Poverty Alleviation in Third World Countries through Tourism Development: A Comparison Study of Costa Rica and icaragua

Nichole C. Hugo  
School of Community Resources and Development Arizona State University

Gyan P. Nyaupane  
School of Community Resources and Development Arizona State University

Follow this and additional works at: https://scholarworks.umass.edu/ttra

21.  
https://scholarworks.umass.edu/ttra/2010/Visual/21

This is brought to you for free and open access by ScholarWorks@UMass Amherst. It has been accepted for inclusion in Travel and Tourism Research Association: Advancing Tourism Research Globally by an authorized administrator of ScholarWorks@UMass Amherst. For more information, please contact scholarworks@library.umass.edu.
Poverty Alleviation in Third World Countries through Tourism Development: A Comparison Study of Costa Rica and Nicaragua

Nichole C. Hugo
School of Community Resources and Development
Arizona State University

and

Gyan P. Nyaupane
School of Community Resources and Development
Arizona State University

ABSTRACT
Tourism can be used as a tool to reduce poverty in developing countries by giving locals the opportunity to be employed or indirectly participate in the tourism sector. The economic, environmental and socio-cultural values were compared in Costa Rica and Nicaragua in order to determine the variables that are the most effective in developing tourism in the third world. Data was collected from questionnaires given to tourists visiting these areas and by interviewing locals and tourism business managers and owners in the community. This information was used to analyze the expenses that affect tourism. This investigation focuses on how tourism helps to reduce poverty in Costa Rica and Nicaragua, and how the balance between attracting tourists and creating a low impact on the native cultures and environments can be maintained in Costa Rica and Nicaragua.

Keywords: Costa Rica, Nicaragua, third world countries, tourism development, poverty alleviation.

INTRODUCTION
Tourism is a powerful tool that can be used globally to create economic stability and alleviate poverty, especially in developing countries. The type of tourism focused on poverty alleviation is commonly referred to as ‘pro-poor tourism’. The purpose of this research is to show how pro-poor tourism can be used to maintain the environmental and cultural values of a destination while improving its economic stability. The development of tourism in the third world countries should focus on community empowerment to eliminate poverty and maintain the cultural heritage of the destination (Stoddart & Rogerson, 2006). By participating in pro-poor tourism on a community level with active participation from the local people and government sector, economic leakage can be decreased (Ashley, Goodwin & Boyd, 2000). Local involvement would also allow for the tourists visiting the destination to receive a more authentic cultural experience (Okumus, Okumus & McKercher, 2007). This, in turn, would allow for tourists to have a greater interest in travelling internationally to reach their destination. Positive impacts for the community include creating a financially stable foundation to improve infrastructure, health care, and education (Ashley et al., 2000). Other advantages resulting from pro-poor tourism are the protection of resources, employment opportunities for women and an increase in agricultural production (Ashley et al., 2000). Tourism should not be the only form of revenue and employment for a country, but instead it should be used to help expand the
employment opportunities of the local people. This can be accomplished by linking existing jobs, such as farming, to help with the tourism industry and still have the capability to participate in that job independently if the tourism industry is not successful (Torres & Momsen, 2004). Therefore, diversification of jobs, not substitution, is needed so that a dependency on foreign arrivals does not occur.

A research comparison between Costa Rica and Nicaragua is used to demonstrate the economic impact tourism can have on a developing country. These two countries, located next to each other in Central America, are being analyzed because they have many similar geographic features. However, there are major differences in the current status of their economic stability. Costa Rica has embraced the idea of tourism development and is financially more secure in comparison to Nicaragua. This study will investigate the differences within the tourism industry for each country. It will also focus on how a balance can be maintained between attracting tourists and creating a low impact on the native cultures and environments of Costa Rica and Nicaragua. Research will involve surveys of tourists visiting these areas. It will also include interviews with local people and a separate interview for people working in the tourism industry at these destinations.

