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Government-Led Tourism Rehabilitation and Hotel Financial Performance: Evidence from Five-Star Hotels in Boracay, Philippines

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ABSTRACT

Government-led tourism rehabilitation has become an important strategy for restoring environmentally degraded destinations while promoting sustainable economic growth. This study examined the influence of government-led tourism rehabilitation on the financial performance of Department of Tourism-accredited five-star hotels in Boracay Island, Philippines. Specifically, it compared hotel financial performance before and after the 2018 Boracay rehabilitation using Occupancy Rate, Average Daily Rate (ADR), Revenue per Available Room (RevPAR), and Annual Gross Revenue. It also assessed the perceived influence of infrastructure development, tourism promotion, regulatory policies, and financial incentives on hotel revenue performance.

A mixed-methods research design was employed, integrating quantitative and qualitative approaches. Complete enumeration was used, involving ten of the twelve accredited five-star hotels operating in Boracay Island. Quantitative data were collected through a structured questionnaire and hotel financial records, while qualitative insights were obtained from open-ended responses provided by hotel managers. Descriptive statistics and the Wilcoxon Signed-Rank Test were used to analyze differences in financial performance before and after rehabilitation, while thematic analysis was applied to qualitative responses.

The findings indicate that government-led tourism rehabilitation contributed to significant improvements in hotel financial performance, particularly in Average Daily Rate, Revenue per Available Room, and Annual Gross Revenue, although occupancy rates showed varying recovery patterns. Respondents identified infrastructure improvements, strengthened environmental regulations, and destination branding as the most influential government initiatives supporting business recovery, while compliance costs and administrative requirements remained important operational challenges.

The study concludes that coordinated government interventions can simultaneously promote environmental sustainability and strengthen the financial resilience of luxury hospitality establishments. The findings provide practical insights for policymakers, destination managers, and hotel operators seeking to balance environmental conservation with tourism competitiveness and sustainable destination management.

Keywords: government-led tourism rehabilitation; hotel financial performance; sustainable tourism; destination management; five-star hotels; Boracay Island; tourism policy; public-private collaboration.

INTRODUCTION

Tourism remains one of the world's most important economic sectors, contributing significantly to employment generation, regional development, foreign exchange earnings, and community livelihoods. However, the rapid expansion of tourism has also intensified environmental degradation, infrastructure pressures, resource depletion, and overtourism in many destinations. These challenges have prompted governments to adopt tourism rehabilitation and sustainable destination management strategies that seek to balance economic competitiveness with environmental conservation and social well-being. Recent studies have emphasized that successful tourism development increasingly depends on the capacity of destinations to strengthen resilience, improve governance, and promote long-term sustainability rather than pursuing continuous growth in visitor arrivals alone (Demir & Demir, 2024; Gössling & Higham, 2021).

The concept of government-led tourism rehabilitation has consequently gained increasing attention in tourism research as destinations seek to recover from environmental degradation, natural disasters, and global crises. Contemporary tourism recovery frameworks argue that rehabilitation should extend beyond restoring visitor numbers to improving destination quality, strengthening institutional governance, enhancing infrastructure, and creating higher-value tourism experiences. Recent studies further suggest that strategic investments in infrastructure, destination branding, environmental protection, and stakeholder collaboration improve destination competitiveness while supporting long-term economic resilience (Assaf et al., 2022; Nguyen, 2021). Similarly, the United Nations World Tourism Organization has emphasized that resilient tourism destinations require coordinated public-sector interventions capable of simultaneously protecting natural resources and sustaining local tourism economies (UNWTO, 2018).

Luxury hotels are particularly sensitive to destination quality because their competitiveness depends not only on service excellence but also on environmental conditions, accessibility, safety, infrastructure, and destination image. Previous research has demonstrated that improvements in public infrastructure and destination management positively influence hotel performance through increased pricing power, improved operational efficiency, and stronger market competitiveness (Mensah, 2014; Sainaghi, 2011). More recent hospitality studies likewise indicate that hotel financial performance is increasingly shaped by external destination attributes, including destination image, environmental quality, infrastructure, institutional support, and tourism governance, which collectively influence pricing strategies, customer satisfaction, and long-term business competitiveness.

