ASSESSMENT OF IMPACTS OF TOURISM GROWTH TO REVENUE COLLECTION IN ZANZIBAR

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CERTIFICATION

I, the undersigned, certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania, a dissertation titled: ***The Assessments of the Impacts of Tourism growth to revenue collections in Zanzibar***, in partial fulfilment of the requirements for the award of the degree of Master of Business Administration (MBA)- Finance of the Open University of Tanzania.

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Dr Gwahula Raphael

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DECLARATION

I, **Werema Stephen M**, do hereby declare that this thesis is my own original work and it has not been presented and will not be presented to any academic or non-academic Institution, and that to the best of my knowledge and understanding it does not contain any materials previously published or written by other academician except where due respect and reference clearly indicated in this dissertation.

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Date

DEDICATION

This work is dedicated to my lovely wife Nangi Abel Mwampaja, for her support and prayers that enabled me prepare and submit this report, and the whole of my family for their encouragement, love and support.

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I put the Name of JESUS above everything that deserves a glory in this acknowledgement, for His blessing and guidance that have always been the essence of my academic and non-academic success.

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ABSTRACT

This study investigated the impacts of tourism growth to revenue   collection in Zanzibar. It was conducted in Zanzibar Revenue Board (ZRB). The objectives of the study were; to examine the growth rate of Tourism in Zanzibar, to determine the effectiveness of tourism revenue collection, to determine the relationship between tourism growth and revenue collection and to identify the challenges facing tourism revenue collection in Zanzibar. The study used case study design where both random and purposive sampling method was used. Questionnaires and structured interviews were employed to gather raw data from the respondents. Secondary data from ZRB and was also be used. The data was analyzed using Microsoft excel package and SPSS on a personal computer. Correlation and regression analysis done to determine the relationships of the variables   The study found out that growth in tourism increased revenue collection, ZRB employees are committed and corruption free and that there was significant relationship between tourism growth and revenue collection. Also the study found out challenges were the major one was lack of voluntary compliance by revenue payers. The study recommended ZRB top management should change their mind set of not emphasizing revenue payment. They should bear in mind that revenue collection from tourism sources increases revenue collection and in turn increases economic development in our country.

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LIST OF ABBREVIATIONS

GDP   Gross Domestic Product

NBS   National Bureau of Statistics

OCGS   Office of Chief Government Statistician

RGOZ   Revolutionary Government of Zanzibar

TZS   Tanzanian Shillings

TRA   Tanzania Revenue Authority

VAT   Value Added Tax

ZRB   Zanzibar Revenue Board

ZTC   Zanzibar Tourism Commission

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The tourism industry is the world's largest industry and is being utilized for economic development and rapid growth in many developing countries. Countries all over the world nowadays perceive tourism as a sustainable means for economic prosperity in macro and micro levels (Burinskiene and Rudzkiene, 2005).

Tourism has become the biggest economic activity of this day and age, with 476 billion dollars in the year 2000; tourism is doubtless the primary source of international trade receipts (Kweka, 2001). World tourist organization (WTO) still expects over one billion international tourist arrivals in 2010 and over 1.5 billion tourists and US$ 2 trillion receipts in 2020 (Kweka 2001)

WTO's vision 2020 presents an optimistic picture for the tourism sector in Africa with growth of 5.5 per cent a year forecast of the period 1995 – 2020, as against the global rate of 4.1 percent of the 77 Million international tourist arrivals anticipated in the continent in 2020, an estimated 17 Million will be in the countries of East Africa producing an average growth of 5.3 percent.

In Zanzibar the tourism industry is growing at an annual rate of almost 11% (Zanzibar Economic survey 2013). In 2011 tourist arrivals reached 175,067 being 31.0 percent higher compared with figures in 2010, while in 2013, tourist arrivals was 181,301. In addition, according to figures compiled by the Commission for Tourism, there are currently 173 tourist accommodation establishments in Zanzibar, with a total of 3,089

rooms and 6,139 beds. The majority are located in Unguja, with 14 establishments (with a total of 110 rooms and 214 beds) in Pemba. Outside the hotels, there are approximately twenty restaurants of international standard, with several new high quality establishments opened in Stone Town in the past few years. All these reflect increase in touristic activities in Zanzibar. Despite this growth little is known to whether the increase in tourism in Zanzibar has increased revenue to the government. This tremendous growth in tourism prompted the researcher to carry out this study to find out the contribution of tourism in revenue collection in Zanzibar.

1.2 Statement of the Problem

Evidence of rapid Increase of tourism in Zanzibar is seen as confirmed by hotel beds occupancy, visitor's arrivals which are on the increase (Zanzibar tourism Commission Report 2013). In 2011 tourist arrivals reached 175,067 being 31.0 percent higher compared with figures in 2010, while in 2013, tourist arrivals was 181,301.

Despite this growth little is known to whether the increase in tourism in Zanzibar has increased revenue to the government to enable it provide service to its citizens. Every year government budget displays deficits. This brings the un answered question, "Does the boom in tourism in Zanzibar increase revenue collected by the government in Zanzibar? Recent data shows increased growth of 11% in tourism industry (Zanzibar tourism Commission Report 2013). With this evidenced significant increase in growth of tourism, there has not been major economic growth, public infrastructure remained poor, government services to citizens are inadequate and poor; poverty on the populace seems to be a disturbing issue and conflicts millennium development goals of reducing poverty. Thus this prompted the researcher to assess the impacts of tourisms towards revenue collection in Zanzibar.

1.3 Research objectives

The general objective of this research was to assess the impact of tourism growth to revenue collection in Zanzibar.

1.4 Specific Objectives

i.   To examine the growth rate of Tourism in Zanzibar

ii. To determine the effectiveness of tourism revenue collection in Zanzibar

iii. To determine the relationship between tourism growth and revenue collection in Zanzibar.

iv. To identify the challenges facing tourism revenue collection in Zanzibar

1.5 Research questions,

To achieve the above objectives, this study was designed in order to answer the following questions:-

i.   What is the contribution of tourism to revenue collection in Zanzibar?

ii. How is the effectiveness of tourism revenue collection in Zanzibar?

iii. Is there relationship between tourism growth and revenue collection in Zanzibar?

iv. What are the challenges facing tourism revenue collection in Zanzibar?

1.6 Significance of the Study

The study will have both, empirical significance as well as managerial implications. On the side of empirical significance, this study will help to fill the knowledge gap concerning the contribution of tourism in revenue collection in Zanzibar; the findings will contribute greatly to the body of knowledge as it will be used as a base for further studies

On managerial implications, the findings of the study will give solutions to managerial questions posed by Zanzibar Revenue Board and other stakeholders on the impacts of tourism on revenue collection, thus improving the Zanzibar performance economically, administratively and socially. The findings will also facilitate further reforms geared towards better performance and assist policy makers to come up with appropriate bylaws to curb tourism actors who refuse to pay revenue.

CHAPTER TWO

LITERATURE REVIEW

2.1 Chapter Overview

The chapter starts with the theoretical background where relevant theories of the construct have been visited and discussed. Further, matters relating to the research objectives and questions are also discussed alongside relevant supporting studies. At the end chapter summary is given.

2.2 Definitions

2.2.1 Tourism

The World Tourism Organization defines tourists as people "travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes". In this study definition by Macintosh and Goeldner will be adopted which defines tourism as The sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host governments and host communities in the process of attracting and hosting these tourists and other visitors"

2.2.2 Tourism growth

The study used tourism growth as the increase of tourism activities in Zanzibar

2.2.3 Tourism Revenue

The income obtained from tourism activities by ZRB

2.3 Theoretical Literature Review

2.3.1 The principle of sustainable tourism

As proposed as early as 1988 by the World Tourism Organization, with sustainable tourism "envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, and biological diversity and life support systems". Recalling previous declarations on tourism, such as the Manila Declaration on world tourism, The Hague Declaration and the Tourism Bill of rights and tourist Code, the Charter for sustainable tourism approved during the World Conference on sustainable tourism, held in Lanzarote in 1995, underlined the need to develop a kind of tourism that meets both economic expectations and environmental requirements, and respects not only the social and physical structure of its destination, but also the local population.