In recent years there has been a growing amount of research on pro-poor tourism as a way of helping people out of poverty, especially in developing countries (Ashley, 2006; Rogerson, 2006; Hill, Nel & Trotter, 2006; Babalola & Ajekigbe, 2007; Manayara & Jones, 2007; Mitchell & Faal, 2007, Munthali, 2007, Spencey & Goodwin, 2007; Shackleton, Campbell, Lotz-Sisitka & Shackleton, 2008). However, the amount of research on tourism in Central and South America has been limited. A few case studies and articles have been written about Costa Rica, but Nicaragua has been much more neglected. Previous research on these two countries has shown that tourism can help relieve poverty, but it must be done in a way that will not damage the environmental and cultural values of the host community. Research of utilizing tourism to reduce poverty in other developing countries can be compared to Costa Rica and Nicaragua. This is possible because of the similarities that developing countries share, such as economic instability and limited financial resources.

The issue of poverty is an important issue of global concern and this research can help demonstrate the importance of tourism to assist developing countries financially. This study will propose that the economic effects of pro-poor tourism development can minimize the negative impacts of tourism while enhancing the positive economic components. More specifically, this study has three major research questions: 1. What contributes to poverty alleviation in comparison between Costa Rica and Nicaragua in terms of the role of tourism? 2. What attitudes, motivations to visit, and perceptions do tourists have of Nicaragua and Costa Rica? 3. How can the balance be maintained between attracting tourists and creating a low impact on the native cultures and environments in Costa Rica and Nicaragua?

**Pro-poor tourism**

Tourism that is used to create net benefits for the poor to reduce poverty is often referred to as ‘pro-poor tourism’ (Rogerson, 2006). This must be managed in a way that also makes financial sense to the tour operators, hotels and restaurants while helping the local community (Ashley & Haysom, 2006). Tourism can bring in another source of income and provide employment opportunities to the local people, but a problem with this growth is the environmental and socio-cultural impacts can be very detrimental to the host community (Neto,
2003). This means a focus needs to be placed on the sustainability of development and ensure that community involvement is continuous.

The term “pro-poor” can easily be misinterpreted or it can be confused with other terms that are similar to this type of tourism. It seems it can be used interchangeably with responsible tourism, ecotourism, ethical tourism, sustainable tourism, and community-based tourism. However, these terms are not synonymous. The most common way experts define poverty is someone living on $1 per day (World Bank, 1980; Adams & Richard, 1989). It is important to remember that not all researchers agree on this definition of poverty, but this is most commonly used by authors. For tourism to be successful in fulfilling its objective of relieving poverty it must generate a financial annual growth rate of 5% just to prevent an increase in poverty (Christie, 2002). By the year 2015 a 7% growth rate will be required due to population growth (Christie, 2002).

Having financial stability can create many opportunities for empowerment and increase the personal freedoms of people living in developing countries. Enhancing personal freedoms is a primary catalyst of development (Sen, 1999). Economic freedom allows for voluntary exchange, free competition and the protection of people and their property so that economic growth can lead to a reduction in poverty and hardship (Berggren, 2003). The economy can be measured by using the Economic Freedom Index (EFI) to examine thirty-seven components among five groups (Berggren, 2003). The groups measured are the size of the government and its enterprises, taxes and expenditures, the legal structure and security of property rights, the access to capital, the ability to exchange with foreigners, and the regulation of business (Berggren, 2003). The increase in money and overall economic stability of a country can lead to an increase in freedom.

Being “poor” is not just characterized by the amount of income received, but also by a person’s access to social services (Sen, 1999). The development of tourism in a community can greatly increase and improve the resources within that community. Tourism development would result in better water supplies, sanitation, refuse removal, drainage, flood protection, local roads, transportation and traffic management, all necessary for tourism to be successful in the community (Rogerson, 2006). The locals would also see a change in land management practices, improved access to shelter, support for urban agriculture, and enhanced access to municipal services (Rogerson, 2006). However, in an area with limited resources, an increase in tourism could result in negative impacts to the community. Locals can lose their land, access to water and communal areas, and damages can result from social pollution (Goodwin, 1998). Opportunities are also available through pro-poor tourism that might not exist through other means.

