

**THE IMPACT OF WORLD FINANCIAL CRISIS ON HOTEL INDUSTRIES
IN ZANZIBAR**

RASHID ABDALLA ALI

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE MASTER OF BUSINESS
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2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by The Open University of Tanzania, a dissertation entitled The impact of World Financial Crisis on Hotel Industry in Zanzibar, in fulfillment of the requirements for the degree of Master of Business Administration of The Open University of Tanzania.

.....

Dr. Salum S. Mohamed

(Supervisor)

.....

Date

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DECLARATION

I, **Rashid Abdalla Ali**, declare that this thesis is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

.....

Signature

.....

Date

DEDICATION

This study is dedicated to my parent, my mother Karima Ali Khamis and Family members who prepared the researcher for education since his childhood despite their low income. My second dedication should be to my lovely wife Maryam Khamis Khatib. My son Mahir Rashid Abdalla and my daughter Raudhwat Rashid Abdalla for their tolerance of hard time during the researcher's absence.

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I will be rude and selfish if I forget all the respondents from Hotels and restaurants and head of sections/ departments of the institution concerned who interacted with the researcher despite their have duties. Thanks to them all for their sincere cooperation

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ABSTRACT

Hotel industry (HI) is catalyst on Zanzibar economy with mutual support with indigenous. Hotel Industries faced problem of World Financial Crisis (WFC) after failure of several large Western countries based financial firms. Most of Hotel Industries customers come from Western countries which are suffering from World Financial Crisis. Tourism is one among big economic sector in Zanzibar hence World Financial Crisis affect much due tourists trips cancellation. The objective of this research is to examine the impact of World Financial Crisis on Hotel Industries in Zanzibar. Research areas are tourists attraction places and institutions that direct deals with tourism, The study design was descriptive, research approach was qualitative and quantitative, sampling procedure was simple random and purposive sampling, 21 respondents were contacted. Data collection methods used were documentary review, self-administered questionnaires with respective interviews. Findings of this study reveals impact of World Financial Crisis as low employment level on Hotel Industries, that organizations compelled to give their employees leave without pay and postponed hiring new workers. ZRB show revenue collection report in the year 2008/2009 falls, tourist travel cancellation that results less customers in Hotel Industries. Hotel Industries contributed largely to government and private companies to pay attention to infrastructure not only to facilitate easier transport to natives but also improving tourism sector in the country. The study recommended that there must be good policy for sustainability of the tourism the government of Zanzibar should know that Hotel Industries is solution of some socio-economic development.

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LIST OF ABBREVIATIONS

AAKIA	-	Abeid Aman Karume International Airport
BOT	-	Bank of Tanzania
BV	-	Business Visa
COMESA	-	Common Market of East and Southern Africa
DCs	-	Developed Countries
EAT	-	East Africa Community
EGT	-	Endogenous Growth Theory
EMH	-	Efficiency Market Hypothesis
F&B	-	Food and beverage
GDP	-	Growth Domestic Product
GVA	-	Gross Value Added
HH	-	House hold
HI	-	Hotel Industry
HVC	-	Holiday Visa Children
HVF	-	Holiday Visa Female
HVM	-	Holiday Visa Male
LDCs	-	Least Developed Countries
MDG	-	Millennium Development Goals
MNRT	-	Ministry of Natural resource and Tourism
NBS	-	National Bureau of Statistics
ODI	-	Overseas Development Institute (United Kingdom)
OUT	-	The Open University of Tanzania.

RR	-	Returning Resident
SADEC	-	Southern Africa Development community
SMEs	-	Small and Medium Enterprises
TR	-	Transit Visa
UNCTAD	-	United Nation Conference Trade and Development
UNWTO	-	United Nation World Tourism Organization
US	-	United State (of America)
USD	-	United State of America
VAT	-	Value Added Tax
VFR	-	Visit Friends and Relatives
WFC	-	World financial crisis
WTO	-	World Trade Organization
ZATI	-	Zanzibar Association of Tourism Investors
ZATO	-	Zanzibar Association of Tour Operator
ZCT	-	Zanzibar Commission for Tourism
ZRB	-	Zanzibar Revenue Board
ZTC	-	Zanzibar Tourism Commission

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The world is currently experiencing the worst economic crisis caused by financial crisis since the Great Depression of 1929. Global financial crisis, brewing for a while, really started to show its effects in the middle of 2007 and into 2008. It became prominently visible in September 2008, with the failure, merger, or conservatorship of several large United States based financial firms.

For example, on Sunday, September 14, 2008, it was announced that Lehman Brothers would file bankruptcy after Federal Reserve declined to participate in creating financial support facility for Lehman Brothers. (Lehman Brothers: the United States based financial firm).

Around the world stock markets have fallen, large financial institutions have collapsed or even bought out, and government even in wealthiest nations have had to come up with rescue packages to bail out their financial systems. On the other hands, many people are concerned that those responsible for the financial problems are the ones being bailed out, while on the other hand, global financial meltdown will affect the livelihoods of almost everyone in an increasingly inter-connected world. Beginning with the failure of large financial institution in United States, it rapidly evolved into credit crisis deflation and sharp reduction in a number of European bank failures, and declines in various stock indexes, and large reduction in market values of equities (stock) and commodities worldwide.

The crisis was exacerbated by section 128 of emergency economic stabilization Act of 2008, which allowed the Federal Reserve System to pay interest on excess reserve requirement balances, held on deposit from banks, removing the incentives for banks to extend credits instead of hoard cash on deposit with the Federal Reserve. The crisis led to liquidity problem and de-leveraging of financial institutions, especially in United States and Europe, and further accelerated the liquidity crisis and decrease in international shipping and commerce.

The world political leaders and national ministers of finance and central bank directors have coordinated their efforts to fears but the crisis is ongoing and continues to change, evolving at close of October 2008, into currency crisis with investors transferring vast capital resources into stronger currencies such as Japanese yen, US dollars and Swiss franc, leading to many emergent economies to seek aid from International Monetary Fund. The crisis was triggered by subprime mortgage crisis and is an acute phase of financial crisis of 2007-2009.

Tourism as service sector is one of the fastest growing industries in an economy, growing at an average rate of 4% per annum. In small Island economies like Zanzibar, tourism is of extra importance because of high linkage factors, and that it stimulates other sectors of the economy. Among these sectors are trade and commerce, hotel is a part of this sector.

Hotel is compliment service of tourism, it is like fuel and vehicle. Over the past fifteen years Zanzibar economy has been heavily reliant on tourism to generate revenue for its budget. Tourism is one of the pillars industries of the economy of

Zanzibar as it has been accounted for about 25% of Zanzibar's Gross Domestic Product and generate about 80 percent of its foreign currency.