But what does such a way of understanding tourism development entail? Which are the major consequences of the adoption of a view aimed at ensuring the sustainable use of resources in tourism based on the diversity of opportunities offered by the local economy? From this perspective, it is useful to underline the principal aspects of sustainability in revenue when this is referred to the tourism sector (Cooper, 2000).

The concept of sustainability of revenue from tourism has a twin valence: on one hand there is the ecological aspect that is the conservation of the natural equilibrium of all the components of the natural environment (flora, fauna, water resources, etc.); on the other hand there is the anthropological aspect, which could be expressed by the persistence of enjoyment of this environment in spite of growing tourist flows.

It is obvious, at least for the economist, that there is a strong relationship between the two characteristics (ecological and anthropological) of sustainability in tourist enterprise. In fact, the degradation of the weaker components of the natural environment, especially if it is irreversible, provokes, first of all, a slowdown in the development of tourist activity, with substantial consequences at a social and economic level. Such a situation of backwardness and impoverishment will subsequently result in a loss of interest in conservation and good use of natural and environmental resources, which are of great interest to tourists. Added to this there is also a substantial loss even in the financial profitability of the different commercial activities concerned.

For this sake it is worthwhile underlining how this interaction between environmental deterioration and economic profitability can be considered as the point which lies at the root of the well-known phenomenon of the life cycle of tourist businesses. In fact, this cycle starts off in areas of great value both in culture and in landscape, when the territory is characterized by environmental high quality. As natural, cultural and environmental resources are assaulted by tourist exploitation, sooner or later the territory concerned passes form "luxury tourism" to "cheap tourism", appealing to the masses.

The short-sightedness of the public authorities and of private operators induces us to assert that the loss in quality – both of the client-tourist and of the natural environment – may be compensated by the quantity, by growth in the number of tourists, hotels, complexes to host tourists and entertainment places in general.

Very soon the unsustainability of such a strategy oriented towards tourism for the masses, emerges in both its economic and environmental negative consequences. The elasticity of the demand for tourist services – when faced with a reduction in prices –

beyond a certain level of decadence of these services and of environmental quality – shows a value which is inferior to the unit and shows a declining trend, with a consequential reduction in the profitability of the commercial tourist enterprises, in general.

At the same time, the congestion created by the influx of a greater number of tourists determines degradation in the environment, in the landscape, in the flora and fauna while transport and restaurant services reach levels which are incompatible with an efficient running of the businesses from an economic point of view. When such situation reaches drastic limits, the whole region – from an initial situation of a sort of "heavenly isolated paradise" which justified "luxury tourism" – is hit by phenomena of tourist desertification, with serious situations of environmental deterioration, which are frequently irreversible, which are linked with bankruptcy and the flight of the more qualified tourist operators. The five stages of Butler's life cycle theory clearly express the tourist area evolution.

The first stage, exploitation, is characterized by small numbers of adventurous visitors, simple facilities, unspoiled natural, cultural and environmental resources, and undisturbed local communities.

In the next stage, involvement, the local community is engaged in tourism activities: facilities and infrastructure are built; different agencies, authorities and organizations are involved in the development, management and implementation of tourism industry; the tourism market is defined and maintains a balance with other economic activities.

By the development stage, the area is experiencing an exciting and dynamic period of growth and evolution. The destination is clearly defined: attractions have been developed, and planning tourism is undertaken as part of overall development plans for any area. Large numbers of new visitors continue to arrive, fuelling growth and, at peak periods perhaps equaling or exceeding the numbers of local inhabitants.

In the consolidation stage, the volumes of tourists are still increasing, but a declining rate. The destination is now strongly marketed and tourism is seen as a main instrument for regional and local economy, with an identifiable recreational business district containing the major franchises and chains.

There is no doubt that the tourist area life cycle is a scion of the product life cycle. Since Butler (1980) expressed his original views on destination development, life cycle theory has been widely recognized as a conceptual framework for analyzing the historical progression of resorts from a wide range of perspectives (Buhalis, 2000).

In the stagnation stage, the highest number of tourists is achieved. The tourist area is no longer attractive and fashionable. It relies on repeat visits and business use of its extensive facilities and major efforts are needed to maintain the number of visits. The destination may by now have serious problems with wastes and other environmental, cultural and social costs.

Agarwall (1994) has suggested a post-stagnation phase where a range of possibilities exist. These essentially include: continued decline, in which visitors are lost to newer resorts and the destination becomes dependent on a smaller geographical catchment for daytrips and weekend visits, or different forms of rejuvenation, in which the area still

remains as a tourist resort but deciding on new uses, new customers, new distribution channels and thus repositioning the destinations.

2.3.2 Tourism and Sustainable Development

Tourism can be considered one of the most remarkable socio-economic phenomena of the twentieth century, as it comprises an extensive range of economic activities and therefore can be considered the largest industry in the world (Goodwin, 2000; Neto 2003). Argued further by Neto (2003), tourism is the only major service sector in which developing countries have consistently recorded trade surpluses relative to the rest of the world and it is now the second largest source of foreign exchange earnings in these least developed countries.

The development of tourism as a whole is usually accompanied by considerable investments in infrastructure, such as airports, roads, telecommunication to mention few, from which not only tourists benefit but also contribute to the improving the living conditions of local populations.

Tourism sector is an increasingly a significant generator of direct and indirect employment primarily for unskilled labour, migrants from poor rural areas, people who prefer to work part time, and notably women (Goodwin, 2000). Because the sector is relatively labour-intensive, investments in tourism tend to generate a larger and more rapid increase in employment than equal investment in other economic activities (Jamieson, Goodwin & Edmunds, 2004).

Furthermore, tourism is often identified as the most promising driving force for the economic development of less developed countries and regions endowed with natural

beauty because it offers them a valuable opportunity for economic diversification (Lansing & De Vries, 2007). Although Nel & Binns (2002) acknowledge the increasing importance of tourism generally and more specifically in the developing world to the extent of regarding it as a "passport to development", however, questions concerning the costs and impacts of tourism, and whether it can truly be an empowering development strategy for the host community to derive sustainable long-term benefits, must be asked.

In response to the concern above, a term sustainable tourism has surfaced in recent years. Researchers (Luvanga & Shitundu, 2003; Goodwin, 2006; Quirin, 2010) argue that, sustainable tourism development should go beyond the promotion of socio-economic development and give greater priority to poverty reduction. According to Ashley, Goodwin & Roe (2001), reducing poverty requires pro-poor growth in such a way that rather than aiming at expanding the size of tourism sector the strategies should aim to unlock opportunities (for economic gain, other livelihood benefits, or engagement in decision making) for the poor.

Several reasons as to why tourism can be a particularly effective tool of poverty reduction have been pinpointed. First, tourism is very large sector, it is growing rapidly and there is some evidence that it is relatively labour intensive (Jamieson, Goodwin & Edmunds, 2004). Second, there are considerable linkages with the informal sector, which could generate positive multiplier effects to poorer groups that rely on that sector for their livelihood (Neto, 2003). Third, tourism tend to be heavily based on upon the preservation of natural capital such as wildlife and scenery and cultural heritage, which are often „assets that some of the poor have, even if they have no financial resources" (Goodwin, 2008).

In analyzing a wide number of case studies in different developing countries, Meyer, Ashley & Poultney (2004) and WTO (2004), identified various strategies or ways of addressing poverty through tourism and these can be applied in almost every country. Among others, tourism can address poverty through the employment of the poor in tourism enterprises; the supply of goods and services to tourism enterprises by the poor; the direct sale of goods and services to visitors by the poor; and supporting the establishment of tourism enterprises by the poor. These strategies are about creating linkages with a number of stakeholders which can include local tourism enterprises and small, medium and micro enterprises (SMMEs) suppliers, community organizations, local residents and neighbours, and local staff.

