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The tourism leakage paradox: innovative local sourcing models to maximize economic retention

Dr. Abdelhak Djenane

abdelhak_djenane@univ-biskra.dz
Mohamed Khider University of Biskra

Dr. Hammoudi Dalel

d.hammoudi@univ-biskra.dz
Mohamed Khider University of Biskra

Abstract--This article examines the tourism leakage paradox, whereby a significant share of tourism-generated revenue fails to remain in destination economies, limiting local development benefits. Despite tourism's potential to stimulate employment and income, high reliance on imported goods, foreign ownership, and external supply chains results in substantial economic leakage, particularly in developing, rural, and island destinations. The paper conceptualizes leakage from both supply-side and demand-side perspectives and identifies local sourcing as a strategic response. It reviews innovative models such as supply chain localization, community-based procurement, inclusive sourcing, circular economy practices, and public-private partnerships. These approaches aim to strengthen regional value chains, enhance small and medium-sized enterprise participation, and increase multiplier effects within local economies. The study highlights policy, governance, and institutional mechanisms that support economic retention while acknowledging structural and capacity constraints faced by destinations. Overall, the article provides a comprehensive framework for destination managers and policymakers seeking to maximize tourism's local economic impact.

Keywords--tourism leakage; local sourcing; economic retention; sustainable tourism.

JEL Classification: L83, R11, Q56, O18

1. Introduction

The paradox arises from the general assumption that tourism provides an opportunity to capture new resources by engaging local suppliers when actually much of the expenditure is moving outside the region. With previously documented average values of 55% in resort areas and 85% in low-density rural settings (José Garrigós Simón et al., 2015), tourism leakage has become an important point to serve as a key performance indicator (KPI) and benchmark for other areas to improve upon. Besides the detrimental economic effect, it removes the incentive for tourism providers to actively pursue local sourcing initiatives.

The leakage paradox is best understood by differentiating between the revenue derived from tourism and the local allocation of these revenues. Levels of leakage vary widely from 5% to 80% among destinations. Provided that public policies enable a variety of options to be put in place, cooperation to maximize these benefits has a unique sense of urgency since tourism is finite in time and space; if the opportunities are not claimed locally by action taken when tourism activity gathers strength, these revenues are permanently lost.

2. The tourism leakage paradox: definition, causes, and implications

The tourism leakage paradox provides a dual challenge for destinations: using external suppliers increases leakages from tourism revenues, undermining local economic development and sustainability, while acquiring adequate supplies from local sources (e.g., farm goods, building materials, vehicles) remains difficult, preventing the implementation of local sourcing policies (José Garrigós Simón et al., 2015). As a result, a certain proportion of tourism revenue fails to benefit the local population and region.

Leakage occurs when part of the revenues generated from tourism is not integrated in the economy of the destination. The greater the leakages from the touristic revenue the lesser the effective income generated by the tourism activity, and the bigger the gap between the amount of financial resources generated at the destination and the ones that remain in the destination economy. The paradox of leakage is, that governments concerned about the economic sustainability of tourism are also those inducing higher levels of leakage. (Ogedengbe et al. 2022)

3. Local sourcing as a strategic response: concepts and frameworks

Global tourism is characterized by leakage, which is the proportion of tourist spending that is captured by economic sectors outside the destination. Tourism leakages can be high—approaching 80% or more in some regions (José Garrigós Simón et al., 2015). Leakage can limit the economic impact of tourism and reduce its capacity to support jobs, social development, and mobility for residents in tourism-related employment. The paradox of tourism leakage is that destinations spend much on tourism development, but benefit little from their investment, and some even experience negative impacts from tourism.

Local sourcing of goods and services is a promising strategy for mitigating leakage. The public or private procurement of goods/services from local suppliers is termed local sourcing. Destinations can also closely align tourism-related sourcing and general local economic development through initiatives documented

under various names (either in the supply chain literature or tourism). The aim is to implement a local sourcing strategy that increases local economic retention. Some terms for this literature are: regional value chain; community-based procurement; localized supply chain; inclusive sourcing; and buy-local. Circular economy principles have also been applied to tourism procurement to promote local sourcing and mitigate leakage. (Song et al. 2023)

