



THE ROLE OF HOSPITALITY INDUSTRY IN NATIONAL DEVELOPMENT

By

Akiang Margaret-Mary U., Akiang Joseph U. & Awhen Godwin Olofu

Federal College of Education, Obudu

Email.: davemaxwell612@gmail.com

Abstract

According to the World Travel and Tourism Council, the hospitality industry has become one of the world's fastest growing industries. The hospitality industry plays a crucial role in fostering national development through contributions to economic growth, employment creation, infrastructural development, cultural exchange, rural and regional development, multiplier effects on other sectors, foreign investment, boosting entrepreneurship and small businesses and human capital development. However, the sector also face significant challenges such as inadequate infrastructure, political instability, poor infrastructure, environmental and health crisis, technological challenges, economic instability, seasonality of demand, lack of skilled labour, and poor government support. This paper explores the multidimensional role of the hospitality industry on national development and examines the major challenges limiting its full potential. The paper highlights strategies for enhancing the industry's role in national development. Useful recommendations are made aimed at achieving a lasting and sustainable development of the hospitality industry.

Introduction

The hospitality industry is one of the fastest growing sectors in the global economy and plays a crucial role in the overall development of a nation. It is a broad sector encompassing a wide range of services such as hotels, restaurants, travel services, event management, recreation and tourism-related enterprises. The hospitality industry serves as a major driver of economic development and cultural interaction globally. According to the World Travel and Tourism Council (WTTC, 2023), the hospitality and tourism sector contributed approximately 9.2% of global GDP and supported over 300 million jobs worldwide. The industry plays a pivotal role in promoting economic growth, employment, and infrastructural development particularly in developing countries. In many countries, hospitality serves as a major source of national income and a catalyst for industrial development (Brotherton, Wood and Yu, 2008). The hospitality industry plays a crucial role in fostering national development through contributions to economic growth, employment creation, infrastructural development, cultural exchange, rural and regional development, multiplier effect on other sectors, foreign investment, boosting entrepreneurship and small businesses, and human capital development. However, the sector also faces significant challenges such as inadequate infrastructure, political instability, poor infrastructure, environmental and health crisis, technological challenges, economic instability, seasonality of demand, lack of skilled labour, and poor government support.



The hospitality industry

The hospitality industry refers to a broad sector of the economy that focuses on providing services related to accommodation, food and beverage, travel, tourism, and entertainment, all aimed at ensuring customer comfort and satisfaction. It encompasses various components such as hotels, resorts, guest houses, restaurants, catering services, travel agencies, tour operations, and recreational facilities, making it a diverse and service-oriented industry. According to Walker (2017), hospitality involves the relationship between a host and a guest, where the host offers goodwill through services like lodging and meals, while Barrows, Powers, and Reynolds (2012) emphasize that the industry is centered on delivering quality service experiences that meet customer expectations. The hospitality industry is characterized by its intangible nature, as services like empty hotel rooms cannot be recovered, and its labor-intensive structure, which requires a large workforce to operate effectively. Additionally, customer participation is a key feature, as the service experience often depends on interaction between staff and guest. The importance of the hospitality industry lies in its significant contributions to economic development, employment generation, cultural promotion, and support for related sectors such as agriculture and transportation. As noted by Goldner and Ritchie (2018) and the World Tourism Organization (2020), the industry plays a crucial role in driving tourism and generating revenue on both national and global scales. Overall, the hospitality industry remains an essential pillar of modern economies due to its wide scope, service-driven nature, and continuous growth.

National Development

National development refers to the overall improvement in the economic social, political, and technological well-being of a country and its citizens, encompassing advancements in income levels, education, healthcare, infrastructure, governance, and quality of life. It involves a sustained increase in a nation's capacity to provide basic needs, reduce poverty and inequality, and create opportunities for employment and human capital development. According to Todaro and Smith (2020) national development is a multidimensional process that includes structural transformation, improved living standards, and the expansion of individual freedoms, while the United Nations Development Programme emphasizes that development goes beyond economic growth to include human development indicators such as life expectancy, education, and standard of living. Similarly, Seers (2011) argues that true development must address poverty, unemployment, and inequality to be meaningful. National development also involves institutional strengthening, political stability, and sustainable use of resources to ensure long-term progress. Overall, it is a comprehensive and continuous process aimed at improving the welfare of citizens and achieving a balanced and inclusive growth trajectory.

