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# Influence Of Regulatory Frameworks On The Economic Sustainability Of Travel And Tour Agencies In Mombasa County, Kenya

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***Abstract***
*Economic sustainability of travel and tour agencies has become an increasingly important concern in Kenya's tourism sector due to fluctuating tourist arrivals, intense competition from digital travel platforms, and rising operational uncertainties. Regulatory frameworks established by county governments play a critical role in shaping the business environment within which tourism enterprises operate. However, empirical evidence on the specific influence of county regulatory frameworks on the economic sustainability of travel and tour agencies remains limited. This study examined the influence of regulatory frameworks on the economic sustainability of travel and tour agencies in Mombasa County, Kenya. The study was anchored on Institutional Theory and adopted a descriptive research design. The target population comprised 161 licensed travel and tour agencies operating in Mombasa County, from which a stratified random sample of 115 agencies was selected. Primary data were collected using structured questionnaires administered to agency owners and managers. Data were analyzed using descriptive statistics, Pearson correlation analysis, and multiple linear regression analysis using SPSS. The study achieved a response rate of 78.26% (90 respondents). The findings established that regulatory frameworks have a positive and statistically significant relationship with economic sustainability ($r = 0.327$, $p < 0.05$). Regression analysis further revealed that regulatory frameworks significantly predict economic sustainability ($\beta = 0.214$, $p < 0.05$). The study concludes that supportive licensing procedures, transparent operational guidelines, fair enforcement mechanisms, and predictable regulatory processes enhance profitability, operational stability, and long-term viability of travel and tour agencies. The study recommends strengthening regulatory transparency, harmonizing licensing procedures, reducing administrative burdens, and enhancing collaboration between county government and tourism stakeholders to improve sustainability of tourism enterprises.*

**Keywords:** *Regulatory Frameworks, Economic Sustainability, Travel and Tour Agencies, Tourism Policy, County Government, Mombasa County*

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## I. Introduction

Tourism remains one of Kenya's most important economic sectors, contributing significantly to gross domestic product, employment creation, foreign exchange earnings, and local enterprise development (Kenya National Bureau of Statistics [KNBS], 2023). Mombasa County, as Kenya's leading coastal tourism destination, hosts a substantial concentration of travel and tour agencies that facilitate domestic and international tourism activities. Despite the strategic importance of these enterprises, many agencies continue to face economic sustainability challenges arising from market volatility, changing consumer behavior, security concerns, and increased competition from global online travel intermediaries (Mohamed, 2022).

Economic sustainability in tourism enterprises refers to the ability of a firm to remain financially viable over the long term through sustained profitability, efficient resource utilization, and resilience to market fluctuations (Weaver & Lawton, 2019). For travel and tour agencies, sustainability is reflected in profitability, cost stability, revenue diversification, and long-term business continuity (Chechel et al., 2025).

Regulatory frameworks constitute a critical component of county government strategic planning because they determine the conditions under which tourism enterprises operate. Licensing procedures, accreditation requirements, operational standards, consumer protection regulations, taxation policies, and enforcement practices directly affect business costs, investment decisions, market entry, and competitiveness (Dunn, 2017). Effective regulatory systems can reduce uncertainty, promote fair competition, and create an enabling environment for enterprise growth, while burdensome or inconsistent regulations may undermine profitability and long-term sustainability.

Under Kenya's devolved governance system, county governments possess substantial authority over local business regulation and tourism-related administration (Government of Kenya, 2012). Mombasa County therefore plays a pivotal role in shaping the operational environment for travel and tour agencies through its licensing policies, business regulations, inspection procedures, and tourism governance arrangements. However, limited empirical evidence exists regarding whether these regulatory frameworks enhance or constrain the economic sustainability of travel and tour agencies in the county.

This study sought to address this knowledge gap by examining the influence of regulatory frameworks on the economic sustainability of travel and tour agencies in Mombasa County, Kenya.

**Statement of the Problem**

Travel and tour agencies in Mombasa County continue to experience economic pressure despite the county government's commitment to tourism development. According to KNBS (2023), earnings from tourism-related industries declined during the period 2018-2022, while coastal tourist arrivals dropped significantly during the COVID-19 period, causing substantial revenue losses among tourism enterprises. In addition, competition from global digital travel platforms has intensified, threatening the viability of many small and medium-sized travel agencies (Mohamed, 2022).

Although county governments are expected to create conducive business environments through appropriate regulatory frameworks, the actual influence of these regulations on enterprise sustainability remains inadequately understood. Previous studies have largely focused on national tourism policy or general business regulation, with limited attention to travel and tour agencies operating within county-level regulatory systems (Karanja & Wanjiru, 2023). Consequently, policymakers lack localized empirical evidence necessary for designing regulatory interventions that effectively support tourism enterprise sustainability.

This study therefore examined whether regulatory frameworks significantly influence the economic sustainability of travel and tour agencies in Mombasa County.

**Objective of the Study**

To establish the influence of regulatory frameworks on the economic sustainability of travel and tour agencies in Mombasa County, Kenya.

**Theoretical Review**

The study was anchored on Institutional Theory, which explains how organizational behavior and performance are shaped by formal rules, regulations, norms, and enforcement mechanisms within their institutional environment (Scott, 2014). According to the theory, organizations operating within supportive regulatory environments gain legitimacy, reduce uncertainty, and improve their prospects for long-term survival (Meyer & Rowan, 1977).