Over 137,000 foreign visitors arrived in Zanzibar in 2006, and over 143,000 foreign tourists arrived in Zanzibar in 2007, many of these tourists were from Italy, South Africa, United Kingdom, United States, and Canada Countries most hit by ongoing World financial crisis. On the due periods, the Zanzibar Revenue Board in form of VAT, through hotels and restaurant, Tour operation, and restaurant levies as well as port and sea service charges, collected more than 50% of revenues, from tourism industry

Global financial crisis in the West countries negatively affected the economy of Zanzibar in areas of receipts, with this crisis it is expected that the disposable income will fall and so the demand for tourism/ hotel will fall. The impact is that most of tourists will either decide to stay at their home countries or decide to travel for short trips to neighboring countries where they will spend less than what they would spend if they decided for longer trips to African countries including Zanzibar.

1.2 Statement of Research Problem

Failure to have alternative source or means of income that will supplement the shortage as caused by world financial crisis and dependency on Western tourists at large, not local, regional and Asian tourists is the mistake with this perspective. "Tourist source markets for hotels have seen some changes with an increase in both national and African visitors and fewer decrease of Europeans and more increment East Asian guests". Changes in Average Kilimanjaro Hotel Guest Nationality, 2008-2010 (UNWTO and ILO, 2010).

Due to economic contribution from Hotel Industry (HI) to Zanzibar society as to stimulate primary producers, merchandise business, light industries and service firms, there is a needs to diagnose the world financial crisis. Most of these sectors contribute on economy by production of goods or services, employment and tax payment hence will improve both gross domestic product (GDP) and standard of living of the House hold.

HI and Government in Zanzibar has consider WFC as exogenous variable that not easy to control so government must encourage investors by giving them means, techniques and strategies that may combat with environment (Zanzibar Economic Bulletin, 2009).

In 2010 the Venta Club Hotel at Northern region in Zanzibar appeared before court of law after suppliers of various goods and services sued due to failure on payment, this is obviously some suppliers bought goods and service on credit from other supplier depending channel of distribution, hence this effect produce series of debtors of SMEs from primary producers to merchandise firms whose suffering with the impact of WFC. Therefore the objective of this research is to examine the impact of world financial crisis on Hotel Industry in Zanzibar, knowing this, government and stakeholders will be in a good position to identify impacts toward good standard of living.

1.3 Objectives of The Study

1.3.1 General Objective

The general objective of this research is to examine the Impact of World Financial Crisis on Hotel Industry in Zanzibar.

1.3.2 Specific Objectives

- (i) To determine the effect on level of employment on Hotel Industry which affected by this problem.
- (ii) To determine the impact of the crisis (recession) on revenue collection by the Zanzibar Revenue Board (ZRB).
- (iii) To examine the impact of world financial crisis on development of road infrastructure.
- (iv) To determine impact of world financial crisis on Tour operators.

1.4 Research Questions

- (i) To what extent has the crisis affect the employment level in Hotel Industry?
- (ii) How the revenue collection by ZRB and other institutions in Hotel Industry affected due to this recession?
- (iii) What is the impact of WFC on development of road infrastructure?
- (iv) To what extent WFC affect Tours operators?

1.5 Significances of the Study

This research work has got a number of significances as hereunder. The result of the study may provide an alertness to all concerned parties, on how to develop policies and strategies that may reduce further impacts of the recession and ultimately put the situation under control. It can help to develop an alternative measures, that in case the same problem happens again in future, it will not exert the impact to large extent. Through the result of this study, the government in collaboration with private institutions can create the necessary reforms on tourism industry so as to make

further improvement towards the sector. Alternative source of revenue is necessary hence the government may also make diversified sector of economy in order to improve the sources of revenues for its budget, instead of depending too much on one sector of economy. The study may put The Open University of Tanzania as popular institution as a result of the work performed by its students.

1.6 Scope of the Research

Research will cover Institutions of the Urban District like Serena Inn Hotel, Tropical tours & Safari Zanzibar ltd. at stone town and Chando Consultant also South District like Breezes Beach club and SPA hotel at East Coast, Commission for Tourism in Zanzibar and Zanzibar Revenue Board (ZRB), the reason behind selecting these areas are due to tourism related institutions, attraction sites and Institutions that directly concern respectively that affected too.

1.7 Organization of the Study

Chapter One

This chapter explain background of the World Financial Crisis (WFC) social and economical perspective, it also define Hotel, problem statement, objectives and it's research questions significant of the study, scope of the study and organization of the study.

Chapter Two

This part concerned with literature review, origin of the crisis, causes of the crisis, credit boom, mortgages market also explain definitions of the key terms/words, history of Hotel Industry, common world hotel classifications, jobs in Hotel Industry,

hotel departments, importance of hotel, concept of an entrepreneur relatively to hotel, possible solutions, Africa and the financial crisis, case study: financial crisis hits tourism in Tanzania.

Chapter Three

This chapter concerns with research methodology, data collection, primary data, secondary data, sampling procedures, research design and area of the study and proposed budget.

Chapter four

This includes analysis and data interpretation, introduction, the respondents general information, answers from research questions, interpretations, statistical trends table with arrivals of tourist, revenue, and tourist rout also figures, discussion and analysis

Chapter Five

This is the last chapter of this research whereby Introduction of the chapter, Summary of the main Findings, Conclusion, Recommendations, Implications of finding, research limitations and Areas for further Studies are included.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature on the subject of impact of world financial crisis on hotel industry in Zanzibar. Also concerns with conceptual definitions and the theoretical review. In addition the chapter presents empirical literature, conceptual framework and the research gap global practiced are found in literature review which reflected in various empirical studies that complimented by literature from Sub Saharan Africa and Tanzania. This part of the research paper covers the writings and theories as seen from various books, reports and publications and internet websites.

2.2 Conceptual Definitions

2.2.1 Hotel

Hotel is all forms of business relating to the provision of accommodation in lodging, food and drinks and various types of other services that are interconnected and form intended for the public service, both of which use the lodging facilities or who simply use the services or the production of certain of the hotel. (Pizam, 2009).

2.2.2 Tourism

Tourism is an activity that includes moving away from home, for the purpose of study making, pleasure or some other motives such as health and so on (Inskeeper 1991).

According to UNWTO tourism is “a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual

environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which imply tourism expenditure.” (UNWTO, 2009).

2.2.3 Tourists

Tourists are people who “travel to and stay in places outside their usual environment for more than twenty-four hours and not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.” Tourism industries include the provision of accommodation for visitors (tourists and same day visitors), food and beverage serving activities, passenger transportation, travel agencies and other reservation service activities, cultural activities, sports and recreational activities, as well as other country specific activities. (Haughton & Khandker (2009).

2.2.4 Hospitality Products

Hospitality products are those things that motivate way of creating better place for people to live in, and better place for people to visit (Pizam, 2009).

2.2.5 Employment Opportunity

Employment opportunity a possibility due to a favorable combination of circumstances that enable someone to be employed or having a job (Pearce, 1998).