The Role of Hospitality Industry in National Development

The hospitality industry plays a crucial role in fostering national development through:-

1. **Economic growth and revenue generation:** The hospitality industry is a key source of national income through tourism receipts, taxes and foreign exchange earnings. According to the World Travel and Tourism Council (WTTC, 2020), travel and tourism accounted for approximately 10% of global GDP and supported over 330



million jobs worldwide before the COVID-19 pandemic. The hospitality industry stimulates business activities by attracting both local and international tourists who spend on accommodation, food, transportation and entertainment. The sector stimulates economic activity through direct spending by tourists and indirect linkages with other sectors such as agriculture, construction and transportation (United Nation's World Tourism Organization, 2022). In many developing economies, hospitality serves as a significant contributor to Gross Domestic product (GDP) (UNWTO, 2022). For example, countries such as Thailand, Kenya and Spain have benefited immensely from hospitality driven revenue.

2. **Employment generation:** Hospitality is one of the most labour-intensive industries in the world, providing employment opportunities for both skilled and unskilled workers. The hospitality sector generates direct jobs in hotels, restaurants, travel agencies, as well as indirect employment in supporting sectors like agriculture, transport and handicraft. The International Labour Organization (ILO, 2021) notes that tourism and hospitality collectively support around one in every ten jobs globally. The hospitality industry creates jobs across gender, class and educational background, making it a driver of inclusive development. For developing countries, this employment potential is vital in reducing poverty and unemployment (Okonkwo & Obina 2021).
3. **Infrastructural development:** For a nation to attract and accommodate tourists, government and investors are often compelled to invest in social infrastructure. This not only benefit tourists, but also improves the quality of the lives of residents, facilitate trade, and open up previously inaccessible areas for economic activities. Growth in hospitality encourages government and private sectors to improve physical infrastructure such as airports roads, communication systems and recreational facilities. Such development not only enhance the tourism experience but also benefit local communities by improving accessibility and living standards (Okumus, Actiny, & Chon, 2021). These improvements benefit not only tourists, but also local residents, thereby fostering regional development (Mensah, 2019).
4. **Cultural exchange:** The hospitality industry fosters cultural exchange and mutual understanding by showcasing a country's heritage cuisine, and traditions to visitors. Through this interaction, nations enhance their international image and soft power making them attractive to investors and global partners (Cooper, Fletcher, Fyall, Gilbert & Wamhill, 2008). They also encourage the preservation of cultural heritage, arts and traditions that serve as attractions for visitors (Aremu & Lawal, 2020). This exchange strengthens national identity and fosters social cohesion.
5. **Rural and regional development:** Hospitality driven tourism can reduce regional inequalities by promoting development in rural and less industrialized areas. Eco-tourism and community-based tourism projects, generates income rural residents for discourage rural urban migration (Sharply & Telfer, 2015). Hospitality can decentralize development by attracting attention and resources to rural areas. When investors develop lodges, composites, or eco-tourism ventures in remote areas, it triggers social infrastructure, employment opportunities for locals and development for local markets. This helps balance urban-rural socio-economic disparities and can reduce migration pressure on cities.
6. **Multiplier effects on other sectors:** The hospitality industry's demand for food, furniture, and construction services creates as multiplier effect that stimulates growth in



other sectors of the economy (WTTC, 2023). This interconnectedness makes hospitality a cornerstone of holistic national development. Money spent by tourists or guests doesn't stop at hotels or restaurants. It spreads through the economy, creating more jobs and income elsewhere. For example, hotels, restaurants, and catering services purchase large quantities of food, beverages, and other raw materials. This creates demand for farmers, fishermen, food processors, and distributors. The transport sector also benefits significantly, as tourists require efficient means of travel by air, land or sea. This leads to growth in airlines car rental companies, and public transport services. Through these interconnections, the hospitality industry acts as an engine that drives multiple sectors of the economy, creating a ripple effect that enhances national productivity and development.