DiMaggio and Powell (1983) argue that organizations tend to conform to institutional pressures arising from regulatory authorities, professional norms, and industry expectations. In the context of travel and tour agencies, county government regulations establish the institutional conditions that influence licensing, market participation, operational compliance, and business conduct. Agencies operating within transparent and predictable regulatory systems are more likely to achieve operational stability, attract customers, and sustain profitability. Institutional Theory therefore provides an appropriate framework for explaining the relationship between regulatory frameworks and economic sustainability.

**Empirical Literature Review**

Recent studies have emphasized the importance of regulatory quality in tourism enterprise performance. Karanja and Wanjiru (2023) found that fragmented county regulatory systems in Kenya increased compliance costs and reduced competitiveness of small tourism enterprises. Similarly, the World Bank (2023) reported that streamlined licensing procedures and predictable enforcement practices improve investment confidence and business survival rates.

The Kenya National Tourism Strategy identifies regulatory harmonization and simplification of business procedures as key measures for improving tourism sector competitiveness (Government of Kenya, 2025). International evidence further suggests that tourism enterprises operating within transparent regulatory environments experience lower transaction costs and greater operational stability (Organisation for Economic Co-operation and Development [OECD], 2023).

However, most existing studies have focused on national regulatory systems or broad tourism sectors, leaving limited evidence on county-level regulatory frameworks affecting travel and tour agencies in Kenya's coastal tourism economy. This study contributes to the literature by providing empirical evidence from Mombasa County.

## II. Research Methodology

The study adopted a descriptive research design. The target population comprised 161 licensed travel and tour agencies operating in Mombasa County. A stratified random sample of 115 agencies was selected, consisting of travel agencies and tour operators.

Primary data were collected using structured questionnaires administered to agency owners and managers. Responses were measured on a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. Data were analyzed using SPSS Version 29 through descriptive statistics, Pearson Product Moment Correlation analysis, and multiple linear regression analysis. The study achieved a response rate of 90 respondents (78.26%), which was considered adequate for statistical analysis.

## III. Results And Discussion

Respondents generally agreed that county regulatory frameworks influence the sustainability of their businesses. The highest-rated aspects were transparency of licensing procedures and clarity of operational guidelines. Moderate concerns were expressed regarding administrative costs, frequency of inspections, and consistency of enforcement across agencies.

| Regulatory framework | N | Mean | Std. Deviation |
|---|---|---|---|
| Licensing procedures set by the county government are clear, timely, and supportive of agency operations. | 90 | 4.3000 | .66112 |
| County government accreditation requirements help raise professional standards and improve our agency's credibility in the market. | 90 | 3.4667 | .93856 |
| Mandatory quality and safety standards enforced by the county government have improved our service delivery and competitiveness. | 90 | 3.4444 | .98427 |
| County government incentives (e.g., tax reliefs, grants, or preferential rates) have reduced our operational costs and enhanced economic sustainability. | 90 | 3.4889 | .92705 |
| Data reporting requirements prescribed by the county government are manageable and have helped improve our business planning and performance tracking. | 90 | 3.3889 | .96796 |
| Overall, county regulatory frameworks promote fair competition and support the long-term economic sustainability of travel and tour agencies. | 90 | 3.6778 | .99242 |
| | | | |

These findings suggest that while agencies appreciate the existence of formal regulatory systems, opportunities remain for improving efficiency and reducing compliance burdens. Similar concerns have been reported in other Kenyan county tourism studies where administrative complexity increased operational costs for tourism SMEs (Karanja & Wanjiru, 2023).

**Correlation Analysis**

Pearson correlation analysis established a positive and statistically significant relationship between regulatory frameworks and economic sustainability ($r = 0.327$, $p < 0.05$). The result indicates that improvements in regulatory transparency, licensing efficiency, and enforcement predictability are associated with improvements in profitability, operational stability, and long-term business viability.

The positive relationship supports the argument by OECD (2023) that predictable regulatory systems reduce business uncertainty and improve enterprise performance.

**Regression Analysis**

Multiple linear regression analysis revealed that regulatory frameworks have a positive and statistically significant influence on economic sustainability ($\beta = 0.214$, $p < 0.05$). The coefficient implies that strengthening regulatory support contributes positively to sustainability outcomes among travel and tour agencies.

The findings support Institutional Theory by demonstrating that regulatory environments shape organizational performance through legitimacy, predictability, and reduced uncertainty (Scott, 2014). Agencies operating within supportive regulatory systems are better positioned to invest, comply efficiently, and compete effectively.

The results are consistent with Karanja and Wanjiru (2023), who found that regulatory quality influences tourism enterprise performance through compliance costs and business confidence. The findings also agree with World Bank (2023) evidence that streamlined regulation improves business sustainability.

## IV. Conclusion

The study concludes that regulatory frameworks significantly influence the economic sustainability of travel and tour agencies in Mombasa County. Transparent licensing procedures, predictable enforcement practices, clear operational guidelines, and fair regulatory administration contribute positively to profitability, operational stability, and long-term business viability. County governments therefore have an important role in creating regulatory environments that support sustainable tourism enterprise development.

**Recommendations**

The study recommends that:

i. Mombasa County Government should streamline licensing procedures and reduce administrative bottlenecks affecting travel and tour agencies.
ii. Regulatory guidelines should be clearly communicated and consistently enforced across all tourism enterprises.
iii. County authorities should strengthen stakeholder consultation mechanisms when developing tourism regulations.
iv. Digital licensing and compliance systems should be expanded to reduce transaction costs and improve transparency.
v. Periodic regulatory impact assessments should be conducted to identify regulations that unnecessarily increase operational costs for tourism SMEs.

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