2.2.6 Government Revenue

Government revenue is the money received by government from taxation, fees, fines, inter-governmental grants or transfers securities sales, minerals rights and resource rights, as well as any sales that are made (Jean, 2011).

2.2.7 Infrastructure

Infrastructure is the basic facilities, services, and installations needed for the functioning of a community or society, such as transportation and communications systems, water and power lines, and public institutions including schools, post offices, and prisons (Muffin, 2000).

2.2.8 Socio – Economic Development

Socio-Economic Development is any programme that creates sustainable access to the economy for its beneficiaries. Or socioeconomic development is the study of the development relationship between economic activity and social life (Zunker, 1996).

Depending on the country of origin and destination of the person travelling the following forms of tourism may be distinguished.

2.2.9 Inbound Tourism

Inbound tourism is the unit of measurement used for report, measuring the flows of non-residents received by a destination country from the point of view of that destination. For a proper understanding of this unit “International Tourist Arrivals”, two considerations should be taken into account:

International tourist arrivals refer exclusively to tourists, i.e. overnight visitors. Same-day visitors are not included.

International tourist arrivals refer to the number of arrivals and not to the number of persons travelling or the number of nights spent. The same person can generate multiple arrivals a year. Similarly, a person who travels through several countries on one trip generates a new arrival every time the border is crossed. (UNWTO, 2009).

2.2.10 Domestic Tourism

Domestic tourism only involves residents of a given country travelling within that country. (UNWTO, 2009).

2.2.11 Accommodation Sector

The capacity of the accommodation sector is measured in terms of number of rooms or number of bed places available in a country at a given moment. The actual official capacity of a country might in fact be larger than available data show, as some countries exclude hotels below a certain category or less than a certain size. (UNWTO 2009).

2.2.12 International Tourism Receipts and Expenditure

International Tourism Receipts (exports) are the receipts earned by a destination country from inbound tourism. They cover all tourism receipts resulting from expenditure made by visitors from abroad, for instance on lodging, food and drinks, fuel, transport in the country, entertainment, shopping, etc. This concept includes receipts generated by overnight visitors (tourists) as well as by same-day visitors.

The latter may be substantial, as will be the case in countries where a lot of shopping for goods and services takes place by visitors from neighboring countries. It excludes, however, the receipts related to international transport contracted by residents of other countries (for instance ticket receipts from foreigners travelling with a national company). These receipts are covered in a separate category of the Balance of Payments (international fare receipts). (UNWTO, 2009).

2.2.13 International Fare Receipts

Corresponds to the section of “Transportation, Passenger service, credits” in the standard reporting form of the Balance of Payments. It refers to any payment made to carriers registered in the compiling country of sums owed by non-residents, regardless of whether or not they are travelling to that country. These account on average for approximately 18% of total international tourism and fare receipts in recent years. (UNWTO, 2009).

2.2.14 International Tourism Expenditure (imports)

International Tourism Expenditure (imports) is the expenditure on tourism outside their country of residence made by visitors (same-day visitors and tourists) from a given country of origin. (UNWTO, 2009).

2.2.15 Data on Receipts and Expenditure

Related to international tourism are accounted in National Balance of Payments under the items “Services, Travel, Credit and Debit” (International Tourism Receipts and Expenditure) and “Transportation, Passenger Services, Credit and Debit” (International Fare Receipts and Expenditure). (UNWTO, 2009).

2.2.16 Commerce

Commerce is the part of economy which is concerned with exchange of goods and service and includes all those activities which directly or indirectly facilitate that exchange.

(James Stephenson 2011).

2.2.17 Entrepreneurship

There are so many definitions underlying this concept as follow in Table 2.1

Table 2.1: Definitions of Entrepreneurship / Enterprises

Source	Definition
Knight (1921)	Profits from bearing uncertainty and risk.
Schmptter, J (1934)	Carrying out of new combinations of firm organization – new product, new services, new sources of raw materials, new organization.
Hoselitz, B (1952)	Uncertainty bearing... coordination of productive resources ...introduction of innovations, and provision of capital.
Cole, A (1959)	Purposeful activity to initiate and develop a profit-oriented business.
McClelland (1961)	Moderate risk taking- taking calculated risk
Casson (1982)	Decision and judgments about the coordination of scarce resources.
Gartner, W (1985)	Creation of new organizations
Stevenson, Roberts and Grtousbeck (1989)	The pursuit of opportunity without regard to resources currently controlled
GENERAL 2011	Entrepreneurship is the process of identifying opportunity in the market place, mobilizing resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise.

Source: Field Data

2.2.18 Industry

The intellectual roots of industry studies can be traced to the economists Adam Smith (1723-1790) and Alfred Marshall (1842-1924), who demonstrated that:- Industry is the production of an economic good or service within an economy.

The manufacturing or technically productive enterprises in a particular field, country, region, or economy viewed collectively. A classification that refers to a group of companies that are related in terms of their primary business activities.

2.2.19 Financial Crisis

The term financial crisis is applied broadly to a variety of situations in which some financial assets suddenly lose a large part of their nominal value. A situation in which the supply of money is outpaced by the demand for money. This means that liquidity is quickly evaporated. A situation in which the value of financial institutions or assets drops rapidly. A financial crisis is often associated with a panic or a run on the banks, in which failed to afford cash-flow. An economic recession or depression caused by a lack of necessary liquidity in financial institutions.(UNWTO 2009), (UNWTO 2010f).

2.2.20 Exogenous Variable

An exogenous variable is a factor that is outside of an economic model; it has an impact on the outcome of the model, but changes in the model do not affect it. Put simply, it is something that affects a particular outcome without being controlled by that outcome in return. These variables are sometimes referred to as independent variables, as opposed to dependent — or endogenous — variables, which are

explained by the mathematical relationships in the model. While endogenous variables can be manipulated within the economic model, exogenous ones are generally uncontrollable. (Samuelson 1995)

2.3 Theoretical Literature Review

Financial crisis began in 2007, with the “subprime crisis”; then, because of the global diffusion of sophisticated financial instruments (such as derivatives and hedge funds) quickly propagated to the banking sector and financial system of many countries. In the Fall of 2008, the extending disruptions in the working of banks and credit systems, the confidence crisis (with huge drops in the stock markets), the deterioration of expectations led to the initial real effects: decrease in production and levels of activity, reductions in consumption and investment, fall of the international trade. (Misbah, Enrico *at al.*, 2010)

A financial crisis affect the money circulation in HI and associate actors, the crisis have less boundary to HI because transactions have direct link with both HI customers and tourism market that obviously labor and tax to government are victims.

2.3.1 Span of the World Financial Crisis

While financial crises have common elements, they do come in many forms. A financial crisis is often associated with one or more of the following phenomena: substantial changes in credit volume and asset prices; severe disruptions in financial intermediation and the supply of external financing to various actors in the economy; large scale balance sheet problems (of firms, households, financial intermediaries

and sovereigns); and large scale government support (in the form of liquidity support and recapitalization). As such, financial crises are typically multidimensional events and can be hard to characterize using a single indicator. The literature has clarified some of the factors driving crises, but it remains a challenge to definitively identify their deeper causes. Many theories have been developed over the years regarding the underlying causes of crises. While fundamental factors, macroeconomic imbalances, internal or external shocks are often observed, many questions remain on the exact causes of crises.

