



Economic Conditions, Tourism Destination Competitiveness and Tourism Performance: Unravelling the Dynamics in Middle-Income Countries

Condições económicas, competitividade dos destinos turísticos e desempenho do turismo: Desvendando a Dinâmica nos Países de Rendimento Médio

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Abstract

This study examines the role of economic conditions in moderating the relationship between tourism destination competitiveness (TDC), tourism performance (TP), and quality of life (QoL) in middle-income countries (MICs). Using a quantitative approach with data from 67 MICs—including upper-middle-income countries (UMICs) and lower-middle-income countries (LMICs)—the research employs Partial Least Squares-Structural Equation Modelling (PLS-SEM) and Multi-Group Analysis (MGA). Findings reveal that in UMICs, economic conditions significantly moderate the effects of destination management and environmental quality on tourism performance. However, no significant moderation is found for core resources, supporting resources, or tourism prices. In LMICs, economic conditions significantly influence the relationship between tourism performance and quality of life, suggesting that effective tourism management can enhance residents' well-being. The study underscores the importance of tailoring tourism policies to economic conditions, highlighting the need for UMICs to fully address economic leakage to realise tourism benefits. This research contributes to understanding how economic conditions shape tourism dynamics and provides insights for tourism policymaking in MICs.

Keywords: Destination competitiveness; tourism performance; quality of life; economic conditions; middle-income countries; PLS-MGA.

Resumo

Este estudo investiga o papel das condições económicas na moderação da relação entre a competitividade dos destinos turísticos, o desempenho do turismo e a qualidade de vida nos países de rendimento médio (PRM). Utilizando uma abordagem quantitativa com dados de 67 PRM, incluindo países de rendimento médio-alto (PRMA) e países de rendimento médio-baixo (PRMB), a investigação emprega PLS-SEM e a Análise de Grupos Múltiplos. Os resultados revelam que as condições económicas moderam significativamente os efeitos da gestão do destino e da qualidade ambiental no desempenho do turismo nos PRMA. Em contrapartida, não foi encontrada uma moderação significativa para os recursos essenciais, os recursos de apoio ou os preços do turismo. Nos PRMB, as condições económicas influenciam significativamente a relação entre o desempenho do turismo e a qualidade de vida, sugerindo que uma gestão eficaz do turismo pode melhorar o bem-estar dos residentes. O estudo salienta a importância de políticas de turismo adaptadas com base nas condições económicas, enfatizando a necessidade de os PRMA abordarem a fuga económica para obterem plenamente os benefícios do turismo. Esta investigação contribui para a compreensão da forma como as condições económicas moldam a dinâmica do turismo e oferece perspectivas para a elaboração de políticas de turismo nos PRM.

Palavras-chave: Competitividade do destino; desempenho do turismo; qualidade de vida; condições económicas; países de rendimento médio; PLS-MGA.

1. Introduction

Tourism destination competitiveness (TDC) is a multifaceted concept aimed at enhancing residents' socioeconomic prosperity and quality of life (QoL) by attracting tourists (Gómez-Vega & Picazo-Tadeo, 2019; Crouch & Ritchie, 1999; Cucculelli & Goffi, 2016). However, the literature indicates no universally applicable list of TDC determinants (Enright & Newton, 2004; Goffi, 2013), and the significance of various competitiveness factors can vary both within and across destinations (Crouch, 2011; Michael et al., 2019). This variability highlights the complexity of achieving sustained competitive advantages in the tourism sector.

Given this complexity, the effectiveness of TDC strategies is ultimately reflected in a destination's performance. Destination competitiveness is inherently linked to destination performance (Vašaničová et al., 2023). Therefore, meaningful assessments of TDC must consider tourism performance (TP), though this relationship is not automatic (Croes & Kubickova, 2013; Hanafiah et al., 2016; Ritchie & Crouch, 2003). Competitiveness alone does not guarantee performance (Corne & Peypoch, 2020; Hanafiah &



Zulkifly, 2019; Ritchie & Crouch, 2003). A destination's ability to convert its competitive advantages into tourism revenue is crucial (Hanafiah & Zulkifly, 2019; Xu & Au, 2023). However, research on the link between competitiveness and performance remains limited (Bazargani & Kiliç, 2021; Tripon, 2018), underscoring the need for further empirical investigation into the mechanisms that translate competitiveness into tangible economic and social benefits.

The causal link between economic conditions and tourism growth remains contested, with studies producing mixed findings (Balaguer & Cantavella-Jorda, 2002; Durbarry, 2004; Kim & Chen, 2006; Oh, 2005). Disparities in development status among countries can influence the host-visitor relationship and, by extension, tourism performance (Allen et al., 1988; Cárdenas-García et al., 2015; Faulkner & Tideswell, 1997; Gómez-Vega & Picazo-Tadeo, 2019; Sofronov, 2017). Research on the interplay between macroeconomic conditions, competitiveness, and tourism performance (Dritsakis, 2004; Hanafiah & Ali, 2024; Jayathilake, 2013; Massidda & Mattana, 2013) has yielded inconsistent results. For instance, Cárdenas-García et al. (2015) found that while tourism growth significantly influenced economic development in more developed countries, the effect was negligible in less developed countries. Similarly, Sequeira and Maçãs Nunes (2008) observed that tourism's contribution is minimal in small countries, while Webster and Ivanov's (2014) global study found no significant impact of destination competitiveness on economic development. Thus, a significant gap remains in understanding how destination competitiveness affects residents' quality of life (Knežević Cvelbar et al., 2016).