While sustainable tourism is often proposed as a solution to poverty alleviation, the efficiency of such a solution is not without challenges when it comes to its implementation. Argued by Jamieson, Goodwin & Edmunds (2004); Lansing & De Vries (2007); and Mshenga & Owour (2009), the barriers to effectively using sustainable tourism development as a tool for poverty reduction include lack of the of the government programs targeted to the tourism informal sector which plays an essential role in providing tourism services and has the significant potential of helping to reduce poverty. In addition, the poor are very often have limited access to tourism infrastructure and assets, and in particular regions and communities they lack essential market knowledge to allow them to develop pro tourism strategies and products based on sound market information. Moreover, the poor lack access to credit which is essential in helping them to participate in the tourism economy and more often the areas with the highest levels of poverty lack the necessary transportation and communications infrastructure essential to meeting the needs of the tourism industry.

Suggested by Jamieson, Goodwin & Edmunds (2004), it is clear that for tourism to become an effective poverty tool there needs to be a paradigm shift in the way that we think about tourism and the policies, plans and practices that are used in order to ensure the poor profit from the tourism development process.

In addition, an important consideration in sustainable initiatives is the involvement of the local residents, guaranteeing that the benefits are shared on a community-wide basis (Lansing & De Vries, 2007). Consequently part of sustainable tourism is the ongoing attempt to build tourism properties with local capital, using local workers and local management. Because one of the main economic concerns with tourism development is the leakage effect, which prevents the host countries from holding and retaining the gains from tourism (UNCTAD, 2008), therefore use of local employees and local suppliers may promote sustainable tourism developments to reduce „leakage" effect (Ashley, 2006), while maximizing the poverty elimination and creating economic opportunities for the poor (Goodwin, 2008). In the light of this, this study therefore agrees with the (Mshenga & Owuor, 2009) claim that, there must be recognition that the small-scale tourism related businesses can have an important impact on poverty reduction and help create a linkage between tourism and other economic sectors particularly agriculture (Luvanga & Shitundu, 2003; Ashley, 2006), where majority of the poor depend as a key source of their livelihood (Rueegg, 2009).

2.4 Empirical Literature Reviews

2.4.1 Contribution of Tourism to Revenue

Tourism is documented as one of the fastest growing sectors in the world and it represents more than 33.0 percent of the world services trade. For instance, over the

last three decades, tourism receipts have grown from USD 160 billion per day in 1982 to USD 959 billion, per day in 2012 (WTO, 2013).

Literature in most cases supports that a similar phenomenon has been happening in developing countries as well as tourism is recorded to constitute one of the fastest growing sectors in developing countries' economies. By the year 2012, tourism was one of the top five sources of foreign currency for 83 percent of developing countries and its contribution from the receipts to total revenues in these countries was within the range of 20 to 60 percent (World Bank, 2013).

In developing countries of Asia, Latin America and Africa, net foreign exchange contribution amounted to 2.6 billion, 2.6 billion and 0.7 billion dollars respectively in1986 (Monroe 2011). It is an important foreign exchange earner in many of the Asian economies such as Thailand and Indonesia as well as small-island economies such as Fiji, Jamaica, Bermuda, Maldives and Seychelles (Sinclair et al 1995).

In Gambia, tourism is described to be able to solve its economic difficulties in terms of contributions to foreign exchange earnings, government revenues, regional development stimuli, and creation of employment (Dieke, 1993). For the case of GDP/GNP in Bali Island (Indonesia), tourism's contribution to GDP is estimated at between 20 to 40 percent (Sinclair et al 1995).

In Nepal the average contribution of tourism earnings to GDP increased from 1.0 percent in 1974 to 4 percent in 1992. During the 1990s its contribution to GDP was 50 percent in Seychelles and to GNP was 32 percent in Barbados, 18 percent in Maldives, 10 percent in Mauritius and 6 percent in Tunisia (Gee, 1997).

Incomes for national citizens related to their employment in the tourist sector are also important. For example, in larger and more economically diversified islands, such as Jamaica and Puerto Rico, tourism generates about 5 percent of total employment. In smaller islands the share can go up to one-half and above (Chenery, 2010). In other developing countries the figure is not big, as in Cyprus employment creation lies between 5 percent and 10 percent, in Malta 3.5 percent, in Fiji 5 percent, and in Bali less than 1 percent. Direct employment in hotels is the most reliable indicator of the sector's contribution to employment. In Tunisia and Malta, for example, hotels employ about 0.4 persons per bed. In Bali each twin-bedded room averaged 1.5 employees in 1974 (Kasyoka 1975).

One key issue related to tourism is its linkage to the economy. Tourism activities represent a wide value chain with linkages to the rest of the economy, designed to meet the needs of consumers with an ever changing variety of lifestyle such as ecotourism, adventure tourism, health and wellness, heritage, sports and religion. In turn, this opens up opportunities for other sectors to provide a variety of inputs to tourism entities ranging from accommodations.

2.4.2   Tourism Policy in Zanzibar

Like all other countries, Zanzibar has policies to guide tourism, promote an enhance revenue collection (ZTC report 2013). The government expected growth rate in tourism to be between 9 – 10% by 2020. To actualize these goals the government has crafted objectives which will permit the establishment of the country future tourism development with Sustainability. Some of the objectives are; To utilize more effectively the tourism potential to generate more income, human resources, foreign exchange earnings while

protecting the environment, Zanzibar culture and traditions, To diversify the tourist attractions in order to achieve a balanced growth of the tourism industry and maximum benefit, and to strengthen the cultural industries including museums, theatres, cultural and community participation as a product diversification to harness tourism, To improve the standard of quality for services and facilities to meet the challenges of long-term tourism development, To formulate and develop marketing plans and promotion programs that maximizes the financial revenues, and the economic, social, cultural and environmental positive impacts, To encourage domestic tourism and maximize its significance, To address "reducing Tourism Seasonality" as a serious issue affecting Tourism Industry in Zanzibar, To enhance the tourist image of Zanzibar to be original, trustful and attractive, To manage tourism impacts so as to balance costs and benefits.

Critical analysis of these objectives confirms what has been indicated in the background section; growth of tourism in Zanzibar. This objective has helped the growth of tourism. In addition, the Government of Zanzibar has a vision of what the country wants tourism to be in coming years; "To become one of the top tourism destinations of the Indian Ocean, offering an up market, high quality product across the board within the coming 17 years" All in the policy, vision is geared on tourism growth.

2.4.3 Challenges facing tourism revenue collection

According to Tanzi, (2000) developing countries face formidable challenges in trying to establish effective and efficient tax systems. As summarized by Vito Tanzi (2000), all developing countries have to address four basic problems, (1) the structure of the economy, which makes it difficult to impose and collect taxes; (2) the limited capacity for tax administration; (3) the poor quality of basic data and; (4) in many developing

countries, the fact that the political setup is less amenable to rational tax policy than it is in advanced countries.

Kitillya,(2011) observed the following challenges on revenue collection; Tax Administration Challenges; Raising revenue to GDP ratio, Broadening the tax base, Changing of staff mindset and staff integrity, Over reliance on international trade taxes, Auditing of specialised sectors and Tax evasion.

Tourism is an important industry in many developing countries providing foreign exchange, employment, incomes and public revenue (Luvanga and shitundu 2003). It has become an important sector and it potentially constitutes one of the fastest growing sectors. It is one of the top five sources of foreign currency for 83 percent of developing countries (REPOA 2003).