3.1. Supply chain localization and regional value chains

High levels of tourism revenue leakage occur when a significant share of gross revenue generated by tourism is diverted outside of a specific host destination, thereby preventing these funds from contributing to the regional economy (José Garrigós Simón et al., 2015). The diversion can take place via both direct and indirect channels. The former entails the withdrawal of money from a given region through activities such as repatriating profits to external headquarters, paying interest on external loans or investments, and purchasing goods and services from external suppliers that are not locally based. The leakage process affects various economic sectors such as agriculture, construction, trade, transport, social infrastructures, and telecommunications. Indirectly, when tourism activity increases at a particular locale, it stimulates demand for intermediate goods and services within the region. If those intermediate goods and services are not readily available locally, then suppliers or service providers situated outside the affected region must meet that demand, thereby triggering a leak as these external suppliers receive payments in exchange for these transactions. As a consequence, prices rise due to the increased demand and competition, and subsequently a portion of local tourism expenditures gets redirected outside of the area. This process continues until suppliers react to the increasing prices.

3.2. Community-based procurement and inclusive sourcing

Globalisation has changed tourism supply chains, causing some characteristics of tourism to favour the emergence of 'localised globalisation', leading to the widespread introduction of community-based tourism as an alternative tourism development strategy (José Garrigós Simón et al., 2015). Indeed, the increasing number of tourists, local businesses, harsh economic conditions, and precariousness prevented further tourism development. Community-based tourism promotes sustainable tourism development, a new direction providing special interest tourism, and assures locals' interest acquisition. Destinations like Cambodia, India, and Sri Lanka have concentrated directly on community-based tourism without preparation, thereby neglecting tourism indispensable parts. Community-based enterprise development and localised globalisation correspond to pro-poor tourism development. Promoting community-based tourism enterprises and pro-poor tourism initiatives can greatly reduce leakages by enlarging locals' involvement in ownership and control. Yet, few academic studies have reviewed the problems related to delivery of community-based tourism accommodation. Community-based tourism focuses on various dimensions of locals' long-term planning, including economic, social, and environmental aspects. Therefore, destination planning and development for community-based tourism play crucial roles in controlling and managing activities, predicting future-benefit input into long-term community-based projects, and for implementing measurement. Establishing such a long-term perspective becomes a significant prerequisite for success. Aspirations on tourism development from

local communities should rank as top priorities during the entire planning and developing procedure, and the precise degree of local tourism-development aspiration demands clarifications for types, themes, and kinds of sustainable development perspectives. All society departments or institutions from top to bottom need to formulate and clarify a vision and strategy on future development in line with local opportunities, issues, and characters, like enrolment channels, tourism attitudes, and accessibility of land and resources in engineering tourism activities development. (Islam et al.2024)

3.3. Circular economy principles in tourism procurement

The adoption of circular economy practices is beginning to gain importance in tourism value chains and, specifically, in the development of local sourcing models for businesses (Rodríguez et al., 2020). This approach encourages the selection and reconditioning of local products and services used within the destination network. Traditionally, procurement in the tourism sector has focused solely on price reductions and frequency, without considering the added value of products. Adopting a strong local sourcing dimension offers multiple benefits. For example, local suppliers can enhance sustainability through shorter product journeys, leading to lower greenhouse gas emissions associated with transport. Accessing secondhand articles can stimulate reconditioning activities among local suppliers. Establishing relationships with local suppliers stimulates competition and provides growth opportunities for small- and medium-sized enterprises (SMEs).

Local sourcing becomes part of the circular economy when it leads to multiple reuse activities and prolongs the life cycle of products. This perspective contrasts sharply with current linear approaches that excessively emphasize timely access or replacement of used resources. (Onukwulu et al.2022)

4. Innovative models of local sourcing

In addition to the concept of supply chain localization, definitions that accommodate smaller suppliers have been proposed. The notion of community-based procurement views local suppliers as a fundamental prerequisite for achieving broader community-wide goals, such as environmental protection, community empowerment, or promotion of local development (José Garrigós Simón et al., 2015). When applied to the tourism sector, the idea of inclusive sourcing takes into consideration the dual challenges of mitigation of leakage in tourism-dependent economies and further extension of supply-chain participation to smaller local suppliers. The ultimate aim is to encourage various types of suppliers—particularly micro-, small-, and medium-sized enterprises—to engage in the local supply chain, while increasing opportunities for entry and participation in tourist markets.