Indeed, tourism serves as a powerful driver of socioeconomic growth in MICs (Hossain et al., 2024). However, environmental, economic, and social factors distinctly influence tourism demand in developed and less developed countries (Mazanec et al., 2007). Many middle-income countries (MICs) have strategically embraced tourism to reduce poverty and diversify their economies (Ashley & Mitchell, 2009; Goffi et al., 2019; Hossain et al., 2024). Yet, tourism can either be preserved or degraded (Kruja et al., 2012). Therefore, achieving destination competitiveness, with its potential to enhance residents' prosperity, remains central to tourism policy debates (Knežević Cvelbar et al., 2016).

The quality of life in MICs is shaped by unique economic, legal, political, socio-cultural, technological, and market factors (Ponchio et al., 2022). MICs are home to over 75% of the world's population and boast abundant natural resources for tourism. However, they also face significant challenges due to structural, institutional, economic, and socioeconomic constraints (Hossain et al., 2024). Thus, scientific research in MICs is crucial, given that most consumers reside in these markets. Despite their growing significance in global tourism, the literature on MICs remains underdeveloped (Hosseini & Hosseini, 2021; Sanches-Pereira et al., 2017). In effect, much of the existing research overlooks developing countries, despite their increasing reliance on tourism for economic and social progress. This results in a limited understanding of the link between tourism performance and quality of life in MICs, highlighting a significant contextual gap in the literature (Hossain et al., 2025).

This study examines TDC from a macro, cross-country perspective, focusing on MICs. It is also argued that comparing identical samples (UMICs and LMICs) will yield more decisive results. Therefore, this study is essential to addressing existing research gaps and providing insights into the tourism industry's potential for growth and development. To the best of the authors' knowledge, this research is the first in the tourism literature to compare the impact of destination competitiveness on tourism performance and quality of life across UMICs and LMICs. It is also unique in providing evidence that economic conditions influence the relationship between tourism competitiveness, tourism performance, and quality of life. Furthermore, its novelty lies in its global focus on MICs.

This study is motivated by the growing importance of MICs in the global tourism landscape and the limited research on TDC dynamics in these countries. It addresses this gap by investigating how economic conditions influence the relationship between TDC, tourism performance, and quality of life in MICs. The significance of this study lies in its potential to deepen understanding of the factors driving tourism competitiveness and tourism performance in MICs, contributing to more effective policymaking and sustainable tourism development strategies. By focusing on comparable economic conditions, the research offers valuable insights to help stakeholders maximise tourism's economic benefits while ensuring residents' well-being. Additionally, the findings serve as a reliable resource for countries at all income levels—high, middle, and low—by providing a policy perspective to address challenges in their tourism sectors.

The structure of this study is as follows: Section 1 introduces the study and its objectives. Section 2 reviews the TDC literature, hypotheses, and research model. Section 3 outlines the methodology. Section 4 presents the results, followed by a discussion in Section 5. Section 6 highlights the study's implications, and finally, Section 7 concludes with limitations and future research directions.

2. Literature Review, Hypotheses Development and Research Model

In the late 1970s, the concept of competitiveness first emerged in economics (Krugman, 1996), with its application to tourism beginning in the early 1990s (Abreu-Novais et al., 2016). As the foundational thinkers of tourism destination competitiveness (TDC),



Crouch and Ritchie asserted that understanding TDC requires considering both the fundamental elements of comparative advantage and the more advanced aspects of competitive advantage (Crouch & Ritchie, 1999, p. 142).

Since the early 1990s, numerous debates have arisen regarding the conceptualisation of TDC. Several researchers have attempted to define destination competitiveness (Crouch & Ritchie, 1999; Dwyer & Kim, 2003; Enright & Newton, 2004; Hassan, 2000), yet it remains an elusive (Hanafiah et al., 2015; Mazanec et al., 2007) and complex construct (Cracolici & Nijkamp, 2009; Li et al., 2013). However, the term ability is one of the most frequently mentioned elements in conceptual discussions (Abreu-Novais et al., 2016). Ability refers to a destination's comparative and competitive advantages that enable it to outperform other destinations sustainably (Hossain et al., 2025). Ultimately, TDC aims to attract tourists to enhance and sustain residents' socioeconomic prosperity and quality of life (Crouch & Ritchie, 1999; Dwyer & Kim, 2003; Ritchie & Crouch, 2003).

Despite growing interest in TDC, existing studies have struggled to resolve contradictions in selecting destination competitiveness determinants (Kozak & Baloglu, 2010; Ritchie & Crouch, 2010). The literature indicates that no single set of determinants applies universally to all destinations (Dwyer & Kim, 2003; Hossain & Islam, 2019). Moreover, the relative significance of factors influencing destination competitiveness varies within and across destinations (Crouch, 2011; Michael et al., 2019). Tourism performance is another means of measuring a destination's competitiveness, yet the relationship between competitiveness and performance is not automatic (Croes & Kubickova, 2013). As Ritchie and Crouch (2003, p. 26) assert, "competitiveness is no guarantee of performance".