Financial crises sometimes appear to be driven by “irrational” factors. These include sudden runs on banks, contagion and spillovers among financial markets, limits to arbitrage during times of stress, emergence of asset busts, credit crunches, and fire sales, and other aspects related to financial turmoil. Indeed, the idea of “animal spirits” (as a source of financial market movements) has long occupied a significant space in the literature attempting to explain crises (Keynes, 1930; Minsky, 1975; Kindleberger, 1978).

2.3.2 Origin of the Crisis

The global financial crisis of 2007-2009, initially referred to in the media as a “credit crunch” or “credit crisis”, begun in July 2007 (according to global financial crisis Reports) when a loss of confidence by investors in the value of securitized mortgages in the United States resulted in liquidity crisis that prompted a substantial injection of capital into financial markets by the United States Federal Reserve, Bank of England and the European central bank.

The spread indicator of perceived credit risk in general economy spiked up in July 2007, remained volatile for a year, then spiked even higher in September 2008, reaching a record of 4.65% in October 2008, the crisis deepened, as stock markets world-wide crashed and entered a period of high volatility, and a considerable number of banks, mortgages lenders and insurance companies failed in the following weeks.

Although World's housing collapse is often cited as having caused the crisis, the financial system was vulnerable because of intricate and highly leveraged financial contracts and operations, a U.S. monetary policy making the cost of credit negligible therefore encouraging such high levels of leverage. After affecting banking and credit, mainly in the United States, the situation evolved into a global general financial crisis verging on systemic crisis as many institutions had financial links, and also psychological contagions, made it spread at the same time Worldwide and to many financial and economic areas.

Financial markets (stock exchange and derivative markets notably) where it developed into a market crash, Various equity funds and hedge funds that went short of cash and had to rid of assets, Insurance activities and pension funds, facing a receding asset portfolio value to cover their commitments, With also incidences on public finance due to the bail out actions, Foreign exchange, at least for some currencies (Icelandic crown, various Eastern Europe and Latin World currencies), and increased volatility for most of them. The first symptoms of what is called the Economic crisis of 2008 ensured also in various countries and various industries, as

financial crisis, albeit not only cause, was a factor by making borrowing and equity rising harder.

2.3.3 Event of the Crisis

The relationship between the recent boom and the current delinquencies in subprime mortgages. The recent 4th February 2008 US mortgage market troubles unsteadied the economy. This article summarizes research analyzing millions of loans applications to investigate the root of the crisis, a credit boom may to be blamed. Recent events in the markets for mortgages-backed securities have placed the US subprime mortgages industry in spotlight. Over the last decade, this market has expanded drastically, evolving from small niche segment into major portion of the overall US mortgages market.

The important question to ask is can recent market turmoil-triggered by sharp increases in delinquency rates be related to this rapid expansion? In other words, the recent experience, in part, the result of credit boom gone badly? While may say yes to these questions, rigorous empirical evidence on the matter has thus far been lacking.

The process of financial globalization has given rise to an increase in the frequency of financial crises. With it, there was also a surge in research about financial crises. One of the key questions in this area is whether crises are triggered by fundamentals or come as a result of panic. Observing real-world events, many prominent researchers, including Friedman and Schwartz (1963) and Kindleberger (1978), concluded that financial crises are so strong and sudden that there must be an

element of panic in them. Yet, a large empirical literature was able to establish a fairly strong link between crises and fundamentals.

2.3.4 Competing Explanations: A Global Saving Glut

Some argue that the low interest rates in 2002-2004 were caused by global factors beyond the control of the monetary authorities. If so, then the interest rate decisions by the monetary authorities were not the major factor causing the boom. This explanation is potentially appealing because long term interest rates remained low for a while even after the short-term federal funds rate started increasing. This alternative explanation focuses on global saving. It argues that there was an excess of world saving—a global saving glut—which pushed interest rates down in the United States and other countries.

Financial crises are often preceded by asset and credit booms that eventually turn into busts. Many theories focusing on the sources of crises have recognized the importance of booms in asset and credit markets. However, explaining why asset price bubbles or credit booms are allowed to continue and eventually become unsustainable and turn into busts or crunches has been challenging. This naturally requires answering why neither financial market participants nor policy makers foresee the risks and attempt to slow down the expansion of credit and increase in asset prices.

The dynamics of macroeconomic and financial variables around crises have been extensively studied. Empirical studies have documented the various phases of financial crises, from initial, small-scale financial disruptions to large-scale national,

regional, or even global crises. They have also described how, in the aftermath of financial crises, asset prices and credit growth can remain depressed for a long time and how crises can have long-lasting consequences for the real economy. Given their central roles, we next briefly discuss developments in asset and credit markets around financial crises.

2.3.5 Asset Price Booms and Busts

Sharp increases in asset prices, sometimes called bubbles, and often followed by crashes have been around for centuries. Asset prices sometimes seem to deviate from what fundamentals would suggest and exhibit patterns different than predictions of standard models with perfect financial markets. A bubble, an extreme form of such deviation, can be defined as “*the part of a grossly upward asset price movement that is unexplainable based on fundamentals*” (Garber, 2000). Patterns of exuberant increases in asset prices, often followed by crashes, figure prominently in many accounts of financial instability, both for advanced and emerging market countries alike, going back millenniums (see Evanoff, Kaufman, Malliaris (2012) for detailed reviews of asset price bubbles).

Sharp increases in international financial flows can amplify credit booms. Most national financial markets are affected by global conditions, even more so today, making asset bubbles easily spill across borders. Fluctuations in capital flows can amplify movements in local financial markets when inflows lead to a significant increase in the funds available to banks, relaxing credit constraints for corporations and households (Claessens *et al.*, 2010).

Rapid expansion of credit and sharp growth in house and other asset prices were indeed associated with large capital inflows in many countries before the recent financial crisis. Accommodative monetary policies, especially when in place for extended periods, have been linked to credit booms and excessive risk taking. The channel is as follows. Interest rates affect asset prices and borrower's net worth, in turn affecting lending conditions. Analytical models, including on the relationship between agency problems and interest rates (e.g., Stiglitz and Weiss, 1981), suggest more risk-taking when interest rates decline and a flight to quality when interest rates rise, with consequent effects on the availability of external financing.

Empirical evidence (e.g., for Spain, Maddaloni and Peydró, 2010; Ongena *et al.*, 2009), supports such a channel as credit standards tend to loosen when policy rates decline. The relatively low interest rates in the U.S. during 2001-04 are often mentioned as a main factor behind the rapid increases in house prices and household leverage (Lansing, 2008; Hirata *et. al*, 2012).