Circular economy principles can also inspire the way tourism enterprises procure goods and services. Resource efficiency, regeneration, and value preservation constitute a set of mutually reinforcing framing concepts. Indeed, these principles can serve as a complementary motivation for sourcing locally—the idea being that fostering a local supply chain enables the preservation of natural resources within the destination. Another dimension relates to the intention of prolonging the service life of products through regeneration, refurbishment, or reuse. From a

circular economy angle, therefore, low retention in the local economy should be regarded as an undesirable situation. Fostering the circular economy in tourism, in turn, points toward the local supply chain as a valid perspective for furthering collective action, coupled with an emphasis on building capacity in the region. (Hidayat et al., 2022)

4.1. Local supplier development programs

Local supplier development programs aim to reduce economic leakage in tourism-dependent regions. High leakage, especially in developing countries and rural areas, undermines economic benefits and local participation. Factors contributing to leakage include international packages, imported goods, foreign employment, and travel fees, which diminish the share of tourism revenues retained locally. Reducing leakage through local supplier development fosters economic sustainability and more equitable distribution of tourism benefits (José Garrigós Simón et al., 2015).

4.2. Destination-based co-operatives and procurement pools

While aggregate local participation and control over tourism tend to increase across the tourism value chain Distribution of tourism leakages (according to the locals involved) is examined using the Extended Tourism Satellite Accounts (ETSA): the re-distribution of leakage among residents directly (higher share for residents engaging in services than in investments) and indirectly (higher share for residents on Food & Beverage than in Transport) (José Garrigós Simón et al., 2015). Specifically, the participation of non-residents was low for Support Tourism Activities (accompanied by high backward linkages) and Rental Units (accompanied by low forward linkages). Therefore, local tourism leakages might attract national money rather than being a serious concern for tourism sustainability.

4.3. Public-private partnerships for local content

Destination-based co-operatives and procurement pools are models for collective interfirm collaboration that enable more extensive local sourcing for services supplied to tourists. Addressing supply chain constraints through co-operative strategies then prioritises the capacity needs of local suppliers in procurement decisions. Practices that explicitly favour destination firms can reinforce local content objectives from a business or governance perspective. Examples of destination co-operatives that target higher local content include Aran Leisure & Adventure in Spain and Quintana Roo, Mexico. Accompanying capacity-building measures ensure the approaches also contribute to wider development objectives. Other industrial agglomerations have highlighted co-operative models to extend local supply sourcing in highly concentrated tourism-exposed economies (José Garrigós Simón et al., 2015).

Public-private partnerships (PPPs) represent a collaborative governance arrangement between the public and private sectors. They encompass multiple forms of alliances and joint ventures to engage the capabilities of both sectors under a shared framework for sustainable tourism development. Local content agreements in procurements can be integrated into PPP contracts to improve the commitment of all parties to regional supply chains. PPP structures harness the expertise and resources of the tourism industry while retaining the ultimate

vision of procuring local content to generate greater economic retention through destination-based collaborative governance. The Canadian Partnership for Tomorrow's Tourism aims to enhance the sector's capacity to sustainably enhance economic, social, and cultural benefits for local communities through shared leadership and structures. Extensive co-operative inter-sectoral frameworks guide the establishment of investments and actions that stimulate regional competitiveness, including community-based procurement measures to shift towards locally sourced goods and services in tourism sectors exposed to external supply chains. Other programmes have also used PPP arrangements to support location-based content targets in public works, notably in central American beach resorts. (Longo-Sarachaga & Paradinas Márquez, 2025)

4.4. Digital platforms and transparency in local sourcing

Tourism is a major engine of economic growth, yet much of the generated income fails to reach the local economy. This phenomenon, termed "leakage," is particularly acute in certain destinations—e.g., tropical island nations, developing economies, and rural areas—where it can exceed 50 percent (José Garrigós Simón et al., 2015).

Local sourcing emerges as a strategic response to this challenge, facilitating targeted interventions aimed at maximizing economic retention and extending the local benefits of tourism to the widest potential audience.

Strategic localisation, in turn, is a key concept in supply-chain portfolio management. Although the idea has become increasingly refined, the core notion posits that supplier selection should encompass not only expectations about cost, quality, and delivery but also the permitting of broader social and economic impacts if generated in the under-resourced local market.

Many local sourcing initiatives have been successfully piloted—often yielding substantial improvements in retention and extending local economic impact to communities that traditionally enjoy little or no benefit from the tourist economy. Even so, the interventions frequently comprise only limited elements from the overall local sourcing toolbox. Compounding this limitation, several viable approaches remain untested anywhere.