Boracay Island provides a unique setting for investigating this relationship. Recognized internationally as one of the Philippines' premier beach destinations, Boracay experienced decades of rapid tourism growth accompanied by environmental degradation, inadequate wastewater management, unregulated commercial development, and increasing pressure on public infrastructure. In response, the Philippine government implemented an unprecedented six-month closure of the island in 2018, followed by a comprehensive rehabilitation program that included infrastructure upgrades, stricter environmental regulations, enhanced destination governance, and intensified tourism promotion. Since its reopening, Boracay has experienced a substantial recovery in visitor arrivals and tourism revenues, making it an appropriate case for evaluating the economic outcomes of government-led tourism rehabilitation.

Despite the significance of the Boracay rehabilitation, existing literature has primarily focused on environmental restoration, destination sustainability, visitor satisfaction, and tourism recovery. Comparatively little attention has been devoted to examining how government rehabilitation initiatives influence the financial performance of luxury accommodation establishments. Furthermore, previous studies have generally emphasized tourism demand and destination competitiveness rather than objective financial indicators that directly measure business performance. Consequently, there remains limited empirical evidence linking government-led tourism rehabilitation with changes in Occupancy Rate, ADR, RevPAR, and Annual Gross Revenue among five-star hotels operating within a rehabilitated tourism destination.

This study addresses this gap by examining the influence of government-led tourism rehabilitation on the financial performance of Department of Tourism-accredited five-star hotels in Boracay Island. The study is anchored on Butler's Tourism Area Life Cycle (TALC) Model, Stakeholder Theory, the Resource-Based View (RBV), and Public Sector Intervention Theory, which collectively explain how government actions, collaborative governance, and destination resource improvements contribute to tourism competitiveness and organizational performance. These complementary theoretical perspectives provide a comprehensive framework for understanding how environmental rehabilitation and public-sector interventions create conditions that support sustainable tourism development and improved financial outcomes for hospitality enterprises.

Specifically, the study aims to: (1) compare the financial performance of five-star hotels before and after the 2018 Boracay rehabilitation using Occupancy Rate, Average Daily Rate (ADR), Revenue per Available Room (RevPAR), and Annual Gross Revenue; (2) determine the perceived influence of infrastructure development,

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tourism promotion, regulatory policies, and financial incentives on hotel financial performance; and (3) identify the operational experiences and policy recommendations of hotel managers regarding the rehabilitation and long-term management of Boracay Island.

The study tested the following hypotheses:

H_{01}: There is no significant difference in the financial performance of five-star hotels before and after the 2018 Boracay rehabilitation in terms of Occupancy Rate, Average Daily Rate (ADR), Revenue per Available Room (RevPAR), and Annual Gross Revenue.

H_{02}: Government-led tourism rehabilitation initiatives, specifically infrastructure development, tourism promotion, regulatory policies, and financial incentives, do not significantly influence the perceived financial performance of five-star hotels in Boracay Island.

The study contributes to the tourism and hospitality literature in several ways. First, it provides empirical evidence on the financial implications of government-led tourism rehabilitation using objective hotel performance indicators within a developing island destination. Second, it integrates quantitative financial measures with managerial perceptions to provide a comprehensive assessment of post-rehabilitation tourism recovery. Third, the findings offer practical insights for policymakers, destination managers, and hotel operators seeking to strengthen public–private collaboration while balancing environmental conservation with long-term tourism competitiveness. Beyond Boracay, the study provides evidence that may inform tourism rehabilitation strategies in other destinations pursuing sustainable recovery and resilient destination management.

METHODS

Research Design

This study employed a **convergent mixed-methods research design** to examine the influence of government-led tourism rehabilitation on the financial performance of Department of Tourism (DOT)-accredited five-star hotels in Boracay Island, Philippines. The quantitative component evaluated changes in hotel financial performance before and after the 2018 rehabilitation and assessed hotel managers' perceptions of government-led initiatives affecting business performance. The qualitative component explored managerial experiences, operational challenges, and policy recommendations related to the rehabilitation process. Integrating quantitative and qualitative evidence provided a comprehensive assessment of the financial and operational impacts of the government's rehabilitation program.

Study Setting and Participants

The study was conducted among DOT-accredited five-star hotels operating in Boracay Island, Malay, Aklan, Philippines. Because the population of accredited luxury hotels was limited, **complete enumeration** was adopted as the sampling strategy. Of the twelve eligible hotels, ten agreed to participate, representing approximately **83% of the target population**. Respondents were hotel personnel directly involved in financial management and operational decision-making, including finance managers, finance officers, finance controllers, and operations officers.

