the culinary business group revealed that their income increased up to threefold compared to before the area developed into a busy tourist destination. This income increase has had a significant ripple effect on family welfare, ranging from the ability to finance children's education and improve housing conditions to gradually expanding the scale of the business.

This finding is consistent with research conducted Salihin (2025) growth of MSME actors reached 35% over the past five years, in line with increasing tourist visit intensity. Tourism has proven able to create a more dynamic and integrated local economic ecosystem, even opening opportunities for residents who previously had no steady employment to transform into independent entrepreneurs.

b. Creation of local jobs

In addition to directly increasing income, tourism also plays an important role in creating jobs for communities around tourist areas. Observation results show that the growth of micro businesses in tourist areas directly absorbs local labor, both as permanent and part-time workers. This phenomenon is particularly evident in culinary and handicraft businesses, which require additional labor during peak tourist seasons. Interestingly, this labor absorption effect has a significant social inclusion dimension. Several female informants revealed that their involvement in micro businesses in the tourist area provided economic access that had previously been difficult for them to obtain. This reflects the principle of pro-poor tourism, which emphasizes the importance of tourism as an instrument for empowering vulnerable groups, including women and youth in rural areas.

c. Product diversification and innovation

Field findings also reveal that competitive pressure and interaction with tourists encourage micro business actors to continuously innovate and diversify their products. Several informants described how they developed new product variants, improved packaging, and enhanced service quality as a direct response to tourist feedback and demand. This process indirectly contributes to improving the long-term capacity and competitiveness of micro businesses.

The most notable innovation was found in handicraft and souvenir businesses, where a number of artisans have begun developing products with contemporary designs that combine elements of local wisdom with the tastes of modern tourist markets, so that their products appeal not only to domestic tourists but also to foreign tourists (Muka & Suardana, 2024).

Challenges Faced by Micro Business Actors

a. Limited Access to Capital

Although tourism opens up significant economic opportunities, access to capital remains the most crucial challenge faced by almost all informants. Most micro business actors report difficulty accessing credit from formal financial institutions due to various obstacles, ranging from complicated administrative requirements and lack of adequate collateral to limited financial literacy in preparing viable business proposals. This condition forces them to rely on their own limited capital, severely constraining their capacity to develop their businesses.

This finding reinforces the results of a study by Rustam et al., (2025), which found that only a small portion of tourism business actors succeeded in accessing financing from formal financial institutions, while the majority still rely on personal capital. This inequality in access to capital has the potential to widen the gap between micro businesses and larger business actors in tourist areas.

b. Income Fluctuation and Dependence on the Tourist Season

The second challenge consistently mentioned by informants is the sharp fluctuation in income between the peak season and the low season. During the low season, most informants reported a drastic decline in turnover, even up to 60–70% compared to the peak season. High dependence on tourist flow makes micro businesses highly vulnerable to various external shocks, such as those that occurred during the COVID-19 pandemic or natural disaster situations that can suddenly cut off access to the tourist area. The lack of financial reserves and the absence of adequate social protection mechanisms leave micro business actors in a very fragile position when facing such conditions. Several informants revealed that they were forced to borrow from cooperatives or even from high-interest moneylenders to sustain their business operations during the low season.

c. Limited Managerial and Digital Capacity

The third challenge found is the limited managerial capability and mastery of digital technology among micro business actors. Most informants admitted that they did not yet have an organized bookkeeping system, had not optimally utilized digital platforms for marketing, and had not been able to develop a systematic business plan. Yet in the increasingly digitalized contemporary tourism landscape, the ability to maintain an online presence through social media, marketplaces, and travel booking platforms is becoming an increasingly crucial determinant of competitiveness.

A study by Fatmawati Fatmawati & Sudarsana Arka (2025) shows that financial literacy, financial inclusion, and the use of e-commerce significantly affect the performance of micro businesses. This finding underscores the importance of training interventions and digital mentoring for micro business actors in tourist areas so that they can compete and survive amid changing tourist behavior, which increasingly relies on digital platforms for trip planning.

d. Competition with Large Businesses and Outside Entrants

The fourth, equally serious challenge is the competitive pressure from large business actors and newcomers from outside the region entering the tourist area as the destination develops. Several informants expressed concern that the presence of new, well-capitalized businesses from outside the region is increasingly narrowing the operating space of local micro businesses, particularly in terms of strategic business locations and more extensive promotional capabilities. This condition reflects a phenomenon identified in various studies, namely that the economic benefits of tourism are not always distributed evenly, and without affirmative policies that favor local micro business actors, there is a risk of marginalization that could further widen economic inequality in tourist areas.

Adaptation Strategies of Micro Business Actors**a. Strengthening Local Product Identity**

In facing the various challenges above, micro business actors who successfully survive and grow generally adopt a strategy of strengthening local product identity as their main competitive advantage. By offering authentic products and services based on local wisdom that are not easily imitated by outside business actors, they have succeeded in building a loyal niche market among tourists seeking genuine and meaningful travel experiences.