2.3.6 Efficiency Market Hypothesis

Theoretically, the panic-based approach to banking crises was formalized by Bryant (1980) and Diamond and Dybvig (1983). In the Diamond-Dybvig model, when investors withdraw money from a bank, they deplete the bank's capital, reducing the amount available for investors who come in the future. This creates strategic complementarities, such that investors wish to withdraw when they think others will do so. The result is multiplicity of equilibria. There is an equilibrium in which all the investors withdraw and an equilibrium in which none of them does. Crises are then

self-fulfilling; they occur only because investors believe they will occur. In the Diamond-Dybvig model, the occurrence of a crisis cannot be linked to fundamentals. The fundamental-based (or information-based) approach has been modeled as well, for example in Chari and Jagannathan (1988), Jacklin and Bhattacharya (1988), and Allen and Gale (1998). The basic idea is simple. Bad fundamentals (or negative information about fundamentals) lead banks' balance sheets to deteriorate, inducing investors to run.

The tension between the self-fulfilling approach and fundamental approach to crises exists also in the currency-attack literature. The two classic approaches are represented by Krugman (1979) and Obstfeld (1996). In Krugman (1979), the crisis is an inevitable result of a government that runs fiscal policy which is inconsistent with the exchange rate regime, and hence the currency collapse is predictable by fundamentals. On the other hand, in Obstfeld (1996), the currency collapse might be self-fulfilling. If enough speculators choose to attack the currency, they will weaken the ability of the government to maintain the fixed exchange rate regime.

2.3.7 Hotel and Tourism Industry

Hotel and tourism is one of the traditional sectors in many countries besides mining, energy, agriculture and forestry in many decades ago. Currently, it is recognized as one of the fastest growing industry in the world. International hotel and tourism is now one of the largest export earners, surpassing export of crude oil and other petroleum products, motor vehicles, electronic equipment, raw materials, textile and all other categories. It's growth is faster than any other economic sector. The

forecasts show that international hotel and tourism will keep on growing in the coming years. Basically, hotel and tourism has become a significant industry in both poor and rich countries. This is due to its impact on economic, livelihoods and socio-cultural development where it remains as a popular global leisure activity (Gee, 1997).

The contraction of the real economy impacted on the tourism market. Faced with possible lay-offs or loan reductions, employees would postpone, change or even cancel travel plans, significantly reducing their travel budgets. Accompanied by a high oil price and rising inflation rates, recession fears took their toll and travel budgets further diminished. This constricted international demand for tourism services in the holiday destinations. Albeit time-delayed and dependent on the crisis resilience in the source markets, international tourist arrivals dropped notably by end of 2008, affecting not only the economic performance of tourism companies but also tourism related firms along the value chains.

The crisis hit the tourism sector and lasted for 15 consecutive months of negative growth until October 2009. The crisis peaked in March 2009, with a 12% decrease in international tourist arrivals. Since then, international tourist arrivals steadily recovered and turned positive during the last quarter of 2009. During 2009, international tourist arrivals decreased by 4% at global level, coupled with a 6% decline in tourism receipts. The 2008-2009 crisis was the first serious downturn faced by the sector at global level. The tourism sector experienced important declines and changes in travel habits, such as the decrease of long-haul travel in favor of

short-distance travel, including intra-regional and domestic travel. In 2010, the tourism sector rebounded faster than expected and fully compensated for the losses caused by the economic crisis at global level, posting a growth rate of international tourist arrivals of 7%. The recovery confirms the sectors resilience in the medium and long term, and its role as a key driver of growth and much needed employment in a changing economic setting.

2.3.8 Tourism Labour Markets

Tourism labor markets have a high turnover. Turnover figures vary from region to region within countries. In general, however, the turnover rate for managerial levels is far lower than for line employees. Employers and employees cite different reasons for this high frequency of turnover: Employers representatives generally state that turnover in the sector should be attributed to the essentially transient nature of part of the workforce, namely the unsteady employment of students, young mothers and young people as a whole, as well as to the general difficulty in retaining staff. Employees, on the other hand, frequently cite low pay as a reason for changing employment, although lack of a career structure and benefits would appear to be of even greater importance. In the USA, for example, even if hotels and restaurants pay US\$12.00 an hour, they are in competition with jobs such as bank tellers.

Furthermore, restaurant work retains the stigma of being physical work. Job stability, career prospects and reasonable working hours all factor into the equation. As long as other jobs offer equal levels of pay but more advantageous working and employment conditions, the problem of turnover will persist in the hotel and

restaurant sector, unless the industry is able to create equivalent conditions or compensate in other ways.

2.3.9 Tourism Labour Markets and Government Interventions

Government interventions may influence the final outcome of the labor market in many ways, thus affecting earnings of the poor. On the supply side, the state has an important role to play in providing good quality training to equip local communities with the skills to contribute productively to the tourism economy, e.g. language or hospitality skills. On the demand side, the government may influence both wage levels and recruitment of the poor through a regulatory environment which supports the enhancement of decent jobs for tourism workers. In general WFC affect tourism industry where by Hotel Industry is complimentary service for tourism, many categories of hotels, Small and Medium Enterprises and government are involved.

2.3.10 Common World Hotel Classifications

2.3.10.1 Commercial Hotels and Restaurant

Commercial Hotels and restaurant are cater mainly to business clients and usually offer room service, coffee-shop, dining room, cocktail lounge, laundry and valet service as well as access to computers and fax services, in Zanzibar most of these hotel are found at Zanzibar town/ Stone town including Breezes Beach Cub and SPA Hotel, Serena inn Hotel, Shangani hote, Dhow Palace hotel, Mazson Hotel and so on.

2.3.10.2 Airport Hotels and Restaurant

Airport Hotels and restaurant are located near airports and are a conveniently located to provide any level of service from just a clean room to room service and they may provide bus or limousine service to the air lines.

2.3.10.3 Conference Centers

Conference Centers are designed to specifically provide meeting space from groups; they provide all services and equipment necessary to handle conventions like Bwawani hotel, Mazsons hotel and so on.

2.3.10.4 Economy Hotels and Restaurant

Economy Hotels and restaurant are provide a limited service and are known for clean rooms at low prices meeting just the basic needs of travelers such as Marine hotel, Narrow street hotel and so on.

2.3.10.5 Suite or All-Suite Hotels and Restaurant

Suite or All-Suite Hotels and restaurant are hotels and restaurant which offer spacious layout and design. Business people like the setting which provides space to work and entertain separate from the bedroom example Breezes Beach Cub and SPA hotel, Zanzibar beach resort.

2.3.10.6 Residential Hotels and Restaurant

Residential Hotels and restaurant are used to be very popular. The typical residential hotel offers long term accommodations these usually known as guest house.

2.3.10.7 Casino Hotels and Restaurant

Casino Hotels and restaurant are often quite luxurious. Their main purpose is in support of the gambling operation. Casino hotels and restaurant often offer top name entertainment and excellent restaurants, not found in Zanzibar.