The participating hotels varied in size, with operational room capacities ranging from **52 to 312 rooms**, providing representation across Boracay's principal tourism areas, including Stations 1, 2, and 3, as well as the Yapak/Punta Bunga area. The respondents' managerial positions and industry experience enabled them to provide informed assessments of the rehabilitation's financial and operational effects.

Research Instrument

Data were collected using a researcher-developed questionnaire consisting of four sections.

The first section obtained respondent and hotel profile information. The second section collected historical financial performance data for the **pre-rehabilitation period (2017)** and the **post-rehabilitation period (2023–2024)** using four objective financial indicators:

- Occupancy Rate (OR)
- Average Daily Rate (ADR)
- Revenue per Available Room (RevPAR)
- Annual Gross Revenue (AGR)

The third section measured respondents' perceptions of four government-led tourism rehabilitation initiatives:

- Infrastructure Development (5 items)
- Tourism Promotion (5 items)
- Regulatory Policies (5 items)
- Financial Incentives (5 items)

The fourth section measured mediating factors, namely Tourist Arrivals (5 items) and Hotel Operational Adjustments (5 items), together with Perceived Revenue Performance (5 items). Responses were measured using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

To enrich the quantitative findings, the questionnaire also included structured questions on government-linked support and three open-ended questions exploring the rehabilitation's most significant impacts, operational challenges, and recommended policy improvements.

The instrument underwent expert validation prior to administration. Internal consistency reliability was established through Cronbach's alpha, with the overall instrument yielding $\alpha = 0.871$, indicating good reliability.

Data Collection Procedure

After obtaining permission from participating hotels, questionnaires were personally administered to authorized managerial personnel responsible for hotel finance and operations. Historical financial data were provided by each participating hotel based on internal business records. To preserve confidentiality, hotel identities were anonymized and financial information was aggregated for analysis.

Data Analysis

Quantitative data were analyzed using descriptive and inferential statistics.

Descriptive statistics, including frequencies, percentages, means, standard deviations, and rankings, were used to summarize respondent characteristics, hotel profiles, perceptions of government-led rehabilitation initiatives, mediating factors, and perceived revenue performance.

Because the study involved paired financial observations before and after rehabilitation from a relatively small population, the Wilcoxon Signed-Rank Test was employed to determine significant differences in Occupancy Rate, ADR, RevPAR, and Annual Gross Revenue. One hotel was excluded from the paired comparison because it commenced operations during the rehabilitation period and did not have complete pre-rehabilitation financial records, resulting in nine matched observations for the inferential analysis.

To assess the practical significance of observed differences, effect sizes (r) were computed for each Wilcoxon Signed-Rank Test. Spearman's rank-order correlation analysis was used to examine the relationships between

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government-led tourism rehabilitation initiatives and perceived revenue performance because the variables were measured on ordinal scales and the sample size was limited.

Qualitative responses from the open-ended questions were analyzed using thematic analysis. Responses were coded, categorized, and synthesized into recurrent themes describing respondents' experiences of the rehabilitation, operational challenges, and recommendations for strengthening public–private collaboration and sustainable tourism management.

Ethical Considerations

The study complied with accepted ethical standards for research involving human participants. Participation was voluntary, and informed consent was obtained from all respondents before data collection. Participants were assured that all responses would remain confidential and would be used solely for academic research purposes. Given the commercially sensitive nature of hotel financial information, all results were reported in aggregated form to prevent the identification of individual establishments or respondents.

RESULTS

Respondent and Hotel Profile

The study included ten Department of Tourism (DOT)-accredited five-star hotels in Boracay Island, representing approximately 83% of the total population of accredited luxury hotels operating on the island. Respondents comprised finance managers, finance officers, finance controllers, and operations officers directly involved in hotel financial management and operational decision-making. The participating hotels varied in size, with operational capacities ranging from 52 to 312 rooms and were distributed across the major tourism areas of Boracay.

Financial Performance Before and After the Boracay Rehabilitation

Table 1 presents the descriptive statistics comparing the financial performance of the participating five-star hotels before and after the 2018 Boracay rehabilitation. To maintain consistency with the inferential analyses, only the nine hotels with complete pre- and post-rehabilitation financial records were included in the comparison.