In the Gambia, tourism is described as "manna from heaven" which will solve its economic difficulties in terms of contributions to foreign exchange earnings, government revenues, regional development stimuli, and creation of employment (Dieke, 2010)
A study carried by Benavides (2001) on contribution of tourism receipts to total revenues in Asian countries found that contribution is within the range of 80 to 20 percent. This study found out that during 2007- 2009, tourist receipts grew by 45 percent or six times faster than exports in general in the selected Asian countries. However this research was done in Asian countries which may not be generalized for African countries.

Furthermore, Sinclair (1995) observed in developing countries of Asia, Latin America and Africa, net foreign exchange contribution amounted to 2.6, 2.6 and 0.7 billion dollars respectively in 2006. It is an important foreign exchange earner in many of the countries.

A study by World Tourism Organization (1988) indicated that it was common in "tourist countries" to get between 10-25 percent of their fiscal revenues from tourism. A study carried by Shah (2000) in Seychelles found out that tourism provided about 70 percent of total foreign exchange earnings for Seychelles.

Further, a study carried in Kenya by Kasyoka (2008) indicates that, in Kenya tourism revenue has overtaken primary commodity exports of coffee and tea accounting for 13 percent of Kenya's exports. The study observed that by 2007 tourism earnings reached 46 percent of total Kenya's tourism earnings relative to 26 percent for coffee and 20 percent for tea. However this study was a comparative study of revenue earnings from tourism, tea and coffee. In Tunisia, by mid 1990s, it was the first export earner its revenues covering 60 percent of Tunisia's trade deficit (Focus Multimedia, 1997).

2.5 Research Gap

Despite evidence of rapid Increase of tourism in Zanzibar confirmed by excellent hotel beds occupancy, visitor's arrivals (Zanzibar tourism Commission Report 2013) there has not been clear documentation showing that this boom in tourism in recent years directly increases revenue collection in Zanzibar. Most of the studies done to relate tourism to revenue collection have been done in developed world. Other studies done in African countries have been comparative studies comparing earnings from tourism with other sectors like agriculture and commercial industries. The literature about the relationship of growth in tourism and revenue collection is missing in Zanzibar. The impression exist that tax revenues from tourism could be substantially higher than at present, although information on the nature, percentage increase and importance of government revenues from tourism is scanty. This research intends to fill this information gap.

2.6 Hypotheses

1. There is a significant positive relationship between Tourism infrastructural development and revenue collections in Zanzibar.

2. There is a significant positive relationship between suitable tourism policies and revenue collections in Zanzibar

3. There is a significant positive relationship between Tourism site administration and revenue collections in Zanzibar.

4. There is a significant positive relationship between tourism advertisement and revenue collections in Zanzibar.

5. There is a significant positive relationship between tourism growth and revenue collections in Zanzibar.

Hypothesis Testing: Hypothesis testing was done using the P-Value method.

Here we choose the value of alpha, (significance level) to be P=0.01. If the scores were more than the significance level of 0.01, then we accepted the hypothesis.

2.7 Chapter Summary

Country	Author	Variables	Methodology	Findings
Asia	Benavides(2001)	-Tourism -Revenue	Survey	Tourism posted 45% growth than other exports
Seychelles	Shah (2000)	-Tourism -Revenue	Case study	70% of total exchange earning came from tourism
Kenya	Kasyoka (2008)	-Tourism revenue -Tea revenue -Coffee revenue	Survey	Tourism revenue has overtaken that of tea and coffee
Poland	Vermont (2006)	-Tourism -Revenue administration	Survey	Tourism growth depends on administration
Asia	Dieke, 1993	-Sustainable tourism -Environment	Correlation	Sustainable tourism is related to environment

2.8 Conceptual Framework

Based on the conceptual framework (Figure 2.1 below), the ZRB collections are facing different problems that affect the level of the revenue collected. The revenue collected from different sources of tourism is not sufficient to reflect exponential increase in government revenue. Poor administration and misuse of funds by dishonest officials worsen the situation. There is also external pressure on the ZRB that also affects revenue collection. To curb mismanagement and abuse of office, different reforms is suggested one of which is new policies in tourism revenue collection.

Figure 2.1 Conceptual Framework

INDEPENDENT VARIABLES   **DEPENDENT VARIABLE**

Tourism Growth

-Tourism Infrastructure

-Tourism Policy

-Tourism administration

- Tourism advertisement

Efficiency and effectiveness of ZRB

Revenue collection

INTERVENING VARIABLES

SOURCE: Researcher adopted from literature review
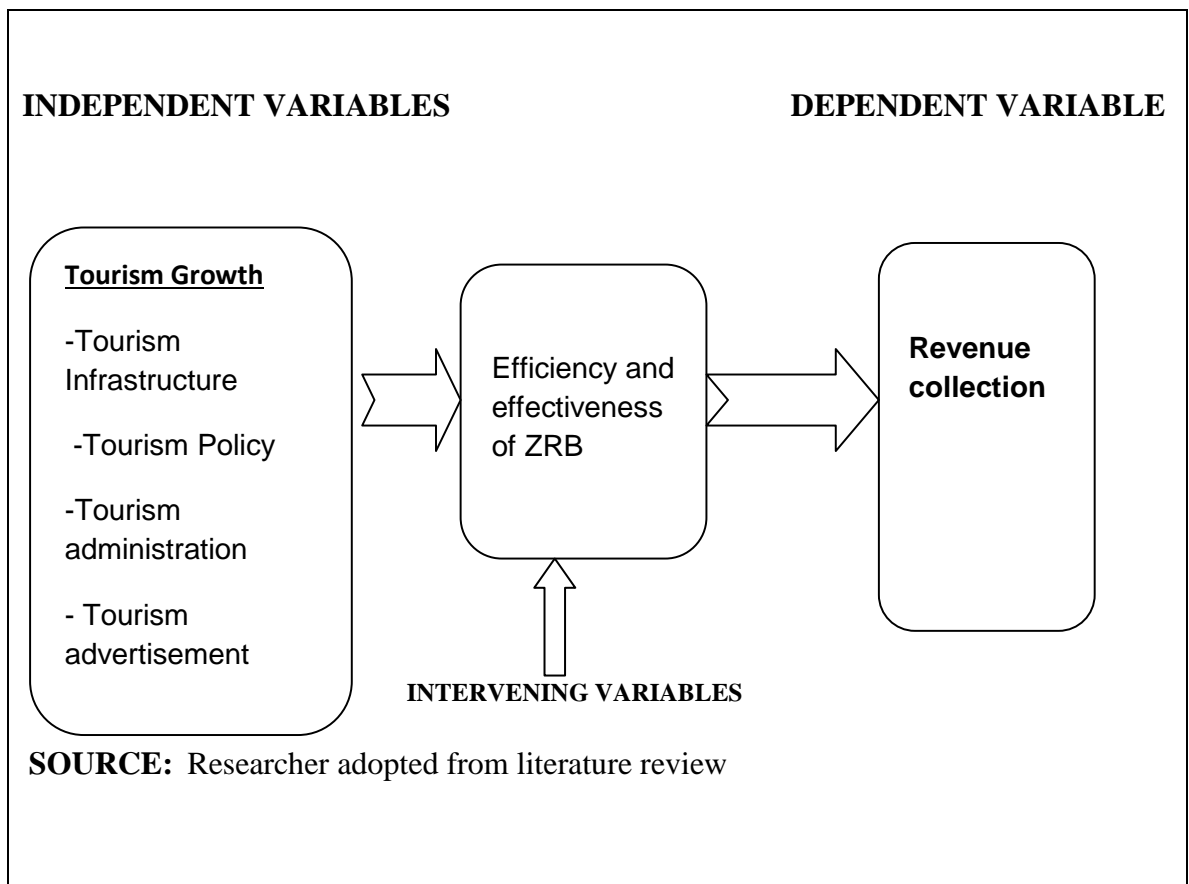
CHAPTER THREE

METHODOLOGY

3.1 Chapters Overview

This chapter explains the research design, the study area, population sampling, research strategy, techniques and methods to be used in data collection, the various sources of data and how they will be collected as well as analysed. A summary of the chapter is outlined.