Disparities in countries' economic development status influence the relationship between hosts and visitors and, consequently, the tourism industry's performance (Cárdenas-García et al., 2015). Similarly, Gómez-Vega and Picazo-Tadeo (2019) stated that "countries' level of development, their degree of international connection, the quality of democracy or stricter anti-corruption laws all boost the competitiveness of international tourist destinations". Therefore, economic conditions are a crucial factor affecting both destination competitiveness and the tourism industry (Dwyer & Kim, 2003; Ioannides & Debbage, 2014; Chen, 2019). Additionally, various factors such as connectivity, infrastructure, demand drivers, sustainability, and the enabling environment significantly influence TDC (Purwono et al., 2024). A recent TDC study identified five key determinants within the context of MICs: core resources, supporting resources, destination management, tourism price, and environmental quality (Hossain et al., 2024). The most commonly examined determinant is core resources and attractors, which motivate tourists to visit a destination (Dwyer et al., 2014; Dwyer & Kim, 2003; Ritchie & Crouch, 2003). Core resources can be either endowed/inherited or created. Endowed resources include natural assets such as climate, beaches, mountains, and cultural and heritage elements such as traditions, cuisine, and language. Created resources comprise special events, sports, entertainment, shopping, various activities, and tourism infrastructure (Dwyer & Kim, 2003). Researchers have extensively examined the impact of core resources on destination competitiveness and assessed their contributions to destination performance (Assaf & Josiassen, 2012; Cracolici & Nijkamp, 2009; Hanafiah & Zulkifly, 2019). Accordingly, the following hypothesis is proposed:

H1: Economic conditions moderate the relationship between core resources and tourism performance for LMICs and UMICs.

Even if a destination enjoys many resources and attractions, it still needs other tourism-supporting facilities like transportation, safety and security, visa services, and e-tourism services (Khadaroo & Seetanah, 2007; Seetanah et al., 2011) to maintain the continued demand for tourism (Inskeep, 1991; Murphy, 2012). Thus, supporting factors and services promote travel by adding value to the tourism experience (Dwyer et al., 2014). Ritchie and Crouch (2003) considered six attributes of supporting factors and resources, including infrastructure, accessibility, facilitating resources, hospitality, political will and enterprise. The insufficiency of general infrastructure due to economic conditions remains a pressing concern in MICs, particularly those in the lower-middle-income bracket (Irshad & Ghafoor, 2022). Accordingly, the following hypothesis is proposed:

H2: Economic conditions moderate the relationship between supporting resources and tourism performance for LMICs and UMICs.

Destination management factors are "those activities that can enhance the appeal of the core resources and attractors, strengthen the quality and effectiveness of the supporting factors and resources and best adapt to the constraints imposed by the qualifying determinants" (Crouch & Ritchie, 1999, p. 149). Destination management activities cover destination marketing and branding, human resource development, destination policy, planning, and management (Dwyer & Kim, 2003). Knežević Cvelbar et al. (2016) claimed that destination management more positively affects competitiveness in developing countries than in developed countries. However, a recent study claimed that destination management does not affect tourism performance (Hanafiah & Zulkifly, 2019). Studies have thus far assessed the effect of destination management on tourism performance, but the results are inconclusive. Hence, based on the above analysis, this study assumed that tourism performance relies heavily on destination management practices. Consequently, the following hypothesis is proposed:

H3: Economic conditions moderate the relationship between destination management and tourism performance for LMICs and UMICs.



Tourism price consists of travel costs relating to travel to and from a destination, including ticket taxes, airport charges, and ground costs relating to prices within the destination, including accommodation, tour services, food and beverage, entertainment, etc. (Dwyer et al., 2000). These factors influence tourism's price and, thus, the competitiveness of destinations. A priori, most of the travellers to MICs are from higher-income countries with more affordability, enabling them to afford the tourism price reasonably. Therefore, it is clear that there is a close relationship between changes in the level of prices in a destination, which ultimately affects destination competitiveness (Mangion et al., 2012). Accordingly, the following hypothesis has been proposed:

H4: Economic conditions moderate the relationship between tourism price and tourism performance for LMICs and UMICs.

The introduction of the Sustainable Development Goals (SDGs) in 2015 has made sustainable tourism more manageable with clear goals and guidelines (Fauzi, 2023). Human well-being is also crucial to sustainable development (Dwyer, 2022). There is a global consensus that implementing the SDGs is crucial for sustainable development, preserving the environment, and improving the quality of life globally (Bebbington & Unerman, 2018; Lança et al., 2024; Mishra et al., 2023). The SDGs agenda initiative presents the accomplishment of these goals as a standard route to promote sustainable development, viewing it as a global endeavour to address worldwide challenges. Consequently, a positive association exists between higher levels of SDG disclosure and increased firm value (Bose et al., 2024).

There is "no standard definition for sustainable tourism destinations" (Lee, 2001, p. 314). It's very logical to connect tourism performance with sustainable tourism (Santos et al., 2022). Sustainable tourism can also help improve a given destination's reputation (Hassan, 2000; Santos et al., 2024). A good conservation system would provide a higher quality environment which would attract visitors (Melo & de Farias, 2014). Thus, tourism is "more than ever, sensitive to and dependent on a high-quality, sustainable environment (Hassan, 2000, p. 242). Tourists' understanding of the destination's potential based on experience in providing a healthy environment for tourists is associated with the image and competitiveness of the destination (Hall & Page, 2014; Polo-Peña et al., 2024). Similarly, Assaker et al. (2014) stated in their study that the environment strongly affects tourism activity and revenue generation. Conversely, Hanafiah and Zulkifly (2019) recently confirmed that environmental management does not affect tourism performance. Thus, the research findings on the link between TDC and tourism performance are inconclusive. Accordingly, the following hypothesis has been proposed:

H5: Economic conditions moderate the relationship between environmental quality and tourism performance for LMICs and UMICs.