The descriptive results indicate contrasting patterns in hotel financial performance following the Boracay rehabilitation. Average Occupancy Rate decreased from 79.33% before the rehabilitation to 73.22% after reopening, representing a 7.7% decline. In contrast, substantial improvements were observed in the remaining financial indicators. Average Daily Rate (ADR) increased by approximately 33.0%, from ₱7,922.22 to ₱10,533.33, while Revenue per Available Room (RevPAR) increased by approximately 17.0%, from ₱6,522.22 to ₱7,633.33. Likewise, Annual Gross Revenue increased from approximately ₱357.94 million to ₱464.00 million, representing an increase of approximately 29.6%. These descriptive findings suggest that although the participating hotels accommodated slightly fewer guests following the rehabilitation, they generated substantially higher revenues through improved room pricing and increased revenue efficiency. This pattern indicates that Boracay's rehabilitation contributed to repositioning the destination toward a higher-value tourism market, where improvements in destination quality, environmental conditions, and infrastructure enabled hotels to enhance financial performance despite modest reductions in occupancy.

Table 1

Financial Performance of Five-Star Hotels Before and After Government-Led Tourism Rehabilitation (n = 9)

Financial Indicator	***Before Rehabilitation***	***After Rehabilitation***	***Percentage Change***
Occupancy Rate (%)	79.33	73.22	−7.7%

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Average Daily Rate (ADR) (PHP)	₱7,922.22	₱10,533.33	+33.0%
Revenue per Available Room (RevPAR) (PHP)	₱6,522.22	₱7,633.33	+17.0%
Annual Gross Revenue (PHP)	₱357.94 million	₱464.00 million	+29.6%

Note. *Descriptive statistics are based on the nine participating hotels with complete paired financial records before (2017) and after (2023–2024) the Boracay rehabilitation. One hotel was excluded because it commenced operations during the rehabilitation period and did not have pre-rehabilitation financial data.*

Wilcoxon Signed-Rank Test of Financial Performance

To determine whether the observed differences were statistically significant, the Wilcoxon Signed-Rank Test was performed using paired observations from the nine hotels with complete pre- and post-rehabilitation financial records.

The Wilcoxon Signed-Rank Test indicated statistically significant improvements in Average Daily Rate (ADR) (Z = -2.67, p = .004, r = .89) and Annual Gross Revenue (Z = -2.67, p = .004, r = .89) following the Boracay rehabilitation. Both variables demonstrated large effect sizes, indicating substantial practical improvements in hotel pricing performance and overall revenue generation.

Although Occupancy Rate declined after the rehabilitation, the difference was not statistically significant (Z = -1.96, p = .051). However, the associated effect size (r = .65) suggests a large practical effect, indicating that the observed decline may be operationally meaningful despite narrowly missing the conventional level of statistical significance. Likewise, Revenue per Available Room (RevPAR) increased after the rehabilitation but did not reach statistical significance (Z = -1.84, p = .066), although its large effect size (r = .61) suggests a meaningful practical improvement.

Overall, the findings indicate that the Boracay rehabilitation strengthened the financial performance of participating five-star hotels primarily by increasing room pricing and revenue generation rather than by increasing occupancy. The significant gains in ADR and Annual Gross Revenue, together with the positive trend in RevPAR, suggest that the rehabilitation contributed to repositioning Boracay as a higher-value tourism destination.

Table 2

Wilcoxon Signed-Rank Test Comparing Hotel Financial Performance Before and After Government-Led Tourism Rehabilitation (n = 9)

Financial Indicator	***Pre-Rehabilitation Mean***	***Post-Rehabilitation Mean***	***Z***	***p***	***Effect Size (r)***	***Interpretation***
Occupancy Rate (%)	79.33	73.22	-1.96	.051	.65	Decrease; not statistically significant (large practical effect)
Average Daily Rate (ADR) (PHP)	₱7,922.22	₱10,533.33	-2.67	.004**	.89	Significant increase (large practical effect)
Revenue per Available Room (RevPAR) (PHP)	₱6,522.22	₱7,633.33	-1.84	.066	.61	Increase; not statistically

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						significant (large practical effect)
Annual Gross Revenue (PHP)	₱357.94 million	₱464.00 million	-2.67	.004**	.89	Significant increase (large practical effect)

Note. Wilcoxon Signed-Rank Test based on nine paired observations. One hotel was excluded because it had no pre-rehabilitation financial records. Effect size was computed using r = Z/√N. According to Cohen (1988), r values of 0.10, 0.30, and 0.50 represent small, medium, and large effects, respectively. p < .05 indicates statistical significance.