7. **Foreign investment:** foreign investment refers to when individuals, companies or governments from one country invest capital into business or projects in another country. In the hospitality industry, this often means foreign companies investing in hotels, resorts, restaurants, airlines, and travel infrastructure. The hospitality sector is often one of the most attractive areas for foreign investors of high return potential, global demand, infrastructure development and government incentives. The hospitality sector attracts Foreign Direct Investment (FDI) through the establishment of international hotel chains and tourism infrastructure. In addition, governments derive significant revenue from taxes, levies and licensing fees (WTTC, 2023).
8. **Boosting local entrepreneurship and small business:** The hospitality industry serves as fertile ground for small and medium enterprises (SMES). Many local business owners supply goods and services directly to hotels, restaurants, and tourists. These includes food and farm products to hotels and restaurants, souvenirs and crafts sold to tourists, tour guides transport providers and event decorators. By engaging in these activities, locals earn income, reinvest in their communities and stimulate micro-economic development. Hospitality becomes a tool for poverty reduction and self-reliance.
9. **Environmental sustainability:** In recent years, the hospitality industry has increasingly embraced the concept of environmental sustainability as part of national development goals. With growing awareness of climate change and environmental degradation, hotels, resorts and tourism operators are adopting eco—friendly practices to minimize their impact on the environment. These include energy conservation, waste management, water recycling and the use of renewable energy sources such as solar power. The rise of eco-tourism is a key example of how hospitality promotes environmental protection. Eco-tourism encourages travellers to visit natural areas responsibly, emphasizing conservation, education and respect for local ecosystems. This not only helps preserve forest, wildlife, and marine environment, but also generates income for communities that protect these resources. Furthermore, sustainable hospitality initiatives encourage governments to implement environmental policies and regulations that promote responsible tourism development. By integrating sustainability into business operations, the hospitality industry supports the United Nations Sustainable Development Goals (SDGs), particularly those related to climate action, life on land, and life below water. Through such efforts, the hospitality industry contributes to the long-term health of the planet while ensuring that future generations



can continue to benefit from the natural and cultural beauty that attracts the tourists today.

10. **Human capital development:** As the hospitality industry grows, there is increasing demand for qualified personnel. This necessitates the establishment of hospitality training schools, language and communication training, ICT and digital skills development and culinary and creative arts programmes. These educational investments enhance the nation's overall productivity and innovative capacity.

Challenges facing the hospitality industry

Despite its potential for growth, the hospitality industry continues to face complex challenges shaped by economic forces, technological change, shifting consumer expectations and global uncertainties. These challenges influence service quality, operational efficiency, profitability and the overall sustainability of business within the sector. The major challenges confronting the hospitality industry today are:

1. **Labour shortages and workforce management:** One of the most pressing challenges is the persistent shortage of skilled labour. A shortage of qualified hospitality professionals affects service quality and competitiveness. Continuous training and education are needed to align workforce skills with global standards (ILO, 2021). The hospitality industry is highly dependent on human interaction and service delivery making a stable workforce essential. However, high turnover rates, relative low wages, irregular working hours, and limited career progression opportunities discourage many potential employees. This results in difficulties in recruiting and retaining competent staff. Furthermore, skill gaps-particularly in technology use, customer service and leadership reduce service consistency and productivity.
2. **Political instability:** Frequent incidents of crime, political unrest and communal clashes can paralyze tourism. Hospitality businesses are often the first to suffer at the height of insecurity. Political unrest, and crime discourage tourists and investors causing significant losses in tourism-dependent economies. According to Hall (2011), insecurity in parts of Africa and the Middle East has led to declining visitor numbers. Countries with unstable political climates often experience reduced tourism inflows, impacting the hospitality sectors growth (Mensah, 2019).
3. **Environmental and health crisis:** One of the greatest challenges facing the hospitality industry is environmental and health crisis. The rapid growth of hospitality facilities can lead to deforestation, beach erosion and pollution of land, soil water and air. Without sustainable practices, tourism can destroy the very attractions it relies on. For instance, coastal resources may discharge waste into the ocean, harming marine life deterring coconscious travellers. Similarly, natural disasters and climate change pose ongoing risks to tourism-dependent destinations (WTTC, 2023). In the COVID era, the Covid-19 pandemic revealed the fragility of hospitality systems. With global lock downs, travel bans and social distancing rules, the sector experienced mass closures of hotels and restaurants, job losses, disruption of supply chains and decline in investor confidence. The COVID-19 pandemic exposed the sectors vulnerability to global health emergencies, leading to massive revenue losses and job cuts.
4. **Inadequate infrastructure:** Poor road networks, insufficient electricity supply, and limited digital connectivity affect service delivery and reduce visitor satisfaction.