The tourism industry is also an ideal place for women and unskilled workers living in poverty to secure a job. Benavides (2001) claims it is most likely the only service sector that provides employment opportunities for all people and that the level of development of the country they are living in is not a limiting factor. A study in Luang Prabang, Laos showed about 27% of the total receipts from tourism, or $6 million per year, go to semi skilled and unskilled workers that are directly or indirectly related to the industry (Ashley, 2006). Women are likely to gain employment and income opportunities they might not be able to secure outside of the tourism industry (Torres & Momsen, 2004).

Although women are usually the first to suffer from the negative impacts of tourism, such as sexual and cultural exploitation and loss of natural resources, they are also more likely to benefit from infrastructure improvements, like piped water (Ashley et al., 2000). There are many
jobs in the tourism industry that require physical labor, instead of a higher education or special skills.

These reasons support the development of tourism to help reduce poverty, but the planning of a destination to attract tourists can vary from country to country. Each destination must analyze its resources and primary needs to determine the best way to develop tourism in their area, before a plan of development can be formed.

Tourism in developing countries

The purpose of focusing on the development of tourism in the third world countries is that they have received an increasing number of international tourists since the 1950’s, mostly from developed countries (Goodwin, 1998). The countries with tourism industries have high annual growth rates of 9.5%, compared to 4.6% for the world average (Torres & Momsen, 2004). Out of the 12 countries that contain 80% of the world’s poor, tourism is significant or growing in 11 (Ashley et al., 2000). In 1996 developing countries were responsible for 30% of all international tourist arrivals, mainly because of declining long distance travel costs, more time and money for travel, rising standards of living in northern countries, and high consumer demand for exotic locations (Goodwin, 1998). Tourism is continuously growing around the world and should be used as a tool to help counties with struggling economies. This information shows that these destinations have the capability to attract tourists, and they should be able to become involved in its activities in order to benefit from it. Economic growth is important, so are the environmental and cultural factors that make up the host destination.

In most recent years there has been a trend towards alternate forms of tourism, such as ‘sustainable tourism’, ‘responsible tourism’ and ‘ecotourism’ that emphasizes the importance of preserving the environment (Torres & Momsen, 2004). Environmental conservation and preservation have become more important as issues involving our world have become more apparent. Acid precipitation, changes in the climate, holes in the ozone layers, increases in pollution, deteriorating water quality, drastic reductions of rain forest areas and desertification are just some of the concerns the public has become aware of in recent years (Bidwell, 1992). The pristine environment of an area can be, in itself, an attraction for tourists. Even though the area may have few amenities and an inadequate infrastructure, the pristine environment may be enough for an investor to consider tourism development (Hill, Nel & Trotter, 2006). This is why it is important to continue conservation of the environment in order to stimulate and maintain economic growth for the tourism destination.

Inskeep (1987) argued that bringing in large numbers of tourists does not always mean there will be a corresponding high economic return. Also, the costs, as a result of damage to the environment, can drastically increase social costs and decrease benefits. He believed that measurements for sustainable economic growth could be better determined by analyzing the average length of stay, expenditures, and the net revenue created by foreign money earnings. Environmental deductions to this can be measured by observing traffic congestion, disruption to natural areas in parks, air and water quality, and noise pollution. By targeting a smaller market of tourists that are likely to stay longer and spend more than the average tourist, economic benefits can be provided without creating a large, negative impact on the environment. Tourism that is small-scale and takes place in the local community, where tourist facilities are owned and operated by residents, is also more likely to generate positive economic growth without sacrificing the natural environment. Having the community directly involved in tourism activities is essential in the fight to eliminate poverty in developing countries. Many private sectors
provide accommodations for tourists where the locals are denied access and can only hawk their merchandise at the entrance or exit of these facilities (Ashley et al., 2000). Tourists remain in this enclave because of the negative perception that poverty is associated with threats to peace, security, human rights, and the environment (Torres & Momsen, 2004). International travelers tend to fear being around poor locals because of problems with theft. Being in an area they believe is safe, because it is cut off from the poor people, makes tourists more comfortable when traveling to exotic locations. It is a great challenge to change the attitudes that have been instilled in the public, but it is an essential step. A link between the locals, the tourism industry and the tourists, must be created for pro-poor tourism to be successful. Benefits can result for both the tourists and the locals by having natives serve as local guides and showing the true culture of their country. This gives the locals control over how they interpret their heritage so it is authentic for the tourists visiting the destination (Goodwin, 1998). Local participation in the tourism industry can occur through informal or formal means of employment. Both sectors play a strong role in developing counties and an understanding of how the poor participate in these activities can help developers when they are planning on expanding tourism operations at a destination.