2.3.10.8 Resort Hotels and Restaurant

Resort Hotels and restaurant are the planned destination of guests, usually vacationers. This is because resorts are located at the ocean or in the mountains away from inner cities. Resort hotels and restaurant may offer any form of entertainment to keep their guests happy and busy, example is Breezes beach hotel, Dogwe Vacanze, Coral rock hotel etc., those allocated alongside of East-coast of Unguja Island.

2.3.11 Social Development and Economic Development Theory

There were several theories underlying this study which included: social development theory and economic development theory as described below:

Harlan and Garry (1999), Development theory must be a theory of how human society advances through space and time. Development of individuals and societies results in increasing freedom of choice and increasing capacity to fulfill its choices by its own capacity and initiative. Social development can be defined as the process of organizing human energies and activities at higher levels to achieve greater results. In its broadest social development as a social theory is an upward directional movement of society from lesser to greater levels of energy, efficiency, quality, productivity, complexity, comprehension, creativity, choice, mastery, enjoyment and accomplishment.

2.3.12 Social Development

Social development theory has been elusive for several reasons. One among them is because of the very practical importance of this issue; attention in this field has very largely focused on the material results of development and on those strategies that

have proven most effective for achieving those results, rather than on abstract principles or theoretical concepts. A theory of social development should generate a framework around which all knowledge of the factors, instruments, conditions, agencies and processes of development can be integrated. Rapid economic progress in North America and Europe after the Second World War, which was followed by even more stunning achievements in Japan and other East Asian nations, imbued governments and the international community with the confidence that development was primarily a question of money, technology, industrialization and political will. (Harlan and Garry (1999)).

Confident that the lessons of early achievers provided all the knowledge necessary for those that were to follow, there was an urge for concerted action and an expectation of results, rather than a quest for theoretical knowledge. Society develops in response to the contact and interaction between human beings from one place to another or in same place through their material, social and intellectual environment. Human beings acquire social behaviors in a similar manner. Here, apart from the physical skills required for communication and interaction with other people, vital attitudes are centrally important. Each social behavior expresses not just a movement, but an attitude and intention of the person (Harlan and Garry, 1999).

2.3.13 Economic Development Theory

In economic Development Theory: Development has meant many things, depending on the era and context. For the scope of this study, Jeramy, (2009) defines development refers to economic growth that leads to increased standard of living.

The latter term itself is problematic, depending on whether it is measured simply in economic terms, like Gross National Product (GNP), or if it includes social and health measures, like education and life expectancy, which one finds in the Human Development Index (HDI). One assumes that social workers will not be satisfied with an end-point at econometrics, since human welfare depends on much more than the accumulation of wealth. GDP is one of the three components of the HDI, indicating the United Nations' recognition that per capita income should be considered in a general social measure of quality of life. Given these relationships, it is not unreasonable for the social worker to factor economic development into strategies for intervention at all levels (macro, mezzo, and micro), if not even as a core factor (Jeramy, 2009).

2.3.14 Endogenous Growth Theory

Endogenous Growth Theory (EGT) describes that any economic development requires human capital and capacity because human capital development is a primary driver of growth (Romer, 1990).

Larsen (1998) through the study about tourism, economic growth and resource management described that the study on tourism, economic growth and resource management in Zanzibar shown that the government of Zanzibar has recently focused on tourism as a main source of foreign exchange and thus of what was seen as a main goal, namely, economic growth. Both local and foreign private companies and individuals were encouraged to invest in various kinds of tourist enterprises. This was perceived as one possible way to encourage economic activities which will eventually enrich the state through various systems of taxation, creating work

opportunities, providing incentives for trading activities, and thus improved living conditions for people in general. Hence, seen from the centre tourism may be one way to meet the growing problem of unemployment in urban areas and strengthening the state economically and in turn, politically. Within this context, tourism often means greater occupational choices for women and men, the choices of course being differentiated by gender. In the coastal zone the expansion of tourism had led to larger scale infrastructure development appreciated by people in local communities, but this had taken place without the benefit of environmental assessments (Larsen, 1998).

Following the study on improving Tourism Employment Practice conducted by Smith, Gare and Dan, (2003) described that the extent to which local hiring enhanced economic opportunity and built human capital assets depended on a company's recruitment practices and willingness to train. Many tourism companies already employed relatively large numbers of local people. This alone had significant local economic impact where this impact became even more significant when companies offered reasonable wages, working hours, and job security. Complying with international labor standards in these and other areas could help tourism companies ensure that workers are building appropriate skills and financial assets, while also mitigating their own reputation risk.

Some companies, such as Serena hotels, have gone even further, paying above minimum wage and offering employees pensions, life insurance, and other financial support services (Dan, 2003). Companies' economic opportunity impact can also be enhanced by hiring and training local residents for management positions in addition

to low-paid, unskilled job. More efforts are needed to support local communities by employing community members whenever possible, and by providing effective training programs to bolster employee motivation, customer satisfaction and human capital development (Smith, Gare and Dan, 2003).

Ashley (2007), through the study on the role of tourism in socio-economic development in Asian and Pacific countries which was organized into eleven chapters, he examined about the Tourism and Transport Infrastructure as part of the growing impact of globalization in Asia and the Pacific, international tourism was dependent on efficient, reliable and cost-effective transport infrastructure and services to support continued growth and development. At the same time, transport policies and infrastructure development influence the quality, capacity, extensiveness and efficiency of transport, which contributed to the competitiveness of national tourism industries.

Transport infrastructure provided the backbone of transport systems, both within and between countries through networks of airports, highways, railways and ports. Tourism will benefit from the work being done by countries and areas of the region at the national and regional level to provide a framework for internationally agreed routes and infrastructure standards.

The various forms of transportation and related infrastructure played a vital role in economic growth by providing fast, reliable connections between population centers for business, tourism, ordinary citizens and government. In countries where the

infrastructure policy environment was forward-looking in support of growth and safety, social and economic needs could be met along with the demands of the tourism industry. An infrastructure policy environment that included consideration of tourism development would have to address: (1) constraints to sector development; (2) which infrastructure sectors to prioritize; (3) how to strengthen international and/or cross border linkages; and (4) the complexity of relations between tourism development, environmental sustainability, geographic location of expanded infrastructure and related socio-economic changes.

2.3.15 The Contribution of Hotel Industry on Development of Infrastructure

Infrastructure is very important pillar in nourishing tourism in the world otherwise the development of the country will slow down. An efficient transport infrastructure has been considered as a key component that directly influences the competitiveness of a country's travel and tourism industry in Asian and the Pacific countries like China and India (Asian Development Bank, 2005). In Mauritius tourism infrastructure was well-developed because roads were maintained in very good condition, with 1,834 kilometers (1,139 miles) out of a total of 1,910 kilometers (1,186 miles) of roads being paved in 2000s (World Bank, 2000).