Infrastructure deficit remain a key constraint in many developing countries (Okumus, et al, 2010). In many developing nations, the hospitality industry suffers from inadequate infrastructure such as poor road networks, unreliable electricity and limited access to clean water and internet services, which affect service quality (Okonkwo and Obinna, 2021)

5. **Technological challenges and cyber security risks:** Today's tourist expect seamless experience such as online booking and reviews, mobile payments, smart rooms with voice controls, and AI-based services. While technology can greatly enhance guest experience and operational efficiency, integrating new digital systems poses challenges. Many hospitality businesses struggle with the cost of upgrading outdated infrastructure. Others face difficulties training staff to use new technologies effectively. Many hospitality businesses especially in developing countries lack the funding and training to implement these technologies, making them less appealing to modern travellers. Rapid technological advancements require constant adaptation, including digital marketing, online booking and automation. According to Sigals, Christou, & Gretzel (2012), small businesses often struggle so afford such innovations. As reliance on digital platform increases, so cyber security risks. Hotels and restaurants store sensitive personal and financial information, making them prime targets for cyber-attacks. Data breaches can damage reputation, result in significant financial losses, and erode customer trust. Therefore businesses must invest in robust cyber security measures and continuous monitoring systems.
6. **Economic instability:** The hospitality industry is highly sensitive to economic fluctuations. Fluctuations in exchange rates, inflation and global economic recessions directly affect tourist spending and business profitability. During economic downturns both leisure and business travel decline, reducing industry revenues (UNWTO, 2022). Periods of recession inflation or reduced consumer spending directly impact travel and leisure activities, often leading to decreased bookings and revenue. Global events such as pandemics, geopolitical conflicts, and natural disasters cause sudden drops in tourism demand and disrupt operations. Currency instability and fluctuating fuel prices also affect travel cost influencing consumer travel decisions. As a result, hospitality businesses must develop flexible strategies and maintain financial resilience to cope with sudden market changes.
7. **Increased competition:** Competition within the hospitality sector has intensified due to the rise of alternative accommodation platforms such as airbnb and other short term rentals. These platforms often offer lower prices and more personalized experiences, attracting a large share of the market. Online travel agencies (OTAs) also control significant booking traffic, often charging high commission fees that reduce hotel profitability. Furthermore, with information being easily accessible online, guests can compare prices, read reviews, and switch choices instantly. These transparency forces businesses to constantly innovate, enhance service quality, and differentiate their brands to remain competitive.
8. **Sustainability and environmental pressure:** Sustainability has become a key consideration for both consumers and regulators. Hospitality businesses, must address environmental issues such as waste reduction energy conservation, water management and responsible sourcing. Implementing sustainable practices often requires significant investment in eco-friendly technologies and infrastructure. Additionally,



governments around the world are introducing stricter environmental regulations, increasing compliance cost. Despite these challenges, sustainability is no longer optional; it is an exceptional component, of long-term competitiveness and brand reputation.

9. **Rising operational costs:** The cost of doing business in the hospitality industry continues to rise. Key expenses such as food and beverage supplies utilities, transportation, and insurance have increased significantly in recent years. Inflationary pressure and global supply chain disruptions have further escalated procurement costs forcing businesses to adjust pricing strategies while still maintaining value for guests. The rising cost of labour also affects operational budgets. Balancing profitability with affordability becomes increasingly difficult when businesses must keep prices competitive while ensuring service quality.
10. **Seasonality of demand:** Tourism is often seasonal, with high and low periods that cause fluctuations in revenue and employment during off-peak seasons, many businesses struggle to remain profitable (Baum & Lundtorp, 2001). Developing year round attractions or targeting different tourist markets can help mitigate this issue.