This finding is consistent with a study by Rizal (2025), which found that local MSMEs are able to optimize the economic potential of tourism by utilizing local culture, traditions, and resources as the main attraction packaged into creative and authentic products, thereby creating added value that cannot be provided by large, uniform, and mass-produced businesses.

b. Collaboration and Formation of Business Networks

The second strategy found in the field is the formation of cooperative networks among micro business actors, either informally or through cooperatives or joint business groups. Through these networks, micro business actors can share market information, collectively purchase raw materials to reduce production costs, and refer tourists to one another so that all network members can benefit in turn.

This multi-stakeholder collaboration model reinforces the findings of Meliana et al. 2(025), who concluded that a multi-stakeholder collaboration approach is the most relevant strategy in tourism-based local economic development, in which government, business actors, and the community work together within a mutually supportive and beneficial ecosystem.

c. Adoption of Digital Marketing

Although still in its early stages, a number of informants, particularly young entrepreneurs, have begun utilizing social media and digital platforms as marketing tools for their businesses. Some have successfully reached tourists from various regions, even abroad, through Instagram, TikTok, and online booking platforms, gradually reducing their dependence on the spontaneous flow of tourists arriving in the tourist area.

This adoption of digital marketing has proven to be a significant differentiating factor between micro businesses that are able to survive and grow and those that remain stagnant. This underscores the importance of structured and sustained digital literacy training programs for micro business actors in tourist areas as part of a comprehensive empowerment strategy.

5. CONCLUSION

Conclusion

Based on the results and discussion presented above, this study yields several key conclusions as follows:

1. tourism has proven to play a real role as a driver of the local economy for micro business actors in tourist areas. This role is manifested in three main dimensions: a significant increase in income and business turnover, the creation of new jobs that absorb local labor, including women and youth, and the encouragement of product diversification and business innovation in response to growing tourist demand. Tourism not only opens up direct economic opportunities but also creates a multiplier effect that flows into various sectors supporting the broader economic life of the local community.
2. although the opportunities offered by tourism are very large, micro business actors still face four structural challenges that hinder their ability to optimally take advantage of these opportunities. These four challenges are: limited access to formal capital; sharp income fluctuations due to dependence on the tourist season; limited managerial capacity and mastery of digital technology; and increasingly intense competitive pressure from large business actors and newcomers from outside the region as the tourist destination develops. These challenges are interrelated and weaken the resilience of micro businesses, particularly when facing unexpected external shocks.
3. the relationship between tourism and the empowerment of micro businesses does not occur automatically, but is strongly determined by the quality of policy, institutions, and the existing supporting ecosystem. Without favorable and structured policy intervention, the economic benefits of tourism risk being concentrated among large business actors and outside entrants, while local micro business actors may instead be marginalized from the very growth dynamics they helped create. Therefore, the inclusion of micro businesses in the tourism value chain is not merely a policy choice but a fundamental prerequisite for achieving just and sustainable tourism development.
4. this study confirms that the perspective of micro business actors is a dimension of analysis that cannot be ignored in the formulation of tourism policy. Their experiences, adaptation strategies, and aspirations hold valuable practical wisdom that can serve as input for developing policies that are more responsive, contextual, and rooted in the real needs of local communities.

Suggestions

Based on the conclusions above, this study formulates several suggestions addressed to various stakeholders involved in tourism development and micro business empowerment, as follows:

1. local governments need to design special financing schemes that are accessible to micro business actors in tourist areas, for example through community-based revolving funds, simplified people's business credit procedures, or partnership programs with microfinance institutions that have direct networks at the community level. Ease of access to capital is a key prerequisite for micro businesses to be able to sustainably improve their production capacity and service quality.
2. local governments need to develop comprehensive, sustained, and participatory business training and mentoring programs designed together with micro business actors. Such programs should cover four main aspects: simple business management and bookkeeping, financial literacy and access to capital, digital marketing and social media management, and product development based on local wisdom and identity. One-off and sporadic training programs have proven ineffective; ongoing mentoring has far greater impact.
3. local governments need to strengthen business zoning regulations in tourist areas that explicitly protect and prioritize the presence of local micro business actors. This policy could include setting business location quotas for local actors, providing incentives for investors who partner with local MSMEs, and tightening requirements for outside businesses seeking to operate in tourist areas so as not to crowd out the existing space for micro business actors.
4. local governments need to integrate micro business development into regional tourism planning and budgeting documents more systematically, including establishing specific success indicators related to increasing the income and capacity of local micro businesses as part of regional tourism development targets.

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8. CONFLICT OF INTEREST

The author declares that there is no conflict of interest in the conduct, preparation, or publication of this article.

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