Hall (2000) described that tourism infrastructure and facilities were very important in tourism planning and development. The Cambodia government was trying to invest in basic infrastructures such as highways, roads, electric plants, water supply, and international airport and did give priority to infrastructure development for the tourism industry.

Nahed (2006) reported that a prolonged infrastructure gap did slow the tourism activities, pace and drove up the costs of developing new projects, placed greater strain on the existing infrastructure and potentially deterred foreign business and leisure travelers. The Dubai government estimated that traffic congestion costs alone were around US\$1.3 billion or just 3.5 percent of Dubai's US\$39.7 billion GDP.

Infrastructure development such as the construction of tarred roads to facilitate the tourism industry in the Okavango and Chobe regions in northern Botswana became one of the major government pre-occupation (Mbaiwa, 2002). Tourism had stimulated the development of a variety of allied infrastructure and facilities, such as hotels, lodges and camps, airport and airstrips, in the Okavango region (Ngami, 2001). Booth (2004) explained that construction of a new paved road linking Kigali to the western part of Rwanda where Lake Kivu was located had also benefited tourism. Since 2000, there had been a fourfold increase in the number of tourists visiting national parks.

To encourage investment for development, there was a need for improvements in infrastructure across the regions in Tanzania, notably in utilities such as water and electricity supply and solid waste disposal (Kweka *et al*, 2001). The benefits accruing from investments in such infrastructure and superstructure as airports, hotels and restaurants, road network, communications, power and water supply as well as other related public utilities are widely shared with other sectors of the economy (Kweka *et al*, 2001).

Zanzibar Economic Bulletin (2009) stated that the infrastructure programmes were primary requirements that Government had to provide for a future meaningful

development of tourism industry, these included; roads, provision of water, tourism towns and special products where the Government of Zanzibar was required to set aside some US \$ 41,542,740 equivalent to Tsh. 27.8 billion for the purpose of financing the provision of the above mentioned services.

According to data gathered by the World Bank for 118 airport projects with private sector participation worldwide between 1991 and 2006, a total of 25 airport infrastructure projects were carried out in low and middle income countries of East Asia and the Pacific and 8 projects in South Asia. The total value of private investment was US\$ 4,281 million in East Asia and the Pacific, of which US\$ 3,130 was for projects involving runway and terminal construction, US\$ 881 million for terminal construction only and US\$ 270 million for runway construction only.

World Economic Forum (2007), in a study of the tourism industry worldwide, the World Economic Forum (WEF) developed the travel and tourism competitiveness index (TTCI) to provide a fairly comprehensive tool for measuring the factors and policies that help in assessing the comparative strengths and weaknesses of 124 countries and areas, including 26 in Asia and the Pacific, in their ability to develop travel and tourism. According to WEF, its assessments of the travel and tourism environment can be used by all stakeholders to work together to improve the industry's competitiveness in their national economies, thereby contributing to national growth and prosperity.

The term national competitiveness must be used carefully, however, the notion of national competitiveness is controversial, although it is one way to start asking about

the appropriate role and extent of government policy. Given that it is firms that compete, according to the Asian Development Bank (ADB), from the national point of view the real question would be about how government policies might ensure that firms are competitive.

Despite arguments about whether or not nations compete, governments play a critical role in shaping the competitive environment and behavior of firms through a variety of policies and activities. UNWTO (2006) through the case study of tourism in Maldives stated that in Asia and the Pacific, Maldives had been the most successful LDC in attracting international tourists, with about 600,000 international tourists in 2004, which was double the total resident population. Maldives is one of five countries in Asia and the Pacific where tourism was the top contributor to GDP.

Fifty-seven per cent of total employment, or 1 in every 1.7 jobs, was created by tourism. Tourism had been the major source of foreign exchange earnings and tax revenue for many years. This had enabled the government to allocate financial resources for improving education and health conditions. There was almost universal literacy and the infant mortality rate went from 121 per thousand in 1977 to 35 per thousand in 2004. Over the same period, average life expectancy at birth increased from 47 years to 67 years.

The dominance of tourism showed that the economy of Maldives was not very diversified, however. The tsunami and seaquake of December 2004 underscored the country's vulnerability. International tourist arrivals dropped from 617,000 in 2004 to 395,000 in 2005. Foreign exchange earnings also declined and the government

faced a current account deficit as well as a budget deficit. At the same time, the government faced supply constraints in its reconstruction efforts. Tourism arrivals recovered fairly quickly and grew by 70 per cent in the first eight months of 2006. The government had decided to add 35 uninhabited islands to its tourism portfolio in order that foreign investors could gain leases to develop and build at least 20 new hotels and 15 new resorts, which would include shareholding by the Maldives government.

UNDP (2006), through the study of The Millennium Development Goals (MDGs) represent a global partnership aimed at responding to the world's main development challenges, including poverty reduction, opportunities for education, better maternal health, gender equality, and reducing child mortality, AIDS and other diseases. The MDGs are an agreed set of goals to be achieved by 2015 based on all actors working together at global, regional and national levels. Strategies based on working with a wide range of partners can help create coalitions for change that support the MDGs at all levels; benchmark progress; and help countries build the institutional capacity, policies and programmes needed to achieve the MDGs.

It is generally assumed that international tourism can generate benefits for poor people and poor communities in the context of sustainable tourism development, usually without specifically targeting the poor. According to UNWTO (2006), tourism can contribute to development and poverty reduction in a number of ways. Although the focus was usually on economic benefits, there can also be social, environmental and cultural benefits. Poverty can be reduced when tourism provides

employment and diversified livelihood opportunities, which provides additional income.

2.3.16 The Contribution of Hotel Industry on Employment Opportunity

On the part of employment, it was described that around 260 million people worked in jobs directly related to tourism worldwide and will represent approximately 8.3% of total world employment (WTO, 2002). In the United State, tourism is either the first, second or third largest employer in 29 states and many cities including New York, Chicago, Washington, D.C. and San Francisco, employed 7.3 million in 2004, to take care of 1.19 billion trips tourists took in the US in 2005 (Cocks, 2007). The tourism sector in China contributed largely to more than 77.6 million people, approximately 1 in every 10 employed persons worked in the tourism economy in 2006 (WTTC, 2006).

In dependant countries such as the Caribbean, as many as 25% of jobs are associated with tourism industry. For example, the total number of people directly and indirectly depending on tourism for a living (including taxi drivers, water sports operators, bar workers, restaurants, casinos, souvenir and other retail shops) is estimated at 1.3 million (WTO, 2002). WTTC (2009) estimates that employment in travel and tourism economy may account on average for 43% of total employment by 2004 in 12 Caribbean countries including Jamaica, for example in the region, Antigua and Barbuda has the highest proportion of the population working in the tourism sector with 95% of its total employment reliant on direct or indirect jobs in travel and tourism in 2004. WTTC forecasts that employment will increase by an

average of 14% for all Caribbean countries between 1999 and 2014 (WTTC, 2009). An estimated 102,700 full-time employees or 5.9% of total employment in New Zealand were actively engaged in producing goods and services for tourists in 1994 (UNWTO, 1998). In Cambodia, the tourism related employment is estimated at 1,102,000 jobs in 2008 (Ministry of Tourism, 2007).