Strategies to overcome challenges in the hospitality industry:

To maximize the contribution of the hospitality industry to national development, countries need to address its challenges through targeted strategies through:

1. **Economic stabilization and diversification:** Governments can implement policies that stabilize the economy, control inflation, and encourage investments in tourism related infrastructure. Diversifying tourism sector such as promoting cultural tourism, eco-tourism, and business tourism can reduce dependence on a single type of visitor, making the industry more resilient to economic fluctuations.
2. **Enhancing security and political stability:** Ensuring safety for both residents and tourists is critical. Government must invest in law-enforcements, disaster management and counter-terrorism measures. Political stability and transparent governance enhance the country's image, making it a more attractive destination for foreign investment and tourism.
3. **Infrastructure developments:** Investing in roads, airports, seaports, telecommunications, electricity and convenience for tourist. Public-private partnerships (PPP) can be particularly effective in funding and maintaining high-quality infrastructure that supports hospitality growth.
4. **Promoting environmental sustainability:** Implementing eco-friendly practices such as waste management, renewable energy, water conservation, and eco-tourism initiatives helps protect natural resources. Governments can enforce environmental regulations and incentive sustainable practices among hotels, resorts, and tour operators.
5. **Work force development and training:** Developing a skilled workforce through vocational training, hospitality schools, and on-the job training programs improves service quality. Governments and private institutions can offer scholarships, certifications, and workshops to enhance skills in hotel management, customer service, culinary, and tourism operations.



6. **Competitive marketing branding:** Countries must develop strong national tourism brands to compete globally. Marketing campaigns that highlights unique attractions, cultural heritage, and hospitality standards can attract more international visitors. Digital marketing, social media promotion, and participation in international travel fairs are effective tools.
7. **Community engagement and cultural stability:** Involving local communities in tourism planning and decision making ensures that development is inclusive and culturally respected. Community-based tourism programs provide local people with income opportunities and encourage presentation of traditions and heritage.
8. **Health preparedness and crisis management:** Developing contingency plans for pandemics, natural disasters and other emergencies can reduce the impact on the hospitality sector. Implementing health protocols, providing travel insurance, and ensuring rapid responses systems can maintain traveller confidence during crisis
9. **Encouragement of research and innovation:** Investing in research on tourism trends, customer preferences, and technological innovations will help the industry remain competitive and adapt to changing global demands, providing digital literacy training, encouraging adoption of smart hospitality tools and promoting e-tourism platforms and online bookings can strengthen the resilience of the hospitality industry, ensuring that it continues to drive economic growth and sustainability.
10. **Government support and policy implementations:** Governments should develop clear policies that promote tourism and hospitality, including tax incentives, subsidies, and favourable investment regulation. Strong policy, frameworks such as developing comprehensive national hospitality policies simplifying licensing processes, creating tourism master plans and stakeholders input, and offering incentives for green and inclusive investments encourage private sector participation and long-term industry growth.

CONCLUSION

The hospitality industry is a cornerstone of national development contributing significantly to economic growth, employment generation, infrastructure improvement, and cultural preservation. Its impact extends beyond direct business activities, stimulating other sectors, promoting regional and rural development, and enhancing environmental sustainability. Moreover, the industry enhances a nation's international image fosters cultural exchange and supports diplomatic relations.

By providing employment opportunities, attracting foreign investment and preserving heritage, the hospitality sector strengthens social stability and national identity. As countries continue to prioritize sustainable development, the growth and modernization of the hospitality industry remain essential for achieving long-term prosperity. In essence a thriving hospitality industry is not only a reflection of a nation's progress, but also a driving force behind its economic, social and cultural advancement.

Recommendations

To ensure that the hospitality industry effectively contributes to national development, the following recommendations should be considered.