There are different methods to developing pro-poor tourism. The development can vary depending on the destination and the natural attractions available, the accessibility of the tourism industry by local people, and the funding available for development and attractions. Many tourism establishments focus on growth or generating profits for the investing company. Pro-poor tourism is different from other types of tourism because of the heavy focus on poverty reduction for the local people by changing the way benefits from tourism are distributed (Scheyvens, 2005).

Tourism should not be the only form of revenue and employment for a country, but instead it should be used to help expand the employment opportunities of the local people. These opportunities can be created by linking existing jobs, such as farming, to help with the tourism industry and still have the capability to participate in that job independently if the tourism industry is not successful. Diversification of jobs, not substitution, is needed so a dependency on foreign arrivals does not occur.

Poor planning can cause leakage, which defeats the purpose of having local goods and services available. Leakage is when goods or services are imported from a foreign destination, causing the money to pay for those items to leave the country. Money spent on skilled labor, luxury products, marketing and transportation are all expenditures that can come from outside of the destination (Ashley et al., 2000). When there is demand for goods that need to be imported, the leakage results in a reduced positive impact for the development of the community and tourism industry (Goodwin, 1998). A way to amend this problem is to use local products and people in the tourism industry to benefit both of these groups. An example of this is working with local agriculture businesses to link both industries together.

Agriculture is the livelihood of most poor communities and expanding this area could improve conditions for farmers in many ways (Torres & Momsen, 2004). Soil erosion, over-cutting and over-grazing, which are some problems that tourism can cause if it is not managed properly, can also lead to food deficits and an increase in economic costs later down the line (Bidwell, 1992). They are not able to support themselves by relying on the agriculture industry.

There are some benefits the tourism industry can provide for people working in the agriculture sector. Tourism jobs can be emphasized in the off or lean season of farming as a way to keep a continuous income (Ashley et al., 2000). Agriculture by itself cannot create more jobs for its people, but tourism can help by increasing the number of tourists that visit the area.
Tourism has the ability to create more jobs for the local people because it allows for more industries to be used, as well as adding jobs that are directly related to tourism. Linkages between tourism and agriculture can also stimulate agriculture productions since food expenditures account for 1/3 of daily tourist spending (Torres & Momsen, 2004).

There is a growing demand for ethnic cuisine and seasonal fresh produce that will help increase the need for local food (Torres & Momsen, 2004). This demand could provide an increase in disposable income for the farmers. The locals can then put that money back into the community by buying more food for their families. By hiring locals and buying goods from within the community leakage is minimized. Linking agriculture to tourism is also a way of providing a venue to export food to other countries (Christie, 2002). Targeting international markets and capitalizing on globalization reduces the amount of leakage the area will experience because the exporting of food helps to bring in more foreign earnings (Benavides, 2001). The creation of forward and backward linkages to other sectors of the economy, while reducing leakages, is another important aspect of developing tourism.

Other businesses and employees that benefit from the tourism industry can be indirectly related. These could include the construction workers that build the roads and buildings for tourism’s use, the clothing shop that made the tourism employee’s uniforms, and the furniture company that made the beds, tables and chairs for the tourists to use at the hotel. The point is that tourism affects many different types of occupations. Therefore, linkages should be made within the local community to keep the money continuously circulating within the destination. Although keeping all the money within the destination would be a solution to many of the economic problems for the tourism destination it is not realistic to do so. Other places around the world specialize in the products they produce and they can be imported at a cheaper price than it can be produced locally. This is why it is important to use local businesses when possible, but understand that leakages are going to occur no matter how ideal the situation.