Performance is mainly an economic term and, over time, is oriented towards results (Croes & Kubickova, 2013). Tourism performance is a construct compounded with criteria such as international tourist arrivals, international tourism receipts, and tourism contribution to GDP (Hanafiah & Zulkifly, 2019). Dwyer and Kim (2003, p. 380) argued that "destination competitiveness is an intermediate goal towards the more fundamental aim of socioeconomic well-being for residents." Likewise, Sánchez and López (2015) validated that "an increase in tourist arrivals generates prosperity". Based on the above analysis, this study assumed that tourism performance increases the well-being of residents. Accordingly, the following hypothesis has been proposed:

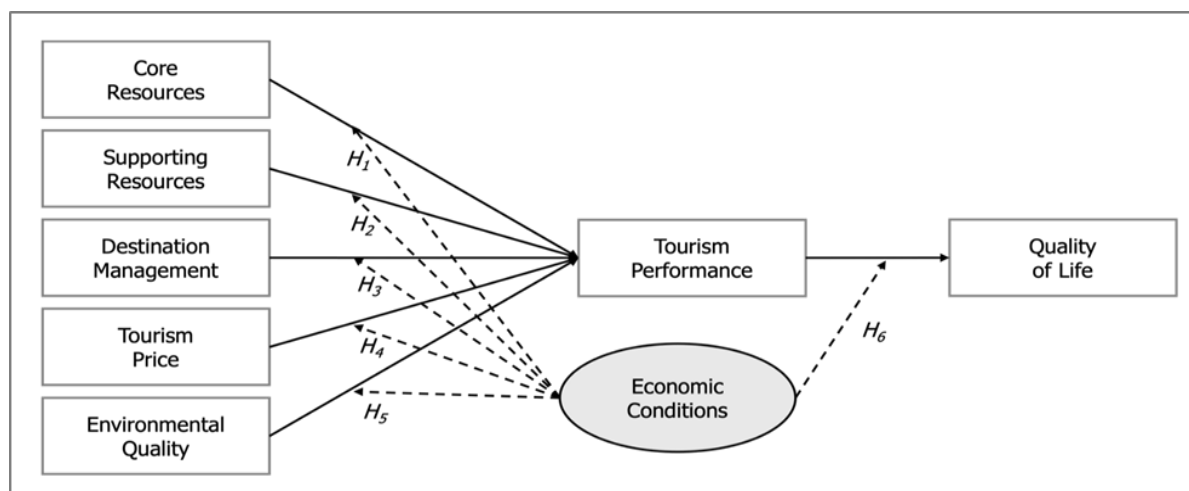
H6: Economic conditions moderate the relationship between tourism performance and quality of life for LMICs and UMICs.

There is a lacuna in research regarding the relationship between tourism performance and destination competitiveness, and the results of the studies are inconclusive. From an empirical viewpoint, therefore, further research calls were made in this field in a different setting using a related sub-sample of destinations (Gómez-Vega & Picazo-Tadeo, 2019; Hanafiah & Zulkifly, 2019; Manrai et al., 2018). Further, there have been very few attempts to measure the impact of tourism development on the residents' quality of life at the country level. Consequently, Knežević Cvelbar et al. (2016) noted little effort to investigate the relationship between TDC and quality of life. Indeed, there is a relationship between tourism growth and macroeconomic conditions (Cárdenas-García et al., 2015; Webster & Ivanov, 2014). TDC should, therefore, be investigated at different stages of development (Dwyer & Kim, 2003). MICs are the fastest-growing economies in the world, home to 75% of the world's population (World Bank, 2020). MICs generally are structurally diverse from low and advanced economies. Such structural disparities are illustrated in terms of their demographic characteristics, financial sector growth, infrastructure, governance quality and levels of human capital (Estrada et al., 2018). In effect, ignoring population diversity can seriously bias results and lead to inaccurate management conclusions when analysing aggregated data (Becker et al., 2023; Cheah et al., 2023). Thus, this study is based on the context of MICs instead of high or low-income countries. It is argued that comparing identical samples (UMICs and LMICs) will provide a decisive result.

Based on the above literature, this study considers five independent and one moderating variable. The five independent variables are: (1) core resources, (2) support resources, (3) destination management, (4) tourism price, (5) environmental quality, and the moderating variable is economic conditions. Finally, tourism performance and quality of life act as the dependent variables. Accordingly, the model conceptualises how economic conditions facilitate the TDC determinants, tourism performance, and the quality of life relationship. The research model, illustrated in Figure 1, was developed to test the above hypotheses.



Figure 1: Tourism Destination Competitiveness (TDC) Model



3. Methodology

3.1 Measures

This study employed a quantitative methodology, utilising cross-sectional secondary data. The study employs Partial Least Squares-Structural Equation Modelling (PLS-SEM) and Multi-Group Analysis (MGA). The unit of analysis in this study is the country as a tourist destination (Hanafiah & Zulkifly, 2019). The research adopted the TDC conceptual model proposed by Dwyer and Kim (2003), focusing on five determinants: core resources, supporting resources, destination management, tourism price, and environmental quality, all within the context of MICs (Hossain et al., 2024). Based on their importance in describing the proposed dimension, a total of 33 indicators were initially selected. The selection of these variables was guided by the Organization for Economic Cooperation and Development (OECD) principles, which emphasise the importance of methodological soundness and data accessibility (Hanafiah & Zulkifly, 2019; Nardo et al., 2005).