In destinations heavily reliant on external supplies, developing local suppliers—businesses that can replace imported goods and services—is a high-priority opportunity for tourism procurement. Establishing local suppliers can have a major influence on the local economy: local candidates who replace imports are likely to generate a more extensive local supply chain, rendering additional multiplier effects. Local suppliers positioned within areas that tourists typically visit have a further advantage: they can integrate tourism signals into their product or service offers (e.g., package deals, opening hours, and signage) and attach non-monetary tourism benefits (e.g., authenticity or local knowledge) that traditional suppliers typically do not provide. (Bennett et al., 2025)

Many other local sourcing opportunities include cooperative provision and public-private partnerships, local content legislation, and sourcing from local firms constrained by multiple barriers but capable of satisfying tourism requirements.

The consideration of local sourcing is still relatively nascent. The economic case for local suppliers is usually compelling, strongly suggesting further exploration of generic opportunities and collaborative development of targeted, feasible interventions. (Martínez et al. 2022)

5. Economic retention outcomes: metrics and evidence

The multiplier effect, one of the seminal contributions of macroeconomic theory to community economic development, highlights that the impact of income-induced spending exceeding initial expenditures stimulates further rounds of (income) spending that multiply the effect on the economy. The first-round expenditure represents the direct effect; the portion spent within the local economy amounts to the indirect effect, and the extent to which the recipients of the first-round income increase their spending on locally produced goods and services represents the induced effect. Economic leakages arise when income is earned locally but the expenditure takes place outside the region or when sourced from non-locals (José Garrigós Simón et al., 2015).

Engagement across value chain suppliers, local supplier development for small and micro-enterprises, domestic content and state procurement at the co-operative and destination-wide scale, and horizontal collaboration across common shared suppliers enables efficiency and complementary purchases. Community safety nets, social protection and other complementary linkages also help to reduce the direct impact of tourism volatility.

5.1. Multiplier effects and income distribution

Achieving high retention rates from tourism activity is challenging for small economies and specialised destinations. The retention of tourism-generated income depends on multiplier effects from the direct impacts of tourist expenditure and the distribution of the income generated through these indirect effects. These multiplier effects channel tourism-generated income into various sectors of the economy and throughout the supply chains of products and services (José Garrigós Simón et al., 2015). From a tourism perspective, large segments of these indirect benefits accrue to construction, energy, public services, transportation, trade, and communications, rather than lodging and food services, which also suffer relatively higher direct leakage. Wherever public services are funded with general tax revenue, any payload generated in tourism contributes only partially to regional socio-economic sustainability.

Destination-based multipliers can be tempered or amplified by regional policies on income redistribution through taxation and subsidy. The tourism contribution to socio-economic development is maximized when the tourism sector is able to retain high levels of the direct impact and convey considerable indirect impact from these downstream transactions to other key local sectors, making it possible for further travel expansion to benefit these latter local sectors. When tourism relies heavily on foreign-produced goods or services, the gap between the direct and total impact indicates the scale of indirect income drain associated with the activity. The fewer the foreign inputs used on tourist-oriented production, the greater the proportion of the direct impact that translates into local additional income and the wider the potential base for extending the influence of tourism through indirect transactions. Multiple exit points for the spending also reduce

the drag on local retention associated with each direct transaction, yet the real challenge lies in enabling and documenting such deep local integration within the products and services consumed by visitors throughout a resort value chain. (Siringoringo et al.2022)

5.2. Employment quality and capacity building

Retaining local economic benefits from tourism depends on adequate employment conditions, wages, and opportunities for training and skills development: desirable outcomes because they build skills that can be transferred to other sectors of the economy, increasing resiliency against tourism downturns (Lovise Lundgreen, 2013). High-quality tourism jobs open opportunities for the unskilled segment of the local workforce (José Garrigós Simón et al., 2015). Attention to employment conditions may nevertheless be at cross-purposes with maximization of local sourcing and procurement, a phenomenon reinforced by the tendency of higher local-content suppliers to require investments in infrastructure, training, and equipment.

5.3. Resilience, risk diversification, and tourism volatility

Tourism, and particularly international tourism, is recognised for its economic significance. However, tourism influences a wide range of sectors, including agriculture, construction, trade, hotels, restaurants, transport, water, electricity, and social services. Despite their close linkages with tourism, some goods and services are often either supplied externally or, in the case of inputs produced in the region, have all or part of the resultant value added accrue to non-residents (José Garrigós Simón et al., 2015).

Consequently, the economic impact of tourism is not evenly distributed across the economy and especially in areas such as coastal resorts, which focus on international tourism, leakage tends to be high. Relevant leakage indicators remain unavailable for certain rural and mountain areas. However, where values can be estimated leakage does remain high. Sectors with the highest leakage consequently do not tend to coincide with strategy sectors promoted by policies, demonstrating a misalignment that could be detrimental to both the model of tourism developed and regional development in general.