Perceptions of Government-Led Tourism Rehabilitation

Respondents generally expressed favorable perceptions regarding the government's rehabilitation initiatives and their influence on hotel operations. Infrastructure Development received the highest evaluation, followed by Regulatory Policies and Tourism Promotion, whereas Financial Incentives received the lowest evaluation. Likewise, Tourist Arrivals, Hotel Operational Adjustments, and Perceived Revenue Performance were all rated highly, indicating positive perceptions of post-rehabilitation recovery.

Table 3. Government-Led Tourism Rehabilitation Initiatives

Government Initiative	***Mean***	***Interpretation***	***Rank***
Infrastructure Development	3.68	High	1
Regulatory Policies	3.53	High	2
Tourism Promotion	3.45	High	3
Financial Incentives	2.10	Low	4

Construct Means of Government Initiatives, Mediating Factors, and Revenue Performance

To provide a more comprehensive assessment of respondents' perceptions, the composite mean scores of all major constructs were computed. Infrastructure Development obtained the highest mean score (M = 3.68), while Financial Incentives obtained the lowest (M = 2.10). The mediating variables, Tourist Arrivals (M = 3.57) and Hotel Operational Adjustments (M = 3.52), both received high ratings. Perceived Revenue Performance also received a high evaluation (M = 3.66), suggesting that respondents generally viewed the rehabilitation as contributing positively to hotel financial recovery.

Table 4. Construct Means of Government Initiatives, Mediating Factors, and Perceived Revenue Performance

Construct	***Mean***	***Interpretation***
Infrastructure Development	3.68	High
Tourism Promotion	3.45	High
Regulatory Policies	3.53	High
Financial Incentives	2.10	Low
Tourist Arrivals	3.57	High

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Hotel Operational Adjustments	3.52	High
Perceived Revenue Performance	3.66	High

Spearman Rank-Order Correlation Analysis

Spearman's rank-order correlation was performed to determine the relationships between government-led tourism rehabilitation initiatives and perceived revenue performance.

Tourism Promotion demonstrated the strongest statistically significant positive relationship with perceived revenue performance (ρ = .641, p = .046). Infrastructure Development and Tourist Arrivals also exhibited moderate positive relationships, although statistical significance was not achieved, likely because of the limited sample size.

Table 5. Spearman Rank-Order Correlation between Government Initiatives and Perceived Revenue Performance

Variable	***Spearman's ρ***	***p-value***	***Interpretation***
Infrastructure Development	.606	.063	Moderate positive relationship
Tourism Promotion	.641	.046	Significant positive relationship
Regulatory Policies	-.132	.716	Very weak negative relationship
Financial Incentives	.195	.589	Weak positive relationship
Tourist Arrivals	.619	.056	Moderate positive relationship
Hotel Operational Adjustments	-.239	.506	Weak negative relationship

Government-Linked Support

As shown in Table 6, none of the participating hotels reported receiving direct financial assistance, tax relief, or comparable government incentives following the Boracay rehabilitation. In contrast, all respondents agreed that public infrastructure improvements reduced operational disruptions and enhanced day-to-day hotel operations. Four hotels (40%) indicated that compliance with strengthened environmental and operational regulations required additional investments, with reported expenditures ranging from approximately ₱100,000 to ₱200,000. These findings corroborate the quantitative results, where Infrastructure Development obtained the highest mean rating whereas Financial Incentives received the lowest.

Table 6. Government-Linked Support Received by Participating Five-Star Hotels after the Boracay Rehabilitation (N = 10)

Government-Linked Support Indicator	***Yes n (%)***	***No n (%)***	***Remarks***
Hotel received financial assistance, tax relief, or government incentives	0 (0%)	10 (100%)	No participating hotel reported direct government financial assistance.
Public infrastructure improvements reduced operational disruptions	10 (100%)	0 (0%)	All respondents agreed that infrastructure improvements enhanced hotel operations.

Compliance with new environmental and operational regulations required additional investments	4 (40%)	6 (60%)	Reported compliance expenditures ranged from approximately ₱100,000 to ₱200,000.

Note. *Percentages are based on the ten participating DOT-accredited five-star hotels in Boracay Island.*

Qualitative Findings

Thematic analysis identified six recurring themes: (1) infrastructure modernization enhanced operational efficiency; (2) environmental rehabilitation strengthened Boracay's destination image; (3) destination branding supported higher room rates and premium tourism; (4) regulatory compliance increased operational costs; (5) stronger public–private collaboration is needed to improve tourism governance; and (6) streamlined government services and permit processing remain priority policy recommendations. Overall, respondents acknowledged that while the rehabilitation imposed short-term financial and operational challenges, it generated substantial long-term benefits by improving destination quality, strengthening market positioning, and enhancing the financial performance of five-star hotels.