METHODS

Quantitative and qualitative data was collected through questionnaires and interviews using convenience sampling. The main population used for this study was tourists visiting Costa Rica and Nicaragua. The goal sample size for the questionnaire research was 100 Costa Rican tourists and 100 Nicaraguan tourists. The actual number of questionnaires completed was 82 in Costa Rica and 42 in Nicaragua. Although the goal amount of data to be collected was not accomplished, the information is still sufficient to analyze for this study. The limited number of tourists that were accessible and the constrictive time frame were the main reasons that all of the questionnaires were not completed. A majority of the sections in the questionnaire used the 5-points Likert scale. The questionnaire asked questions regarding the impact that tourists have on the culture, environment and economy at the destination they are visiting, the motivations for visiting this destination, how much and where money is spent on the trip, activities the tourist participates in, and demographic information. Questions were formed using the Recreation Experience Preference (REP) Scales, which measure the satisfaction a person feels from a certain recreation activity (Moore & Driver, 2005). The REP Scales have been used in the U.S. and various other countries as a reliable psychological measuring tool that uses two scale items from a theme to assure that desirable psychometric properties are reflected (Moore & Driver, 2005). Data analysis involved using the Independent Samples t-Test using the SPSS program.

Interviews were also conducted in Costa Rica and Nicaragua with local residents and tourism business owners or managers. The population studied was the people that live and work
in Costa Rica and Nicaragua. The goal sample size for each country was 5-7 local people and 5-7 owners or managers in the tourism industry. The actual numbers of interviews completed was 5 Costa Rican locals, 5 Costa Rican business managers or owners, 5 Nicaraguan locals and 6 Nicaraguan business managers or owners. The interview questions for local residents asked about their attitude towards tourists and tourism development. These questions dealt with issues of cultural, environmental and economic issues that they may have witnessed or noticed changing over the years. The interview questions for tourism business owners or managers referred to the development of their company and nearby tourism businesses. The questions examined how tourism development had impacted the surrounding community. The qualitative data was analyzed by comparing answers between Costa Rica and Nicaragua. The statements recorded during the interview were categorized based on if the answer related positively or negatively about the question.

RESULTS

An Independent Samples t-Test was used to analyze the money that was budgeted and actually spent in each of the countries. The category “Total Local Spending” is the sum of the spending for the categories “Food”, “Transportation”, “Lodging”, “Activities”, and “Shopping”. The variables “Amount Budgeted”, “Lodging”, and “Activities” were much higher in Costa Rica compared to Nicaragua (Table 1). The variable “Amount Budgeted” was nearly $1000 higher in Costa Rica than Nicaragua. The mean for Costa Rica is significantly higher ($m = 2292.86, sd = 2569.601) than the mean for Nicaragua ($m = 1357.35, sd = 898.157). The variable “Lodging” in Costa Rica was more than twice as much as Nicaragua. The mean for Costa Rica is significantly higher ($m = 809.44, sd = 1148.472) than the mean for Nicaragua ($m = 383.10, sd = 559.931). The variable “Activities” in Costa Rica was about three times as much as Nicaragua. The mean for Costa Rica is significantly higher ($m = 316.76, sd = 431.489) than the mean for Nicaragua ($m = 107.50, sd = 100.993). The overall results show that tourists spend more money in Costa Rica than Nicaragua for every category, except for “Shopping”. However, Nicaraguan tourists only spend a slightly larger amount of money on “Shopping” than Costa Rican tourists.
Table 1 Expenses in Dollars

<table>
<thead>
<tr>
<th></th>
<th>Costa Rica</th>
<th>Nicaragua</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>Mean</td>
</tr>
<tr>
<td>Amount Budgeted</td>
<td>70</td>
<td>2292.86</td>
</tr>
<tr>
<td>Total Local Spending</td>
<td>59</td>
<td>1700.32</td>
</tr>
<tr>
<td>Food</td>
<td>59</td>
<td>304.46</td>
</tr>
<tr>
<td>Transportation</td>
<td>60</td>
<td>162.98</td>
</tr>
<tr>
<td>Lodging</td>
<td>62</td>
<td>809.44</td>
</tr>
<tr>
<td>Activities</td>
<td>59</td>
<td>316.76</td>
</tr>
<tr>
<td>Shopping</td>
<td>60</td>
<td>104.75</td>
</tr>
</tbody>
</table>