6. Policy, governance, and institutional arrangements

The holiday destination is part of the value chain which links tourism businesses to suppliers. A key element when evaluating the economic impact of tourism is the calculation of leakages—the proportion of tourism receipts that is lost to the location either through imports of goods and services, repatriation of profits or transfer costs. A high degree of leakage diminishes the tourism industry's ability to generate jobs and build an economy. To sustain growth and combat leakages, regulatory frameworks are being adopted to encourage local purchasing. Local-sourcing mechanisms can play a useful role, particularly for smaller destinations and FSAs that seek direct impacts on income and employment. A strategy based on local sourcing has the potential to notably enhance the developmental benefits of tourism (José Garrigós Simón et al., 2015).

Regulatory frameworks governing public procurement specify minimum local-sourcing requirements for government tenders, promoting local purchasing and

thereby attempting to address some dimensions of the leakage challenge. Local purchasing is an outcome of structural development that delivers economic, social and environmental benefits.

6.1. Legal frameworks and procurement policies

Significant legislative aspects govern the approach to local procurement in tourism. Local content requirements belong to the domain of procurement frameworks. Despite its pervasiveness in tourism, procurement legislation does not explicitly encompass local content procurement (José Garrigós Simón et al., 2015). Local content requirements are often poorly integrated with broader public procurement policy. Rather than being treated as a separate strategy, local content procurement should be included in larger efforts to promote growth. Governments should take care to ensure that local content measures bolster national objectives rather than impeding them.

National public procurement regulations typically establish centralized frameworks. In most countries, tourism procurement falls within a wider definition of public procurement and is governed by the general procurement framework. Local public entities directly engaged in tourism are generally authorized to promote local economic development initiatives. Governments at all levels support local public authorities by supplying assistance, resources, and guidance to help them include local content objectives in tourism procurement initiatives. (Haven-Tang et al., 2022)

6.2. Standards, certification, and quality assurance

Certification represents a means by which tourism enterprises in various destination settings may signal voluntarily and independently their intention to adhere to official or unofficial norms established in the territories of activities. Such norms generally correspond to sustainability goals, partly reflecting universal concerns such as climate change mitigation, with the recognition that adherence to briefer, focused, and destination-centered standards can encourage widespread participation and broad delivery on sustainability objectives. Certification for sustainable tourism remains voluntary, even where awareness levels have grown, and therefore does not represent a systemic or pervasive influence upon establishment-by-establishment operational decisions. In some settings, emphasis on ecotourism and similar niches has drawn attention to certification requirements as prospective qualifying criteria for access to patronage from more discerning travelers. (Grapentin & Ayikoru, 2019)

6.3. Financing strategies and risk-sharing

Generating viable alternatives, delivery solutions, leasing plans, digital platforms, modelling for cost-sharing, and ensuring payments and funding for suppliers are among critical actions to overcome local-sourcing challenges (José Garrigós Simón et al., 2015). Bus companies, local accommodation networks, event venues, and artisans, for example, require assistance to cover upfront purchasing and access policies. Even successful companies with viable equipements, large workforces, and established supply chains still face financing difficulties.

7. Case studies: comparative insights from diverse destinations

The economic sustainability of tourism growth through leakage calculation (José Garrigós Simón et al., 2015). Reducing leakages can be achieved through locals becoming more directly involved in ownership and control of tourism businesses, promoting community-based and pro-poor tourism. Creating a long-term vision that includes community development alongside tourism growth is key. Authorities need to create institutional frameworks for sustainable tourism product development, with industry investment in innovation and incentives for sustainable behavior. Leakage is not always negative; its impact depends on its composition, especially if earnings fund capital goods or inputs essential for development. Research into leakage composition is important for assessing tourism's economic sustainability, though current studies are often limited to specific sectors and destinations.

7.1. Coastal resort economies

Coastal tourism typically features a large number of lodging and related businesses. Nevertheless, as a seasonal or temporary activity allowing for relatively easy entry and exit, tourism is competitive and serves declining markets with high leverage. Moreover, an extensive amount of the tourism services budget is retained outside a local economy, according to Garrigós Simón, Palacios-Florenco, and Valles-Peris (José Garrigós Simón et al., 2015), whether a locality so wished or not.