DISCUSSION

Financial Performance Before and After the Boracay Rehabilitation

The first objective of this study was to compare the financial performance of Department of Tourism (DOT)-accredited five-star hotels before and after the 2018 Boracay rehabilitation. The findings revealed a significant increase in Average Daily Rate (ADR) and Annual Gross Revenue following the rehabilitation, while Occupancy Rate declined modestly. Although Revenue per Available Room (RevPAR) increased, the change was not statistically significant. These findings indicate that the rehabilitation strengthened the financial performance of luxury hotels primarily through improved pricing power rather than increased occupancy.

The increase in ADR and Annual Gross Revenue is consistent with Assaf et al. (2022), who argued that hotel performance is influenced by destination-level factors such as infrastructure quality, destination reputation, and market positioning. Similarly, Sainaghi (2011) found that destination competitiveness and pricing strategies significantly influence hotel revenue performance. The Boracay experience demonstrates that government-led environmental rehabilitation can improve a destination's perceived value, allowing hotels to command higher room rates despite accommodating slightly fewer guests.

The findings also support Nguyen (2021), who reported that investments in tourism infrastructure enhance destination competitiveness by attracting higher-value visitors rather than simply increasing tourist arrivals. Likewise, Dwyer and Kim (2003) emphasized that competitive destinations create value through quality infrastructure, effective governance, and coordinated tourism policies. The observed pattern of lower occupancy but higher ADR and revenue suggests that Boracay's rehabilitation successfully repositioned the island as a premium tourism destination. This interpretation is further supported by Butler's (1980) Tourism Area Life Cycle (TALC) Model, which proposes that destination rejuvenation restores competitiveness through strategic interventions that improve destination quality and long-term sustainability.

Government-Led Tourism Rehabilitation Initiatives and Hotel Financial Performance

The second objective examined the perceived influence of government-led tourism rehabilitation initiatives on hotel financial performance. Among the four dimensions evaluated, Infrastructure Development received the highest rating, followed by Regulatory Policies and Tourism Promotion, whereas Financial Incentives received the lowest evaluation.

The prominence of Infrastructure Development is consistent with Nguyen (2021), who concluded that investments in transport, utilities, and public infrastructure improve destination attractiveness and support tourism business performance. Likewise, Hall (2008) emphasized that strategic infrastructure development is fundamental to sustainable tourism planning and destination competitiveness. The qualitative findings reinforce these conclusions, with respondents identifying improved roads, drainage systems, utilities, and logistics as major contributors to operational efficiency and guest satisfaction.

Tourism Promotion also emerged as an important determinant of hotel performance. The significant positive relationship between Tourism Promotion and perceived revenue performance suggests that government marketing initiatives played an important role in restoring traveler confidence and strengthening Boracay's image following the rehabilitation. These findings support Shao et al. (2020), who demonstrated that government promotion positively influences travel intentions, and Carlos et al. (2023), who reported that destination image significantly contributes to visitor satisfaction and tourism competitiveness.

Conversely, Financial Incentives received the lowest evaluation because none of the participating hotels reported receiving direct financial assistance, tax relief, or similar incentives following the rehabilitation. Instead, respondents acknowledged that compliance with strengthened environmental regulations required additional investments. Unlike studies emphasizing fiscal incentives as important drivers of business recovery, the present findings indicate that Boracay's tourism recovery was supported primarily through infrastructure investment, environmental management, and destination governance rather than direct government subsidies. This finding contributes to tourism policy literature by suggesting that long-term investments in destination quality may generate more sustainable economic benefits than short-term financial assistance alone.

Operational Experiences and Policy Implications

The third objective sought to identify the operational experiences of hotel managers and their recommendations for improving tourism management following the rehabilitation. The qualitative findings revealed that respondents experienced considerable short-term challenges during the rehabilitation period, including temporary business closures, revenue losses, employee layoffs, increased compliance costs, and operational disruptions associated with the COVID-19 pandemic. Despite these challenges, respondents consistently recognized the long-term benefits of improved environmental quality, stronger destination branding, enhanced infrastructure, and more effective tourism governance.