3.2 Sampling and Data Collection

The study sample comprised 67 MICs, including 37 UMICs and 30 LMICs, chosen based on international tourism secondary data availability. This UMIC and LMIC categorisation was based on the World Bank's income classification thresholds for the fiscal year 2019-2020, which identified 104 MICs globally (World Bank, 2020). This sample also met the conditions outlined in the PLS-SEM tenet, which is appropriate when a small population restricts the sample size (Hair et al., 2019). Data were sourced from a variety of internationally recognised reports, including the Travel and Tourism Competitiveness Report (2019), the Human Development Report (2020), the Legatum Prosperity Index (2019), the World Bank database (2020), and the World Travel & Tourism Council (WTTC) economic impact report (2019).

3.3 Data Analysis Techniques

Data from secondary sources are mostly hard data, i.e., indexes, percentages, numbers, etc. and soft data, i.e., Likert scale measurements from 1 to 7. Notably, the indicators or items under each construct were measured using a consistent scale. It is important to note that data transformation was not considered as it may alter the interpretation of variables, particularly in PLS-SEM applications, where normality assumptions are not met (Hair & Alamer, 2022; Hair et al., 2019). Further, PLS-SEM is perceived to have extreme effectiveness for estimating causal models, especially when complex models and secondary data are involved (Hair, Sarstedt, Ringle, et al., 2012). Indeed, PLS-SEM focuses on prediction rather than explanation, making it particularly beneficial for investigations on the sources of competitive advantage and success driver studies (Hair et al., 2011). Thus, PLS-SEM is deemed suitable for analysing the study data based on the study objective, model complexity, data characteristics (i.e., distribution and scales), limited theoretical knowledge availability, data type and small sample size. Given that the moderator variable is categorical (economic conditions), multi-group analysis (MGA) was identified as the optimal analytical technique to examine the moderation effect on the entire model (Memon et al., 2019). Consequently, this study investigated the moderating effects of economic conditions (categorical variable) on the proposed TDC model (Figure 1), employing MGA for model testing.



Examining the measurement models was the first step in analysing PLS-SEM results. Based on the relevant measurement and theoretical considerations, two constructs, supporting resources and destination management, were treated as reflective constructs. In contrast, five constructs, core resources, tourism price, environmental quality, tourism performance, and quality of life, were treated as formative constructs. After evaluating the measurement (or outer) model, the next step was to assess the structural or inner model. This study divided samples into UMICs and LMICs based on the World Bank (2019) country income classification. The MGA was adopted to investigate the impact of moderators on the relationship between the independent and dependent variables.

There were two reasons for selecting the MGA approach over the interaction approach. First, since the research objective is to compare the models and learn about significant differences between the subsamples (UMICs and LMICs), the model estimates for the subsamples are usually compared employing an MGA (Henseler et al., 2009; Sarstedt et al., 2011). Specifically, MGA enables the researcher to test for differences between identical models estimated for different groups of respondents. The general objective is to see if there are statistically significant differences between individual group models (Hair Jr et al., 2016). Second, the moderator examined in this study was categorical (economic conditions) in nature. As most of the predictors were measured using formative indicators, following the assumptions given by Schumacker (2017) and Eberl (2010), MGA is more appropriate than the interaction effect approach.

4. Results

Out of 67 countries, around 55 per cent were identified as UMICs ($n=37$, 55.22%), while the remaining half, almost 45 per cent, were considered LMICs ($n=30$, 44.77%). The assessment of the measurement model indicated that the convergent validity, construct reliability, and discriminant reliability thresholds loaded significantly (Hair et al., 2019). Next, the structural model was also deemed valid where the research followed the assessment criteria and tests of the structural model like collinearity (VIF), coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and path significance (β) (Götz et al., 2010; Hair et al., 2019). The PLS path model was estimated in each of the distinct sub-samples. The path relationships of exogenous/ independent variable(s) were regressed with endogenous/ dependent variable(s) using one subsample at the time (Hanafiah & Ali, 2024). Next, the bootstrap method was used (5000 times) to resample the data and obtain the standard error of the structural paths in the sub-samples (Henseler et al., 2009). The differences between the path estimators were then assessed for significance using the t-test values. Table 1 displays the estimated values of the structural relations for the two subsamples. Results show that path coefficients based on different samples are almost always numerically different, but the question is whether the differences are statistically significant. MGA helped to answer this question.

Table 1. Multi-Group Analysis (MGA) Results

Path	Path Coefficients (LMICs)	t-Value (LMICs)	p-Value (LMICs)	Path Coefficients (UMICs)	t-Value (UMICs)	p-Value (UMICs)	Results
Core Resources -> Tourism Performance	0.849***	5.194	0.000	0.893***	8.656	0.000	No Significant difference
Destination Management -> Tourism Performance	-0.026	0.264	0.791	0.247**	2.229	0.026	Significant difference (UMICs)
Environmental Quality -> Tourism Performance	0.119	0.825	0.409	0.172*	1.761	0.078	Significant difference (UMICs)
Supporting Resources -> Tourism Performance	0.125	0.881	0.379	-0.218	1.546	0.122	No Significant difference
Tourism Performance -> Quality of Life	0.374**	2.629	0.009	0.140	0.942	0.346	Significant difference (LMICs)
Tourism Price -> Tourism Performance	0.029	0.396	0.692	-0.085	0.984	0.325	No Significant difference