7.2. Heritage towns and rural tourism

Tourism has been recognized as an important opportunity for economic development, job creation, and community upliftment for heritage towns and rural areas (Castellanos Verdugo et al., 2005). The need for economic diversification encourages several municipalities to promote rural tourism, which benefits smaller areas adjacent to larger tourism areas. Generally, national and regional tourist policies focus on heritage preservation and visitor attractions without considering the substantial economic potential that small tourism-heritage towns could create for various stakeholders (Silva, 2012). In the absence of public programs and initiatives, the valorization of cultural heritage rarely emerges. Heritage-making legitimacy is determined by cultural authenticity, which is threatened by tourism's homogenization tendency.

7.3. Eco-tourism and conservation-driven markets

Tourism is often regarded as a means of development and wealth generation for many underdeveloped countries, especially when foreign investments are scarce. The standard effect of increasing the number of tourists is to create new employment positions and to increase the income of a significant amount of the local inhabitants (ranging from industries linked to the hotel business to those linked to the entertainment sector). However, in reality, much of this revenue generated by the tourism industry (in underdeveloped countries) is siphoned off and does not remain in the local economy. This situation is known as leakage. In the case of the tourism industry, leakage can originate from a wide variety of causes, and therefore each specific destination should carry out a detailed analysis of the relevant factors affecting it in order to identify suitable solutions to tackle the phenomenon. Even though some of them (such as the tax treatment of foreign tourism investments) are out of the local government's control, restrictive

measures can address those leaking revenues that remain under the local authority's oversight (José Garrigós Simón et al., 2015).

8. Methodological considerations and research design

In tourism, leakage refers to the loss of economic benefit from the local economy to external co-producers. Economic leakage from tourism occurs when a significant part of the income generated by the tourism industry in a given region is not retained by the local economy. The concept of leakage in tourism can be understood from two perspectives: supply and demand. On the demand side, a leakage occurs when a tourist from a region travels to another region for visiting purposes, and on the supply side, a tourism leakage is incurred when the resources throughout the tourism supply chain (e.g. tour operators; tourist guides; credit card companies etc.) are not locally owned or locally retained, and the income generated from the provision of the tourism service is not retained in the local economy. Leakage varies from region to region depending upon the local economic and social structure. Research has shown leakage rates of up to 70 % in regions where tourism activities take place. Tourism leakage is viewed as a 40-year-old concept in tourism studies (José Garrigós Simón et al., 2015).

9. Practical implications for destination managers

Tourism is increasingly recognized as one of the largest sectors of the economy, yet it remains difficult to quantify its economic impact and non-wage labour. This dilemma has prompted various approaches to measure leakage and dissemination of the tourism multiplier in local economies, highlighting that leakage estimates are a crucial component of sustainable tourism planning both in less developed and developed economies. These ways of estimating leakage and dissemination help measure tourism's contribution to regional development. It is also important to note that tourism and community are two concepts extensively studied during the past three decades, showcasing an increasing interest in the social dimension and providing significant conceptual framework to balance tourism growth with its social implications. Owing to growing concern regarding the negative impacts of economic leakage on the sustainability of tourism destinations and the associated socio-economic implications, a comprehensive meta-analysis of the determinants of leakage in the tourism sector has been conducted, as well as a systematic review of selected methods for estimating leakage and the distribution of tourism revenues among stakeholders. This stream of literature suggests that leakage issues are still persist across time and geographical context, representing a real obstacle for tourism development and sustainable socio-economic growth among stakeholder groups. (José Garrigós Simón et al., 2015)

10. Conclusion

In tourism, "leakage" describes the share of income generated by a destination that leaves the local economy, either directly (e.g., profits repatriated by foreign companies) or indirectly (e.g., imports of food, fuel, or equipment). In many instances, leakage exceeds 50% (José Garrigós Simón et al., 2015), limiting the economic benefits of the sector for local communities. Destination managers can mitigate leakage through policies that promote local sourcing in procurement. Local sourcing implies that expenditures on goods, and services accrue to local firms, which in turn hire local personnel, contributing to income, consumption, and tax revenues within the region.

Various factors influence the extent to which tourism expenditures circulate within the local economy. In coastal destinations catering to mass tourism, foreign companies dominate the hotel sector. National or international firms also control suppliers of essential inputs, such as foodstuffs, work wear, cleaning products, and spare parts. Despite local suppliers, the sourcing patterns of large hotel chains leads to significant economic outflows. Similar constraints arise in other tourism markets, such as heritage towns or eco-tourism sites, due to factors like limited availability of goods; uneven quality standards and uncertainty regarding reliability; and lack of information and exposure on the part of potential local providers.

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