These findings support Bramwell and Lane (2011), who argued that sustainable tourism requires balancing environmental conservation with economic development through collaborative governance. They also align with Scott (2014), whose institutional perspective emphasizes that coordinated action among government agencies and private stakeholders strengthens organizational performance and policy effectiveness. Hotel managers further recommended stronger public–private collaboration through regular stakeholder consultations, streamlined permitting systems, digital government services, and integrated tourism planning.

Unlike Monterola et al. (2020), who highlighted governance challenges affecting tourism development in the Philippines, the present study demonstrates that coordinated government intervention during the Boracay rehabilitation generated positive long-term outcomes for the luxury hotel sector. Although implementation challenges and compliance costs were acknowledged, respondents generally viewed the rehabilitation as a successful model of destination recovery that enhanced both environmental sustainability and hotel financial performance.

Overall, the findings demonstrate that government-led tourism rehabilitation can improve the financial resilience of luxury hotels while promoting sustainable destination management. The Boracay rehabilitation illustrates how coordinated investments in infrastructure, environmental protection, destination marketing, and collaborative governance can reposition a mature tourism destination toward higher-value, more sustainable tourism. These findings contribute to the growing literature on sustainable tourism and destination resilience by providing empirical evidence that government-led rehabilitation can simultaneously generate environmental and economic benefits when supported by effective stakeholder collaboration and long-term strategic planning.

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CONCLUSION

This study examined the influence of government-led tourism rehabilitation on the financial performance of Department of Tourism (DOT)-accredited five-star hotels in Boracay Island, Philippines. Using a convergent mixed-methods approach, the study integrated objective financial indicators with hotel managers' perceptions and qualitative insights to evaluate the outcomes of the government's rehabilitation program.

The findings demonstrate that the rehabilitation significantly improved key financial performance indicators, particularly Average Daily Rate (ADR) and Annual Gross Revenue, despite a modest decline in Occupancy Rate. These results indicate that the rehabilitation repositioned Boracay as a higher-value tourism destination, enabling hotels to generate greater revenue through improved pricing strategies rather than increased visitor volume alone. The observed improvements in financial performance highlight the economic benefits of investing in destination quality, environmental restoration, and infrastructure development.

Among the government-led initiatives, Infrastructure Development emerged as the most influential factor contributing to improved hotel performance, followed by Regulatory Policies and Tourism Promotion. In contrast, Financial Incentives received the lowest evaluation, as none of the participating hotels reported receiving direct government financial assistance after the rehabilitation. Nevertheless, respondents consistently recognized that investments in roads, drainage systems, utilities, destination branding, and environmental management enhanced operational efficiency, strengthened destination competitiveness, and improved the overall visitor experience.

The qualitative findings further revealed that although hotel operators experienced temporary closures, revenue losses, compliance costs, and operational disruptions during the rehabilitation period, they generally perceived these challenges as necessary investments toward achieving long-term destination sustainability. Respondents emphasized the importance of stronger public–private collaboration, streamlined regulatory processes, and continuous government support to sustain the gains achieved through rehabilitation.

Overall, the study provides empirical evidence that government-led tourism rehabilitation can simultaneously promote environmental sustainability and improve the financial performance of luxury hotels when supported by strategic infrastructure investments, effective destination marketing, and collaborative governance. The Boracay experience offers a valuable model for other tourism destinations seeking to balance ecological conservation with long-term economic resilience and competitiveness.

Practical Implications

The findings of this study provide several practical implications for policymakers, tourism planners, destination management organizations, and hotel operators. First, the results demonstrate that investments in environmental rehabilitation and public infrastructure can generate measurable economic benefits for the hospitality industry. The significant improvements in Average Daily Rate (ADR) and Annual Gross Revenue suggest that government-led rehabilitation programs can enhance destination competitiveness by attracting higher-value tourism markets rather than relying solely on increasing visitor arrivals. Policymakers may therefore consider integrating environmental conservation, infrastructure development, and destination marketing into long-term tourism development strategies.

Second, the study highlights the importance of sustained collaboration between government agencies and private tourism stakeholders. Respondents consistently emphasized the need for regular consultations, streamlined regulatory procedures, and more efficient public services. Institutionalizing public–private partnerships through collaborative planning, digital governance, and coordinated destination management may improve policy implementation while strengthening stakeholder confidence and investment in sustainable tourism initiatives.