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.001$

MGA results revealed that the LMIC group in the study produced slightly different results from the UMIC group. Results show that core resources ($\beta=0.893$ and $t=8.656$), destination management ($\beta=0.247$ and $t=2.229$) and environmental quality ($\beta=0.172$ and



$t=1.761$) significantly affected tourism performance in the UMICs. At the same time, no constructs significantly affected tourism performance in the LMICs except core resources ($\beta=0.849$ and $t=5.194$). MGA results also revealed that tourism performance ($\beta=0.374$ and $t=2.629$) significantly affected the quality of life in the LMICs, but this is not significantly affected in UMICs. Thus, the significant differences between groups (UMICs and LMICs) based on economic conditions (moderator) suggested that the economic conditions moderated the relationship between TDC determinants, tourism performance, and quality of life.

5. Discussion

The PLS-MGA analysis reveals significant differences between UMICs and LMICs in the relationship between economic conditions and tourism performance. The results indicate that in UMICs, economic conditions significantly moderate the relationship between destination management and tourism performance, as well as between environmental quality and tourism performance. Specifically, the study found that better economic conditions in UMICs facilitate more effective resource deployment for destination management and environmental quality maintenance, leading to improved tourism performance. These findings support hypotheses H3 and H5, underscoring the role of destination management and environmental quality as key determinants of tourism performance in UMICs.

Conversely, the analysis revealed that economic conditions do not moderate the relationship between core resources and tourism performance, supporting resources and tourism performance, or tourism price and tourism performance. Consequently, hypotheses H1, H2, and H4 were not supported, indicating that economic conditions do not significantly influence these factors in either UMICs or LMICs. In line with Ritchie and Crouch (2003), the results suggest that efforts to safeguard a destination's uniqueness—particularly by preserving local culture and history—are not significantly affected by a country's economic situation. This finding is especially relevant for LMICs, where tourism performance relies more on core resources and comparative advantages than on competitive advantages derived from other resource deployments. This empirical evidence reinforces that economic conditions do not moderate the relationship between core resources and tourism performance.

The study also examined the impact of economic conditions on the relationship between supporting resources and tourism performance in both UMICs and LMICs. Supporting resources—including infrastructure, accessibility, facilitating resources, hospitality, political will, and enterprise (Ritchie & Crouch, 2003)—were not significantly moderated by economic conditions. This lack of moderation may be attributed to the generally inadequate infrastructure in UMICs and LMICs (Hosseini & Hosseini, 2021; World Bank, 2019). The persistent issue of infrastructure deficiencies, particularly in LMICs, likely contributes to the non-significant differences observed across different stages of economic growth (Irshad & Ghafoor, 2022). Furthermore, the study found that economic conditions do not moderate the relationship between tourism prices and tourism performance in either UMICs or LMICs. This may be because most tourists visiting MICs come from more developed countries and are therefore more capable of affording the tourism prices in these destinations. This could explain the lack of significant differences in the relationship between tourism prices and tourism performance.

Additionally, the PLS-MGA results indicate that economic conditions significantly moderate the relationship between tourism performance and quality of life in LMICs, confirming hypothesis H6. This finding aligns with the empirical work of Sánchez and López (2015) but partially contradicts Cárdenas-García et al. (2015), who argued that tourism growth primarily enhances the quality of life in more developed countries. The current study reveals that despite lower levels of development, LMICs can still improve quality of life through competitive tourism performance, which depends on the effective utilisation of tourism resources and deployment capabilities. However, the outlook is less optimistic for UMICs. The study suggests that tourism's effectiveness in enhancing the quality of life in UMICs is hindered by economic leakage, where a significant portion of tourism revenue "leaks" out of the destination—often benefiting international travel agencies or multinational corporations in the hospitality, airline, and food and beverage industries. The higher likelihood of such leakage in UMICs compared to LMICs reduces the potential benefits of tourism for quality of life. Therefore, policymakers in UMICs should carefully assess the potential drawbacks of tourism expansion, particularly given the risk of economic leakage.

6. Study Implications

6.1. Theoretical Implications

The exclusivity of this study lies in its research model, which differentiates it from previous studies on the nexus between destination competitiveness, tourism performance, and quality of life. The findings offer valuable theoretical implications, particularly regarding the role of economic conditions in enhancing destination management effectiveness in UMICs. The results support the theoretical proposition that favourable economic conditions enable countries to allocate resources more effectively, leading to improved tourism performance. This aligns with the resource-based view (RBV), which emphasises the importance of resource availability and efficient resource management in achieving competitive advantage (Barney, 1991). The ability to manage



and deploy resources effectively in destination management highlights the moderating role of economic conditions in influencing tourism performance.

The study also underscores the importance of environmental quality as a determinant of tourism performance, particularly in UMICs with stronger economic conditions. This finding suggests that better economic conditions enable countries to invest in and maintain environmental quality, enhancing tourism performance. Theoretically, this reinforces the view that environmental quality is integral to sustainable tourism and represents a competitive advantage that can be leveraged more effectively under favourable economic conditions. It supports the notion that sustainable practices are more likely to be implemented and maintained in wealthier economies, aligning with theories of environmental economics that link economic prosperity with environmental stewardship (Pearce & Turner, 1989).