- i. Government should develop clear policies that promote tourism and hospitality, including tax incentives, subsidies, and favourable investment regulations. Strong policy frameworks encourage private sector participation and long-term industry growth.
- ii. Improving transportation network, communication systems, electricity, water supply, and health care facilities is essential for attracting tourists and investors. Public private partnership (PPP) can help fund sustainable infrastructure development.
- iii. Continuous training programs for workers in hotels, restaurants and tourism services are vital to improve quality. Vocational schools, workshops, and certification programs should be widely available to create a skilled workforce
- iv. The industry should adopt eco-friendly practices, conserve national resources, and support eco-tourism initiatives. This will ensure long-term environmental sustainability and preserve the nation's cultural and national heritage.
- v. Countries should invest in effective marketing strategies to attract international visitors. Highlighting unique cultural, historical and natural attractions, as well as promoting safety and hospitality standards, strengthens national branding.
- vi. Local communities should be actively involved in tourism planning and management. Community based tourism programs empower residents, generates income, and promote the preservation of local traditions and heritage.
- vii. Hospitals, hotels and tourism authorities should develop contingency plans for pandemics, natural disasters, and security threats. Maintaining high hygiene standard and emergency response systems increases tourist confidence.
- viii. Investing in research on tourism trends, customer preferences, and technological innovations will help the industry remain competitive and adapt to changing global demands.

These recommendations, if effectively implemented can help the hospitality industry overcome its challenges and maximize its positive impact on economic growth, employment, cultural preservation, and sustainable national developments.

REFERENCES

- Aremu, D.A. and Lawal, A.O. (2020). Cultural tourism and sustainable development in Africa. *African Journal of Hospitality, Tourism and Leisure*, 9 (4), 1012-1025
- Baker, S. Bradlises, P. & Huyton, J. (2000). *Principles of Hospitality management*. Oxford: Butterworth-Heinemann.
- Barrows, C.W; Powers, T; & Reynolds, D. (2012). *Introduction to Management in the Hospitality Industry* (10th ed.). Wiley.
- Baum, T. (2019). Hospitality management: Issues and challenges. *International Journal of contemporary hospitality management*, 31 (2), 394-412
- Brotherton, B., Wood, R.C. and Yu, L. (2008). *The structure and nature of the international hospitality industry*. In *The SAGE Handbook of Hospitality management*. Sage publications.



- Cooper, C., Fletcher, J., Fyall, A., Gilbert, D., and Warnhills, S. (2008). *Tourism: principles and practice*. Harlow: Pearson Education.
- Goldner, C.R; & Ritchie, J.R.B. (2018). *Tourism: Principles, Practices, Philosophies*. Wiley
- Hall, C.M. (2011). A typology of governance and its implication for tourism policy analysis. *Journal of Sustainable Tourism*, 19 (4-5) 437-457.
- International Labour Organization (ILO) (2021). *Employment in tourism industries*. Geneva Ilo Publications
- Mensah, I. (2019). Tourism and hospitality development in Africa: challenges and prospects. *International Journal of Tourism Research*, 21 (5), 627-640.
- Okonkwo, E., and Obina, C. (2021). *The impact of hospitality industry on employment and economic growth in Nigeria*. *Journal of Tourism and Hospitality Management*. 9 (2), 45-58.
- Okumus, F., Altiney, M. And Chon, K. (2021). *Strategic management for hospitality and tourism*. Oxford. Butherworth Heinemann.
- Ranis, G. And Stewart, F. (2000). 'Strategies for National Development' *World Development*, 28 (2), 285-301.
- Seers, D. (2011). *The Meaning of Development*. *International Development Review*.
- Sharplay, R. & Telfer, D.J. (2015). *Tourism and development in the developing world* (2nd ed) London: Routledge.
- Sigala, M., Christou, C. And Gretzel, U. (2012). *Social media in travel, tourism and hospitality: Theory practice and cases*. Farnham: Ashgate.
- Todaro, Michael P. And Smith, Stephen C. (2015). *Economic development*. Pearson Education.
- Todaro, M.P; & Smith, S.C. (2020). *Economic Development* (13th. Ed.). Pearson.
- United Nations World Tourism Organization (UNWTO) (2022). *Tourism and economic recovery report 2022*. Madrid; UNWTO.
- Walker, J.R. (2017). Introduction to Hospitality Management (7th ed.) Pearson Education.
- Walker, J.R. (2017). *Introduction to Hospitality* (8th. Ed) Pearson Educations.
- World Tourism Organization (2020). *International Tourism Highlights*. UNWTO Publishing.
- World Travel and Tourism Council (WTTC) (2023). *Travel and Tourism economic impact 2023*. London: WTTC.