3.2 Research Philosophy

Research philosophy can be defined as the development of the research background, research knowledge and its nature (Saunders and Thornhill, 2007). Research philosophy is also defined with the help of research paradigm. In the words of Cohen, Manion and Morrison (2000), research paradigm can be defined as the broad framework, which comprises perception, beliefs and understanding of several theories and practices that are used to conduct a research. It can also be characterized as a precise procedure, which involves various steps through which a researcher creates a relationship between the research objectives and questions.

In this study the researcher observed Positivism philosophical approach to arrive at valid arguments to the set objectives and research questions. Different techniques were be used to investigate various situations

3.3 Research Design

The research adopted case study design, because it is an in depth study of a particular situation/problem rather than sweeping in statistical survey. Also, it is a method used to narrow down a very broad field of research into one easily researchable topic. A case

study was used to describe a unit in detail (when, how, and why questions are being imposed when the investigation has no control over events and when the focus is on contemporary phenomena within some real life context). Furthermore Shuttleworth (2008) states that a case studies provides more realistic responses than a purely statistical survey.

However this study used both; a qualitative research design and a quantitative research design. Qualitative research design is a design used to find out how people feel or what they think about a particular subject or institution, where as quantitative design is based on the measurement of quantity or amount (Kothari 2004). Hence quantitative research design in this study was used to calculate simple percentage and number of respondents.

3.4 Study Area

The study was conducted at Zanzibar Revenue Board (ZRB) head office. The area was selected due to its easy accessibility of data.

3.5 Population

The targeted population for this study was 182, who are staff of administrative cadre in Zanzibar Revenue Board. This is because they are directly involved in administration of revenue in Zanzibar.

3.5.1 Sample Size

Sample size is the number of respondents selected to participate in the study from targeted population. From the result of pilot study it was discovered that at ZRB there were 27 top management officers, 75 mid level officers, and 80 general staff. Therefore,

the study had to make sample of these three groups using the sampling formula provided by Yamane (1967) The tabulation is shown below, where 'n' is the sample size, 'N' is the population size or sample frame and 'e' is the degree of precision that the selected population is the right one. At 90% level of confidence the sample size for officer are computed as follow:

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{181}{1 + 181(0.05^2)} = 129$$

Therefore, the study had a sample total of 129 respondents.

The intended sample size was comprised of 129 respondents from the stated units of analysis. Table 3.1 below summarises the chosen sample.

Table 3.1 : Sample Size Distribution

No.	Respondents	Sample	Percentage
1	Top management officers	21	16.2
2	Mid level officers	43	33.4
3	General staff	65	50.4
	Total	**129**	**100**

Source: Research (2014)

3.5.2 Sampling Techniques

Purposive sampling techniques and random sampling techniques was used for selecting the respondents. Purposive sampling was used to bring key officers in revenue collection from ZRB for example commissioners, head of units etc, as observed by Kombo (2011)

3.6 Sources of Data

Primary data was obtained through questionnaire and interview in order to give practical answers to the research questions. Likewise, secondary data was used for reference purpose, as benchmarks against which the findings of the research was tested and may be used as a sole/major source of information for a research project (Krishnswami, 2002:199-200). The secondary data in this study was gathered from various literatures such as Reports from ZRB, strategic plan and Examination of existing Annual reports from ZRB.

3.7 Type of Data and Data Collection Procedures

3.7.1 Questionnaires

Questionnaires were done to the respondents for the aim of determining how the tourism revenue is collected, its impacts to Zanzibar revenue collection how and the challenges involved in the collection of tourism revenue. Both structured and open-ended questions were included in the questionnaire. The researcher visited the respondents personally for clarification of questions where necessary. Furthermore, the presence of a researcher is expected to enhance response rate and improve the quality of data that was obtained. Also this method helped the researcher to refine the instrument to meet researcher's expectations. The data enabled the researcher to assess the impacts of tourism in revenue collection in Zanzibar.

3.7.2 Interview

Interview method was administered to different employees of Zanzibar Revenue Board. The nature of interviews was structured interview. This method is selected in order to enable the researcher to understand the inner feelings of the respondents about a concept

during the face to face conversation and allow them to expose more information during conversations.

3.8 Data Analysis and Presentation

This study used both qualitative and quantitative approaches in data analysis. A qualitative method was applied in analyzing and interpreting the information. An appropriate data analysis technique such as tables and histogram was used in order to interpret the results for the purpose of being easy to be understandable.

Collected data was organized and coded so that they could easily be processed using the computer packages. The software package called Statistical Package for Social Sciences (SPSS) and Microsoft excel software was used to analyse the data that lead to the answers of research questions.

3.9 Reliability and Validity of Instruments

Reliability aimed at the point that even if the research were repeated they would end up with similar results. Validity refers to the extent to which the concept one wishes to measure is actually being measured by a particular scale or index. According to Kothari (2004), validity aims at establishing the results which are linked with the condition. Therefore to ensure reliability and validity, this study used methods to pre-test the instruments. Two way mixed model and Cronbach's alpha were used to check validity and reliability respectively. The tests computed using SPSS (Statistical Package for Social Sciences) revealed a high validity and reliability of 90%. As tabulated in table 3.2.

Table 3.2 : Processing Summary

Case Processing Summary

		N	%
Cases	Valid	129	100.0
	Excluded[a]	0	.0
	Total	129	100.0

a. Listwise deletion based on all variables in the procedure.

Table 3.3 : Reliability statistics

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.900	.953	6

These results revealed a high degree of reliability of the research instruments.

3.10 Chapter Summary

The study was conducted at ZRB and Ministry of Finance as a case in the study, which is located in Zanzibar Town. The tourism revenue collection methods were evaluated to see if it has increased revenue collection at the government treasury. Purposeful sampling and random sampling was used to collect data through questionnaires and interviews as primary sources. Secondary sources were obtained from reports from ZRB.

CHAPTER FOUR

STUDY FINDINGS, ANALYSIS AND DISCUSSIONS

4.0 Introduction

The previous chapters of the study addressed the contextual, theatrical and descriptive aspects of the study. The focus of this present chapter is to analyze the field data and examine the findings as per the objectives of the study. The quantitative data collected under the survey was coded for the analysis. SPSS was used to analyze the quantitative data. The qualitative data was also thoroughly discussed in relation to the objectives of the study. Analyses of the field data and the discussion of the findings therein have been presented in the following structure; Profile of Respondents, Contribution of tourism growth on Revenue Collection, Effectiveness of revenue collection, Relationship of tourism growth and revenue collection, and Challenges facing revenue collection.

4.1 Profile of Respondents

This section aims at discussing the respondents' profile to enable the study establish the extent of judgment one might have in the area of the study. Among the researched respondents' characteristic include sex, the education level and working experience of each respondents in their respective departments. Perry (2000), contends that, personal attributes like gender, education, working experience and age had significant effect on participation at the workplace

4.1.1 Gender of Respondent

The sample size of the study was 129 respondents; interestingly it was made up of 70 male representing 54.2 percent and 59 were females representing 45.7 percent which contradicted our thinking. The researcher expected somehow an equal number males and females due to government advocacy of women empowerment and equal opportunities.

Table 4.1 : Respondents by Gender

Gender	Frequency	Percent
Male	70	54.3
Female	59	45.7
Total	**129**	**100**

Source: Field Survey, 2015

4.1.2 Years Respondents have been working with Zanzibar Revenue Board

There was need to know the duration of service among employees (table 4.2) in ZRB by the respondents because new workers may require time to understand how efficient is collection of revenue by ZRB.