Third, although respondents recognized the long-term benefits of the rehabilitation, none of the participating hotels reported receiving direct financial assistance or fiscal incentives. This finding suggests that future rehabilitation programs should incorporate targeted financial support mechanisms, such as sustainability grants,

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tax incentives, low-interest financing, or technical assistance, particularly for tourism enterprises undertaking environmental compliance and operational improvements. Such initiatives may reduce compliance burdens while encouraging greater private-sector participation in sustainable destination management.

Finally, the findings provide valuable guidance for hotel managers. Investments in service quality, environmental sustainability, digital innovation, and staff capability development should continue to complement government initiatives to strengthen Boracay's position as a premium tourism destination. By aligning business strategies with destination sustainability goals, hotel operators can enhance both operational resilience and long-term financial performance.

Limitations of the Study

Several limitations should be considered when interpreting the findings of this study. First, the research focused exclusively on Department of Tourism (DOT)-accredited five-star hotels in Boracay Island. Although the participating establishments represented approximately 83% of the target population through complete enumeration, the findings may not be generalizable to other accommodation categories, such as boutique hotels, hostels, pension houses, or small and medium tourism enterprises.

Second, the study examined financial performance using a limited number of objective indicators, namely Occupancy Rate, Average Daily Rate (ADR), Revenue per Available Room (RevPAR), and Annual Gross Revenue. Other performance measures, including profitability ratios, operating margins, return on investment, customer satisfaction, employee productivity, and environmental performance, were beyond the scope of the present investigation.

Third, the study employed a cross-sectional mixed-methods design using historical financial records and respondents' perceptions during the post-rehabilitation period. Although the design provides valuable insights into the outcomes of the rehabilitation, it does not fully capture the dynamic and long-term effects of government interventions over time. Furthermore, the relatively small number of participating hotels limited the application of more advanced statistical techniques despite the use of appropriate nonparametric analyses.

Despite these limitations, the study provides robust evidence because it employed complete enumeration of the accessible population of DOT-accredited five-star hotels and integrated objective financial indicators with qualitative managerial perspectives to provide a comprehensive assessment of government-led tourism rehabilitation.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

1. **For national and local government agencies.** Future tourism rehabilitation programs should continue prioritizing investments in public infrastructure, environmental protection, and destination marketing while strengthening institutional coordination among the Department of Tourism (DOT), Department of Environment and Natural Resources (DENR), local government units, and other stakeholders. Government agencies should also consider developing targeted financial assistance mechanisms, such as tax incentives, low-interest financing, or sustainability grants, to help tourism enterprises comply with environmental regulations and invest in sustainable operations.

2. **For hotel owners and managers.** Hotel operators should continue investing in service quality, environmental sustainability initiatives, staff capability development, and digital transformation to capitalize on Boracay's repositioning as a premium tourism destination. Strengthening partnerships with government agencies and local tourism organizations may also improve destination promotion and operational resilience.

3. **For destination management organizations.** Greater emphasis should be placed on institutionalizing public–private collaboration through regular stakeholder consultations, integrated destination planning,

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streamlined permitting systems, and digital government services. These initiatives may enhance policy implementation, improve investor confidence, and strengthen destination governance.

4. **For future researchers.** Future studies should expand the scope of investigation by including other categories of accommodation establishments, tourism enterprises, and destinations undergoing environmental rehabilitation. Comparative studies involving different island destinations or tourism regions would contribute to a broader understanding of how government-led rehabilitation influences tourism competitiveness and business performance under varying institutional and environmental contexts.

   Researchers are also encouraged to employ longitudinal research designs to examine the long-term financial and operational impacts of rehabilitation initiatives across multiple years. Such studies may provide deeper insights into the sustainability of observed improvements and the evolving relationships among destination governance, environmental management, and hospitality performance.

   Future investigations may further incorporate additional organizational and destination-level variables, including customer satisfaction, destination loyalty, environmental performance, digital transformation, organizational resilience, innovation capability, and stakeholder engagement. With larger datasets, advanced analytical approaches such as structural equation modeling, multilevel modeling, or mediation analysis may also be employed to examine the complex relationships among government interventions, destination competitiveness, and hotel performance.

   Finally, future research should continue exploring the role of collaborative governance, climate resilience, and sustainable destination management in enhancing the competitiveness of tourism-dependent economies. Such investigations will contribute to the growing body of knowledge supporting evidence-based tourism policy and sustainable hospitality development in the Philippines and other emerging tourism destinations.

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