**DISCUSSION AND CONCLUSION**

The data was used to determine the perceived benefits of tourism by the people living in the country and to establish which country tourists spend more money. The economic impact that tourism has on a country would involve an in-depth look into the receipts and expenditures recorded for each country. These records were not used for this analysis. Instead of studying the direct economic impact that tourism has, other variables were examined. Employment opportunities and perceptions of positive tourism impacts were used to examine the economic benefits. Tourism provides opportunities for local people to increase their individual income through multiple types of jobs, some paying more than occupations that are not related to the tourism industry. Responses from people included generating more employment, improving the economy, and earning more money than current jobs. The tourism industry has clear economic benefits for local people and the vast array of job opportunities enable people of varying skill levels to work.

Observations in both Costa Rica and Nicaragua showed that many occupations were tied to the tourism industry because they relied on tourists for revenue. Some local residents worked in tourism as a second job to bring in more money for their family. There was a wide variety of informal and formal employment opportunities, such as beach vending, artistry, craft making, hotel housekeeping, waitressing, driving taxis, leading organized tours, and monitoring recreation activities. Local residents for both countries were asked if they noticed any improvements to the public facilities in their town. Responses include notable improvements to transportation, communication, health and educational facilities, sewer and water systems, streets and sidewalks, and electricity. These improvements help with the overall development of both countries. With more development, more businesses can be started and more people are likely to
visit. This can lead to more money being spent by foreigners. Besides the benefits of direct employment and higher income than most other jobs in the country, some hotels offer community support. An example of this is having a hotel to sponsor doctors from Spain to come to the country and administer medical treatments to the local people for free.

The biggest difference between the two countries was that there are still large scale resorts that are planning to be developed in Costa Rica, while Nicaragua has slowed its development because of the economy. From an interview with one of the tourism managers in Costa Rica, there are plans for more hotels and activity companies. These two interviews give an idea of the overall trend that is occurring in both countries. Nicaragua is still in the earlier stages of development, even with its slow down for the time being, while Costa Rica is still creating new facilities. This development for Costa Rica can help it to generate more income, but it has to be careful that it doesn’t become overdeveloped and lose its native culture. Even with all positive assistance from the tourism industry, there are still many negative effects on Costa Rica. One local noticed an increase in illegal immigration and gambling. An owner from Costa Rica commented on the increase in prostitution. Overdevelopment can be a serious issue that damages the authentic experience tourists can be looking for. This would keep tourists from coming in the future and decrease the economic impact tourism has on the country.

The details of the expenses of tourists show that the amount budgeted and the total amount of money spent in the local area for a trip to Costa Rica was almost twice as much for a trip to Nicaragua. The largest amount of money spent was for lodging, and in Costa Rica this was more than twice that of Nicaragua. Money spent on activities in Costa Rica was nearly three times that of Nicaragua. It is taken into account that Costa Rica is more expensive compared to Nicaragua, however this is not the only reason why more money is spent in Costa Rica. Tourists tend to spend their money on a higher quantity of things in Costa Rica, instead of just paying a higher price for the same amounts of items or activities. Nicaragua could attract more tourists if they market to low income groups that it is much cheaper to go to Nicaragua than it is to go to Costa Rica.

These results show that Nicaragua needs to become more involved in getting tourists to spend money on locally organized events, activities, products, food and lodging. By doing so, the local people can benefit from the economic effect of the purchases and encourage tourists to interact with the local community. Participation by local people and community involvement is also important in decreasing economic leakage (Ashley, Goodwin, & Boyd, 2000). This can be done by setting up clearly visible tour guide offices and increasing the number of organized activities. An increase in businesses would also yield more jobs for the people in the community. This, in turn, would reduce the amount of people living in poverty or the degree of their deprivation.

The results show that the main contributors to alleviate poverty through the tourism industry are direct employment which leads to increased income, community programs sponsored by hotels, and donations made by hotels. Other benefits for the overall community include improvements to roads, water systems and communication systems, and developments such as hospitals that are possible because of increased revenue to the country from foreign visitors. These factors contribute to assisting Costa Rica and Nicaragua in reducing the poverty in their country.
REFERENCES