Table 4.2 : Distribution of respondent's working years with ZRB

Years	Frequency	Percentage
1-5	12	9.3
6-10	50	38.8
11-15	35	27.0
16- 20	15	11.6
21-25	6	4.7
26-30	9	7.0
Other	2	1.6
Total	129	100

Source: Field Survey, 2015

From table 4.2 it was confirmed that at least most of the employees have worked with the ZRB for more than a year, a duration that put them in a position of understanding the operations and how the institution collects revenue and having knowledge of the vision, mission and working of the revenue board.

4.1.3 Category of employees of ZRB

Our findings revealed three categories of employees; Top level managers, mid level managers and general staff. This was in line with the selected sample size as indicated in chapter three. The summary is shown in table 4.3 and figure 4.3 below;

Table 4.3 : Designation of respondents in ZRB

Designation	Frequency	Percentage
Top management officer	21	16.2
Mid level officers	43	33.4
General staff	65	50.4
Total	**129**	**100**

Source: Field Survey, 2014

4.1.4 Level of Education respondents

The study had an interest of education level of respondents because low level educated employee is irrelevant if you implore them in understanding the challenges facing revenue collection. This is asserted by Kearney (1997), who studied participatory management and found out that those employees with low education brought no change towards performance. In this study 14 respondents had postgraduate qualifications representing 10.9%, 82 respondents were university graduates representing 63.3%, 30 respondents had Diploma level certificates representing 23.2%. Secondary level certificate respondents were 3 representing 2.3%, below secondary school were 0 representing 0%. The researcher wanted to know if understanding of tourism revenue reflected education level. Interestingly, our findings found that education level is not a factor in understanding revenue growth. The findings are shown in the table 4.4 and figure 4.4 below

Table 4.4 :   Education level of respondents

Qualification	Frequency	Percentage
Postgraduate	14	10.9
University degree	82	63.6
Diploma Level	30	23.2
Secondary Level	3	2.3
Below Secondary Education	0	0
Total	**129**	**100**

Source: Field Survey, 2015

4.2 Contribution of tourism growth on Revenue Collection

4.2.1 Response of respondents on impact of tourism growth

As shown in the table below 80 respondents said tourism growth has impact on revenue collection in Zanzibar, 49 respondents observed tourism has no impact on revenue collection. Some of the respondents who were interviewed observed that tourism growth has not impacted on revenue collection and gave the reason for their answer as to the budget deficit has not reduced. Even some of the respondents observed that as tourism continue to flourish in Zanzibar; the economy in Zanzibar has not shown significant growth.

Table 4.5 :   Response on tourism impact on revenue collection

Variable	Frequency	Percentage
Yes	80	62
No	49	38
Total	**129**	**100**

 4.2.2 Sources of Revenue for Zanzibar Revenue Board

The researcher to get clear understanding and the tax bracket of ZRB had to ask for the

sources of revenue as collected by agency. As shown in table 4.6, the respondents

observed that most of the revenue came from taxes (77.5%), while from fees was only

22.5%. This was contrary to the researcher that ZRB also collects Transient Occupancy

Tax on transients for the privilege of occupancy in any hotel located in Zanzibar.

 Table 4.6 : Sources of Revenue by ZRB.

Variable	Frequency	Percentage
Fees	29	22.5
tax	100	77.5
Total	**129**	**100**

4.2.3 Respondents response on whether tourism growth increased collection of

revenue by ZRB

This section discusses whether tourism growth increase directly increased revenue

collected by; its aim was to get information from the respondents on their opinion on

whether revenue increased due to tourism growth.   Table 4.7 shows the summary of the

respondent's response which indicated that 54.3% observed that tourism revenues

increased due to growth of tourism, 15.5% showed that revenue did not did not increase,

30.2% said they don't know, and this agreed with the observation of Makinga (2013) that

tourism growth increases revenue collection.

4.2.2 Respondents response on the extent of tourism effect on Revenue collection

According to the findings of the study the most of the respondent's observed that tourism

in Zanzibar affect revenue collection to a large extend, 3.9% said to some extend while

only 4 respondent's representing 3.1% observed that tourism growth effect revenue collection in a minor extend. Table 4.8 show the summary of extend of effects of tourism on revenue collection.

Table 4.7 : Extent of tourism growth effects on revenue collection

Variable	Frequency	Percentage
Large extent	120	93.0
Some extent	5	3.9
Minor Extent	4	3.1
Total	**129**	**100**

Source Researcher (2015)

4.2.4 Response on whether tourism growth has increased revenue collection

Finding of the study shows that majority of respondents agree that tourism growth has increased revenue collection results concurring with findings of Kimaro (2011) who studied flows of tourist in Mount Kilimanjaro, where he conclude the growth of visitors also increased revenue collection. Only 19 respondents observed that tourism growth did not increases revenue collection. This respondents pointed out corruption, poor planning, and uncommitted employees of ZRB.

Table 4.8 : If Tourism growth has Increased Revenue Collection

Variables	Frequency	Percentage
Yes	110	85.3
No	19	14.8
Total	**129**	**100**

Source Researcher (2015)

4.3 Challenges facing ZRB on revenue collection

4.3.1 Respondents response on challenges faced in collecting revenue

The researcher also wanted to understand if there are challenges facing ZRB as describes in chapter one in the objectives. The study found that lack of voluntary compliance by tax payer was the leading challenge as reported by the respondents. Among the respondent's 90 representing 69.8% indicated lack voluntary compliance by tax payer, 10 respondents representing 7.7% said lack of commitment from ZRB, 2 Respondents representing 1.6% observed poor structure of tax bracket, 8 Respondents representing 6.2 indicated poor tourism policy, 10 Respondents representing 7.7% observed poor administration while 9 Respondents representing 7% indicated poor administration of revenue collection. These results differed with the one of Kamario (2011) which indicated challenges in the revenue collection was due to poor administration although his study was conducted in Tanzania mainland. Table 4.11 shows the summary of these findings.

Table 4.9   :   Challenges facing ZRB

Challenge	Frequency	Percentage
Lack of voluntary compliance by tax payers	90	69.8
Lack of commitment from ZRB employee's	10	7.7
Poor structure of tax bracket	2	1.6
Poor tourism policy	8	6.2
Poor administration	10	7.7
Poor collection methods	9	7
Total	**129**	**100**

4.3.2 Response on whether there is an element of corruption in revenue collection by ZRB

Asked about the corruption in revenue collection, the respondents were categorical that there is minimal corruption in ZRB which is confirmed by the large number of respondents (120) representing 93% observed No element of corruption in ZRB, while 9 respondents representing 7% said there is an element of corruption. The table 4.12 shows the summary of the finding.

Table 4.10   :   Response on corruption in ZRB

Variable	Frequency	Percentage
No	120	93%
Yes	9	7%
Total	**129**	**100**

Source: Researcher (2015)

4.3.3 Response on improving revenue collection

On the improving revenue collection from tourism sources the findings shows that the leading way to improve collection of revenue was revising the laws on revenue collection which 80 respondents representing 62% said is the most important. This was contrary to the researcher thinking that improve working condition would be most indicated improvement. Only 14 respondents representing 10.8% indicated improve working condition for employees in ZRB, 10 respondents representing 7.8% observed improve working skills, 20 Respondents representing 15.5% said awareness of need to pay revenue, 5 Respondents representing 3.9 said reform policy on tourism. Table 4.13 shows the summary of these findings.