The study also provides valuable insights into tourism's role in enhancing quality of life, particularly in LMICs. The findings indicate that tourism performance can positively impact the quality of life in LMICs, provided that tourism resources are effectively utilised. Moreover, this finding challenges the notion that only more developed countries benefit from tourism-driven improvements in quality of life (Cárdenas-García et al., 2015). It suggests that despite economic challenges, LMICs can leverage tourism to enhance living standards, supporting theories that link tourism development with social and economic well-being in developing countries (Telfer & Sharpley, 2015).

On the other hand, the findings suggest that core resources contribute to tourism performance regardless of economic conditions, indicating that these resources provide a comparative advantage that is not easily affected by a country's economic status. This aligns with the theory of comparative advantage, which posits that certain resources are inherently valuable and can drive tourism success independently of external factors such as economic conditions (Ritchie & Crouch, 2003). Moreover, this challenges the assumption that economic conditions are necessary to maximise the potential of core resources. Instead, it suggests that these resources possess intrinsic value and are capable of driving tourism performance on their own.

The study suggests that supporting resources, such as infrastructure and accessibility, do not necessarily enhance tourism performance through economic conditions in either UMICs or LMICs. This finding implies that the mere presence of supporting resources is insufficient to improve tourism performance if these resources are not in favourable condition or effectively utilised. Theoretically, this challenges the traditional view that infrastructure and supporting resources are key to tourism success. Instead, it suggests that their impact may depend on other factors, such as quality or effectiveness of use (Irshad & Ghafoor, 2022). It also highlights the need for further research into the conditions under which supporting resources can effectively contribute to tourism performance.

The study also underscores the theoretical complexity of the relationship between tourism prices and tourism performance. The finding that economic conditions do not moderate this relationship in UMICs or LMICs suggests that tourists are willing to pay tourism prices regardless of the destination country's economic status. This may indicate that tourism demand in MICs is relatively inelastic with respect to price, meaning that factors beyond price, such as the perceived value of the experience, play a more significant role in influencing tourism performance (World Bank, 2019). This finding challenges traditional economic theories that propose a direct link between price and demand, suggesting that in the tourism context, the relationship is more nuanced and dependent on the broader value proposition offered to tourists. Notably, this study expands existing TDC theory by testing the moderating effect of economic conditions on the proposed structural relationships. As a result, it contributes new knowledge to the evolving phase of TDC theory by confirming that, in MICs, economic conditions moderate the relationship between TDC, tourism performance, and quality of life. Hence, this research advances knowledge and supports the further development of TDC theory, which remains in its formative stage.

6.2. Policy Implications

Indeed, tourism is one of the fastest-growing sectors in developing countries and has the potential to contribute to various Sustainable Development Goals (SDGs). The study's findings highlight the significant impact of tourism on MICs, demonstrating how it can stimulate economic growth, development, and progress by enhancing competitiveness, tourism performance, and quality of life. Consequently, tourism can play a crucial role in achieving several interconnected SDGs, such as SDG 8 (decent work and economic growth) and SDG 3 (good health and well-being). These findings are particularly relevant for MIC policymakers in identifying the links between tourism and the SDGs. Achieving tourism destination competitiveness, with its promise of prosperity for residents, remains central to tourism policy debates. Policymakers should consider their country's specific conditions and determine the most relevant attributes and factors when formulating tourism policies and managerial strategies. Thus, from a policy perspective, this study serves as a valuable resource for MIC policymakers to address the challenges facing their tourism industries.

The study's findings have important policy implications, particularly regarding the influence of economic conditions on tourism performance. The significant moderating effect of economic conditions on the relationship between destination management and



tourism performance in UMICs suggests that countries with stronger economic conditions are better positioned to leverage their resources effectively. For policymakers in UMICs, this underscores the importance of investing in robust destination management strategies. Strategic investments in infrastructure, marketing, and service quality can enhance tourism performance, particularly when a favourable economic environment is supported. This aligns with broader development goals aimed at strengthening tourism as a key economic sector. Tourism sector managers in UMICs should prioritise destination management practices that are adaptable to economic conditions. This could involve dynamic pricing strategies, targeted marketing campaigns, and investments in sustainable tourism practices catering to domestic and international markets. Given that stronger economic conditions enable more effective resource deployment, managers should also focus on optimising resource utilisation to maximise tourism performance.

The significant relationship between environmental quality and tourism performance, moderated by economic conditions, underscores the need for environmental sustainability in tourism policy. For UMICs, policymakers must integrate environmental protection measures with economic planning to ensure that tourism development does not come at the cost of environmental degradation. This may involve implementing stricter environmental regulations and promoting eco-friendly tourism practices that enhance a destination's appeal while preserving natural resources. Tourism managers should prioritise sustainable practices that align with environmental policies. This includes adopting green certifications, reducing the carbon footprint of tourism operations, and actively engaging in conservation efforts. Additionally, promoting eco-friendly destinations can attract a growing segment of environmentally conscious travellers, enhancing tourism performance in economically favourable conditions.

The finding that tourism performance positively impacts the quality of life in LMICs, with economic conditions as a moderating factor, suggests that policymakers should view tourism as a vital tool for social development. Policies should ensure that tourism revenues are reinvested into local communities to improve infrastructure, education, healthcare, and other public services. This approach can help alleviate poverty and enhance overall quality of life, creating a virtuous cycle of tourism-driven development. Tourism industry managers should collaborate closely with local communities to ensure the equitable distribution of tourism benefits. This includes creating job opportunities, supporting local businesses, and investing in community development projects. By demonstrating tangible improvements in quality of life (SDG 3) resulting from tourism performance, managers can foster community support for tourism initiatives and contribute to achieving SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities) in LMICs.