Table 4.11 : Ways to improve tourism revenue collection

Way to improve revenue	Frequency	Percentage
Improve working morals	14	10.8
Improve working skills	10	7.8
Awareness of need to pay revenue	20	15.5
Reform policy on tourism	5	3.9
Revising the laws on revenue collection	80	62
Total	**129**	**100**

Source: Researcher (2015)

To examine the growth rate of tourism in Zanzibar, the respondents were subjected to statements testing the growth rate of tourism. And the following table shows the findings

Table 4.12 : Level of Growth of Tourism

Level of Growth of Tourism

	N	Mean	Std. Deviation
Tourist sites are well advertised	129	2.25	1.269
The Tourist sites are well administered	129	3.45	0.728
Tourism policies are understandable and well communicated	129	3.47	0.751
Tourist sites are easily accessible	129	3.7	0.509
There is a proper tourist data base in place.	129	3.74	0.438
There is better infrastructure in place for tourists	129	3.77	0.424
Valid N (listwise)	129		

Source: Field data 2015

The findings reveal that the growth rate in tourism in Zanzibar is high, with majority of the respondents agreeing with most of the statements. Notable was the highest score of 3.77 where respondents are in favour of the statement that there is better infrastructure in place for tourists. One area they were mostly proud of was the hotels and recreational facilities. They were also in strong agreement that tourists' data is properly captured and the sites are easily accessible. However they were concerned with the extent of advertisement, which they noticed was still low. The standard deviations were found to be very low ranging from 0.42-1.26. This shows that there is a very low deviation in the mean scores of the respondents. Therefore the means are representative enough of the respondent's views. To determine the extent of tourism revenue collection, the respondents were subjected to statements and the following table reveals the findings.

Table 4.13 : Level of Tourism Revenue Collection
Level of Tourism Revenue Collection

	N	Mean	Std. Deviation
The Tourism revenue collection base in Zanzibar has been broadened	129	3.16	0.522
There is a flexible Tourism Revenue structure in place	129	3.53	0.708
Tourism revenue collections have kept on increasing from the previous 3 years.	129	3.77	0.424
A bigger percentage of the government budget that finances government programs is collected from Tourism revenue	129	3.81	0.391
Employees of ZRB are committed and corruption free	129	3.86	0.348
The ZRB administration has capacity to handle tourism revenue collections	129	3.88	0.345
Valid N (listwise)	129		

The findings reveal that the level of Tourism revenue collections is high, with the highest agreement of the respondents for the ZRB administration having capacity to handle tourism revenue collections.

Most of the Respondents were also in strong agreement that ZRB employees are committed and corruption free and that a bigger percentage of the government budget that finances government programs is collected from Tourism revenue.

Other agreements were for; acknowledgement that tourism revenue has been increasing from the previous three years, flexibility in the tourism revenue structure and the broadening of the tourism revenue collection base in Zanzibar. All the standard deviations were found to be very low ranging from 0.34-0.70; this shows that there is a very low deviation in the mean scores of the respondents'. Therefore the means are representative enough of the respondent's views on the level of Tourism Revenue Collection.

4.3.4 Correlation Analysis

To determine the relationship between tourism growth and revenue collection in Zanzibar, Pearson's correlation was determined and the table 4.16 shows the findings computed from SPSS.

Table 4.16 Correlation Analysis

<div align="center">Correlations</div>

		Infrastructural Development	Suitable Tourism Policies	Tourists site administration	Tourism Advertisement	Tourism growth	Revenue Collection
Infrastructural Development	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	129					
Suitable Tourism Policies	Pearson Correlation	.839**	1				
	Sig. (2-tailed)	0					
	N	129	129				
Tourists site administration	Pearson Correlation	.796**	.808**	1			
	Sig. (2-tailed)	0	0				
	N	129	129	129			
Tourism Advertisement	Pearson Correlation	.544**	.696**	.749**	1		
	Sig. (2-tailed)	0	0	0			

	N	129	129	129	129		
Tourism growth	Pearson Correlation	.869**	.925**	.919**	.854**	1	
	Sig. (2-tailed)	0	0	0	0		
	N	129	129	129	129	129	
Revenue Collection	Pearson Correlation	.876**	.615**	.676**	.844**	.867**	1
	Sig. (2-tailed)	0	0	0	0	0	
	N	129	129	129	129	129	129

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis found that there was a significant positive relationship of 87.6% between Tourism infrastructural development and revenue collections in Zanzibar. With the p-value significant at 0.01, we accepted the alternative hypothesis. Also it was found that there was a significant positive relationship of 61.5% between suitable tourism policies and revenue collections in Zanzibar. With the p-value significant at 0.01, the researcher accepted the alternative hypothesis.

On considering Tourism administration and revenue collection the correlation found a significant positive relationship of 67.6% between Tourism site administration and revenue collections in Zanzibar. With the p-value significant at 0.01, the researcher accepted the alternative hypothesis. Furthermore, there was significant positive relationship of 84.4% between tourism advertisement and revenue collections in Zanzibar. With the p-value significant at 0.01, the researcher accepted the alternative hypothesis.

Lastly on considering tourism growth and revenue collection the correlation analysis found there was a significant positive relationship of 86.7% between tourism growth and revenue collections in Zanzibar. With the p-value significant at 0.01, the researcher accepted the alternative hypothesis.

4.3.5 Regression Analysis

When the constructs of growth of Tourism were regressed on Revenue

collection the following results were obtained.

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Tourist advertisement, Infrastructural Development, Tourists site administration, Suitable Tourism Policies	.	Enter

a. All requested variables entered.

b. Dependent Variable: Revenue Collection

			Model Summary	
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.914[a]	.835	.823	.08973

a. Predictors: (Constant), Tourism Advertisement, Infrastructural Development Tourists site administration Suitable Tourism Policies.

The model summary reveals that there a 91.4% good quality of prediction of tourism

growth on revenue collection. The model summary also shows that Tourism growth

explains 83.5% of the variation in Revenue collection.

		ANOVA[b]				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.807	4	4.702	583.910	.000[a]
	Residual	.998	124	.008		
	Total	19.805	128			

a. Predictors: (Constant), Tourism Advertisement, Infrastructural Development Tourists site administration Suitable Tourism Policies.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.807	4	4.702	583.910	.000^a
	Residual	.998	124	.008		
	Total	19.805	128			

a. Predictors: (Constant), Tourism Advertisement, Infrastructural Development Tourists site administration Suitable Tourism Policies.

b. Dependent Variable: Revenue Collection

The F ratio in the ANOVA table revealed that the overall regression model is a good

fit for the data, because the table shows that the Tourism growth significantly

predicts Revenue collection, $F(4, 124) = 583.9$, $p < 0.05$.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.985	.095		20.854	.000
	Tourism Advertisement	.373	.040	.470	2.571	.011
	nfrastructural evelopment	.257	.077	.237	6.510	.000
	Administration suitable tourism policies	.218	.059	.253	4.384	.000

a. Dependent Variable: Revenue Collection

Model Summary

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3$$
$$y = 1.985 + 0.373 x_1 + 0.257 x_2 + 0.218 x_3$$
$$\text{Sig values} = \beta_0(0.01), \beta_1(0.01), \beta_2(0.01), \beta_3(0.01),$$

Table of the coefficient reveal that; For every 100% change in Tourism

advertisement there is a 37.3% significant change in revenue collection, when the

influence of the other independent variables is assumed to be constant, a 100% change in Infrastructural development leads to a 25.7% significant change in revenue collection, when the influence of the other independent variables is assumed to be constant. The change is insignificant because the sig value falls above 0.05 sig value and every 100% change in administration tourism suitable polices leads to a 21.8% significant increase in revenue collection, when the influence of the other independent variables is assumed to be constant.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Chapter Overview

This chapter presents the summary, conclusions, recommendations and areas for further study. The main objective of the study was to investigate the impacts of tourism growth to revenue   collection in Zanzibar

5.2 Summary

The study aimed at finding out the impacts of tourism growth to revenue   collection in Zanzibar. The study considered all groups of the respondents from the ZRB. The study found out that that tourism growth increases revenue collection in Zanzibar. Surprisingly, majority of employees had worked for more than a year, making them able to understand how ZRB works.   Interestingly, our findings found that education level is not a factor in understanding revenue growth. However the study found that lack of voluntary compliance by tax payer was the leading challenge as reported by the respondents. Among the respondent's 90% representing 69.8% indicated lack voluntary compliance by tax payer, 10 respondents representing 7.7% said lack of commitment from ZRB, 2 Respondents representing 1.6% observed poor structure of tax bracket, 8 Respondents representing 6.2 indicated poor tourism policy, 10 Respondents representing 7.7% observed poor administration while 9 Respondents representing 7% indicated poor administration of revenue collection.

Reforming revenue laws were the most preferred way of improving revenue collection. The respondents' agreed that compliance by tax payers to pay revenue is the most hindering challenge the ZRB faces in revenue collection.

5.3 Conclusion

Tourism has become one of the most significant in economic development as pointed out by David, (2005), Given the current environment for many countries, no one can afford to attract, invest in and then lose revenue that comes out of tourism. Since the objectives of the study were; to examine the growth rate of Tourism in Zanzibar, to determine the effectiveness of tourism revenue collection, to determine the relationship between tourism growth and revenue collection and to identify the challenges facing tourism revenue collection in Zanzibar. From the findings the researcher concluded that growth rate in tourism in Zanzibar is high, ZRB employees are committed and corruption free and that a bigger percentage of the government budget that finances government programs is collected from Tourism revenue and that there was significant relationship between tourism growth and revenue collection.

 The study concluded that revenue collection from tourism sector was faced by challenges which include; lack of voluntary compliance by tax payer, lack of commitment from ZRB, observed poor structure of tax bracket, indicated poor tourism policy, observed poor administration and poor administration of revenue collection.

The best way to address these challenges is to collect and each and every coin that accrues from tourism. This means that countries or the agency with mandate of collecting revenue need to work to develop awareness of revenue payment tourism revenues. No wastage should be allowed as it affects the revenue collected and then derailing economic development of the country.

5.4 Implication of the Study

The study will have both, empirical and managerial implications. On the side of empirical implications, this study has unearthed the knowledge concerning the contribution of tourism in revenue collection in Zanzibar; the findings will contribute greatly to the body of knowledge as it may be used as a base for further studies

On the other hand managerial implications, the study findings will give solutions to managerial questions posed by Zanzibar Revenue Board and other stakeholders on the impacts of tourism on revenue collection, thus improving the Zanzibar performance economically, administratively and socially. The study findings will also facilitate further reforms geared towards better performance and assist policy makers to come up with appropriate bylaws to curb tourism actors who refuse to pay revenue.

5.5 Recommendations

The study had the following recommendations;

i.   Management must ensure participation efficiency in tourism revenue collection.

ii. Employee's working with ZRB should be motivated such that their morale increases and also seal loopholes for corruption within them.

iii. The ZRB management should do whatever possible to disseminate information to the stakeholders on the meaning of revenue paying.

iv. The Ministry responsible should review tax laws related to tourism revenue collection. This will help in collecting more revenue.

v.   The ZRB top management should change their mind set of not emphasizing revenue payment. They should bear in mind that revenue collection from

tourism sources increases revenue collection and in turn increases economic development in our country.

5.6 Area of Further Research

The findings of this study did not exhaust all technicalities of revenue collection. The study explored only impacts of tourism growth to revenue collected in Zanzibar. Therefore, other researchers should conduct study in other areas which yield revenue. Also further study should aim to explore advantages which countries reap from well framed methods of revenue collection.

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APPENDICES

Appendix III: Questionnaire

A QUESTIONNAIRE FOR THE MANAGEMENT AND GENERAL STAFF OF ZANZIBAR REVENUE BOARD

Dear respondent,

This questionnaire is prepared by a student of Open University pursuing Masters in Business Administration Majoring in Finance. It aims at collecting data which shall be used in writing his dissertation (Academic Research Report).

You are kindly requested to answer the following questions honestly to assist the researcher in getting the correct information.

Your contribution will be highly appreciated and the information you are going to provide will be treated confidential and will only be used for the purpose of this study. **(Do not indicate your name in this paper)**

Welcome to the questions;

 (Please tick (√) in the blanks provided)

1. i) Which category of employee do you belong?

    a. Top management officer   [   ]

    b. Mid level offer   [   ]

    c. General staff   [   ]

  ii) GENDER

    a. Male   [   ]

    b. Female   [   ]

  iii. AGE

    a. 1 – 25   [   ]

    b. 25- 45   [   ]

    c. Above 45   [   ]

2. i) What is your Education level?

    a. Postgraduate   [   ]

    b. Undergraduate   [   ]

    c. Diploma level   [   ]

    d. Sec. Education   [   ]

    e. Below sec. education   [   ]

ii) When where you employed?

    a. Less than one year   [   ]

    b.1 - 5   years   [   ]

    c.5 - 10 years   [   ]

    d.10 – 20 years   [   ]

    e. More than 20 years   [   ]

3. **i) Do you agree that tourism in Zanzibar is on the Increase? Why?**

    YES   [   ]   NO   [   ].

    Why?

_____

_____

_____

_____

ii. If yes, to what extent do you think tourism is growing in Zanzibar.

    a. Large extent   [   ]

    b. Some extent   [   ]

    c. Minor extent   [   ]

    d. Not at all   [   ]

iii.   If no, why do you think tourism is not growing in Zanzibar?

    a. Management Attitudes   [   ]

    b. Luck of Management commitment   [   ]

    c. Nature of the Department   [   ]

d. Not important [ ]

e. Other please specify [ ]

4. (i)Are you aware that due to tourism growth revenue collection in Zanzibar has increased? YES [ ] b. NO [ ]

(ii) **What are the revenue sources for the Zanzibar Revenue Board?**

(a) …………………………………………………………….

(b) …………………………………………………………..

(c) …………………………………………………………….

iii) **How often is revenue collection made by ZRB? Please tick appropriately.**

a) Collected from all the sources [ ]

b) Collected from many sources [ ]

b) Collected from some sources [ ]

c) Collected from few sources [ ]

5. i) **what challenges do you face in collecting revenue**?

_____

ii) **What criteria does ZRB use to peg VAT percentages to different items?**

_____

iii) **Is there any element of corruption in revenue collection by ZRB?**

a. Yes [ ]

b. No [ ]

iv). **If the answer is yes to question iii) above, please explain the type of corruption.**

a) …………………………………………………………………

b) …………………………………………………………………

c) …………………………………………………………………

d) …………………………………………………………...……

v) **In your opinion, what needs to be done in order to improve revenue collection by ZRB? Mention as much as possible.**

a) ………………………………………………………………………

b) ………………………………………………………………………

c) ………………………………………………………………………

d) ………………………………………………………………………

e) ………………………………………………………………………

	STATEMENT	SA	A	SD	D
	There is better infrastructure in place for tourists				
	Tourism policies are understandable and well communicated				
	The Tourist sites are well administered				
	Tourist sites are well advertised				
	Tourist sites are easily accessible				
	There is a proper tourist data base in place.				

6. **In your opinion how does revenue collected from different sectors impact on the development of Zanzibar?**

_____

_____

_____

_____

_____

The following statements test the level of tourism growth in Zanzibar. Please tick in the boxes beside your corresponding response to each statement: (SA= strongly Agree, A= Agree, NS= Not sure, DA= Disagree, SD= Strongly Disagree)

The following statements test the level of Revenue collection in Zanzibar. Please tick in the boxes beside your corresponding response to each statement: (SA= strongly Agree, A= Agree, NS= Not sure, DA= Disagree, SD= Strongly Disagree)

	STATEMENT	SA	A	SD	D
	Employees of ZRB are committed and corruption free				
	The ZRB administration has capacity to handle collections				
	There is a flexible tourism collection structures in place				
	collections have kept on increasing from the previous 3 years.				
	The tax base in Zanzibar has been broadened				
	A bigger percentage of the government budget that finances government programs is collected from Taxes				

Thank you for your time and input.