On the other hand, the absence of a significant moderating effect of economic conditions on the relationship between core resources and tourism performance suggests that tourism success in LMICs is primarily driven by core resources, such as natural beauty and cultural heritage, rather than economic factors. Policymakers should focus on preserving and enhancing these core resources to maintain their comparative advantage. This may involve enacting legislation to protect cultural sites, natural parks, and other key assets from overexploitation and degradation. Tourism managers should prioritise the sustainable use and promotion of core resources, as these are the primary drivers of tourism in LMICs. Marketing strategies should highlight the destination's unique natural and cultural assets, appealing to tourists seeking authentic experiences. Also, managers should collaborate with local communities to ensure that tourism development does not compromise the resources attracting visitors.

The finding that economic conditions do not moderate the relationship between supporting resources (such as infrastructure and accessibility) and tourism performance suggests that infrastructure development alone may be insufficient to enhance tourism performance in either UMICs or LMICs. Policymakers should adopt comprehensive development plans that integrate infrastructure with other aspects of tourism, such as service quality and destination marketing. Moreover, addressing infrastructure inadequacies, particularly in LMICs, remains a critical challenge that requires sustained investment and international support. Tourism managers should focus on optimising existing supporting resources while advocating for necessary infrastructure improvements. This may involve enhancing accessibility through better transportation links or improving tourism service quality to offset infrastructure deficits. Additionally, collaboration with government agencies to secure infrastructure investments that directly benefit the tourism sector is essential.

The non-significant relationship between economic conditions and tourism price suggests that pricing strategies in UMICs and LMICs do not significantly impact tourism performance, possibly due to the origin of tourists from more developed countries. Policymakers should consider adopting a diversified pricing strategy that caters to different market segments, ensuring tourism remains accessible to both domestic and international visitors. Additionally, efforts should be made to minimise the impact of external economic fluctuations on tourism pricing to stabilise the sector. Tourism managers should implement flexible pricing strategies that can be adjusted based on market conditions and visitor demographics. Offering tailored packages for different income levels, including budget-friendly options for domestic tourists, can help sustain visitor numbers during economic downturns. Moreover, managers should focus on delivering value for money, ensuring that the quality of the tourism experience justifies the price, regardless of visitors' economic backgrounds. Thus, these findings have significant policy implications for tourism stakeholders and policymakers in MICs, where achieving TDC and its promise of prosperity for residents remains a critical concern.



7. Conclusion, Limitations and Future Research

7.1. Conclusion

While tourism in MICs is expanding, there is still a long way to go before reaching the development levels of advanced economies. The study's findings provide essential insights for MIC policymakers, supporting efforts to achieve SDG 1, SDG 3, SDG 8, and SDG 10. Therefore, this study holds broader significance for international tourism policy, particularly its alignment with various SDGs. The findings highlight the critical role of economic conditions in shaping tourism performance across different income-level countries. In UMICs, favourable economic conditions facilitate more effective destination management and environmental quality improvements, enhancing tourism performance. However, these conditions do not significantly influence the relationship between core resources, supporting resources, and tourism performance. Additionally, while tourism performance positively impacts the quality of life in LMICs, its potential benefits in UMICs are mitigated by economic leakage. These insights have important implications for policymakers aiming to develop tourism strategies that maximise benefits while mitigating potential drawbacks.

The study's findings contribute to the broader discourse on tourism development, particularly in relation to quality of life (SDG 3) in LMICs. Despite economic challenges, the evidence that tourism can enhance the quality of life in LMICs suggests that tourism development is a viable strategy for improving social and economic well-being in these regions. However, the potential for economic leakage in UMICs underscores the need to consider tourism's broader economic impacts carefully. Policymakers in UMICs should be mindful of drawbacks such as economic leakage, which could weaken tourism's positive effects on quality of life. By addressing these policy and managerial implications, countries can develop more effective strategies to maximise tourism's benefits while mitigating its challenges. This is particularly relevant for countries seeking to leverage tourism as a strategy for poverty reduction and economic diversification.

7.2. Limitations and Future Research

While the results are particularly compelling within the specific contexts of UMICs and LMICs, several limitations should be acknowledged to provide a more nuanced interpretation of the findings. First, the small population size and limited availability of international tourism secondary data constrain the sample size, potentially affecting the generalisability of the results. Additionally, the reliance on 2019 cross-sectional data limits the ability to capture temporal dynamics that may influence TDC. To address these limitations, future research could benefit from using panel data, enabling a more comprehensive analysis of TDC over time. This approach would offer deeper insights into long-term trends and the evolving impact of various determinants on tourism performance.

Moreover, future research could explore the interconnectedness between tourism performance, tourism leakage, and quality of life in greater depth. By examining these relationships more closely, researchers could identify direct and actionable strategies for maximising investment in tourism destinations, particularly in LMICs and UMICs. For instance, understanding the specific factors contributing to tourism leakage could inform targeted policies aimed at minimising this outflow and ensuring that the economic benefits of tourism are more equitably distributed within the destination country. Additionally, investigating the direct impact of tourism performance on quality of life could provide valuable insights into how tourism development can be leveraged to improve social and economic outcomes for local communities.

Credit Author Statement

All authors have contributed equally.

Conflict of Interest

The authors declare no conflicts of interest.

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