Neto (2003) stated that in St. Lucia, tourism's contribution to employment cannot be overlooked. It was argued that because of its labor intensive nature, investments in tourism tended to generate a larger and faster increase in employment than equal investments in other economic activities. Employment in the hotels and restaurants sub-sector alone accounted for an average of 10.2 per cent of total employment during the period. Total persons employed in the sub-sector increased substantially from 11,420 in 1999 to 27,020 in 2003 (Renard, 2001).

In South Africa, the comprehensive Tourism Enterprise Program (TEP) estimated that tourism growth created over 30,000 full-time equivalent job opportunities between July, 2000 and June, 2006 (Poulteny and Anna, 2001). In Tunisia although Industrial workers were earning about higher than hotel workers, there was little differences in their living standards where the situation made the people to depend on tourism for their employment opportunities than other sectors (Tosun and Jenkins, 1996). In Malta direct employment in hotels increased from 7,375 employees in 1990 to 9,533 employees in 2000 (Malta Tourism Authority, 2001).

Sindiga (1999) noted that tourism is labor-intensive in Kenya. People serve in various sub-sectors of the industry including tour guiding, nature and cultural

interpretation, game viewing, travel and transport services, sport, and in the area of food, beverage and alcohol service, and accommodation. The estimates in Kenya indicated that 75% of workers in tourism have no skills or training for the jobs that they do (Sindiga, 1999), whereby this problem affects the level of wages, security of tenure and the ability to achieve better working conditions as well as the quality of productivity is affected by lack of training. Tourism sector in Rwanda creates employment opportunities for the poor and even for the vulnerable groups, such as the youth, women and unskilled rural residents (Gatsinzi, 2006).

In Tanzania, official data indicate that there were around 157,000 people supposed to be working in the tourism sector in 2001 compared to 96,000 in 1995 (URT, 2002). This may still be under-estimation, since indirect employment is not taken into account.

In Zanzibar, total employment in tourism industry in 2009 is estimated at 10,500 people direct activities and over 40,000 people indirectly (Zanzibar Economic Bulletin, 2009). Antonella (2006) described that at least 5,800 people are directly employed by the tourism industry; but total employment was believed to be some 37,000 from tourism due to the very great indirect employment and multiplier effects of the industry (e.g. fishing, agriculture, transport, building industry, arts and crafts).

Makame (2008) noted that tourism and its hospitality products in Zanzibar employed about 45,000 people in both direct and indirect employment and was likely to surpass agriculture as Zanzibar's leading revenue earner by the year 2015. The Commission for Tourism (1997) also indicated that some 2600 people gained direct employment

form tourism industry. This was probably seen as an indicator for the development of tourism industry in Zanzibar. Again, the department of Environment estimated that for one direct job, other two to three indirect jobs are created. All these, together with tourist activities were taking place on the beaches and marine environment.

2.3.17 The Contribution of Hotel Industry on Enhancing Government

Revenues

Stephen and Connell (2006) stated that tourism was the main income generator for one-third of the developing nations but was also a major generator in the Western world. For example in New Zealand, tourism was of prime importance in areas where there was little other industry such as in Wanaka and the Bay of Islands. For the year ended 2009 in New Zealand, tourism contributed \$8.2 billion or 6.9% of New Zealand's total industry contribution to government revenues and the GDP. David Scowsill, President and CEO of WTTC (2012) said that Serbia had made huge advances in attracting tourists to the country where the sector than employed 97,000 people (UNWTO, 2012).

In Jamaica and Trinidad and Tobago, tourism economic activity increased government revenues from 0.34% to 1.25 %, respectively, this was due to the increase in GDP but also the stronger relative expansion of sectors that contributed more to the tax base than sectors, which contributed less to public finances (Page, Stephen and Connell, 2006). Between 1999 and 2003, government revenue from tourism increased from US\$7.67 million to US\$10.23 million. In 2003, it accounted for a 5.9 per cent share of total government revenue as compared to 3.5 per cent in

1999 (Neto, 2003). In 2006, Cambodian tourism generated revenues of US dollar 1,594 million and about 16 percent of GDP (Ministry of Tourism, 2007).

Common Wealth (2012) described that currently; Bahamians did not pay income or a sales tax that was why most government revenue was derived from high tariffs and import fees. Reduction of trade barriers would probably require some form of taxation to replace revenues.

DWNP (2000) argued that revenue collected from Botswana's protected areas increased from P5, 835,051 in 1995 to P9, 280,987 in 1999. Much of this revenue was collected from the northern parks of Chobe National Park and Moremi Game Reserve which were located in the area due to the influence of the Okavango Delta. The Chobe National Park in 1999 generated P4, 492,505 while Moremi Game Reserve generated P4, 175,048.

In East Africa, the countries like Kenya, Uganda, Tanzania, Rwanda and Burundi the issue of tourism was operated and contributed socially and economically in different ways, according to the country itself. For example Sindiga (1999) stated that from the perspective of tourist expenditure, including airfare and payments to overseas tour operators, the proportion of tourist income accruing to Kenya was relatively low because Kenya's tourism enterprises including hotels, tour firms and travel agencies were owned and managed by foreign nationals from developed countries. David (2008) stated that international tourism was a lucrative source of income for Kenya, accounting for 2.24 percent of the nation's gross domestic product (GDP) in 2006. In the year 2007 Rwanda's tourism industry emerged the top foreign currency earner

generating revenues worth US \$42.3 million overtaking coffee and tea industries for the first time after the genocide (Jean, 2011). Lea (1993) and Sindiga (1999) describe that in order to have good system of managing and distributing tourists revenues to every stakeholder, Tanzania suggested that for every tourist dollar, 40 cents went on imports, 40 cents to private hotels and other businesses, and only 20 cents to the government in the form of taxes.

Apart from injecting foreign exchange earnings into the economy, tourism generated government revenue through various taxes include customs and excise duties for imports; sales tax and value added tax for goods bought in the local market; accommodation taxes and training levies on hotel guests; concession or rental fees paid by game lodges and camp sites; and trade licenses and company taxes paid by various enterprises (Sindiga, 1999).

The government also charged income tax on the personal earnings of the employees in the tourism sector (Sindiga, 1999). Currently, the sector of tourism became a modern sense for catalyzing the people welfare and boosting the country's economy by improving old and modern historic mattes in Tanzania - Zanzibar that contributed to about 22% of GDP and about in Government revenue (Zanzibar Economic Bulletin, 2009). Foreign currency earnings as among the government revenue were net US\$ 46 million in 2001 from international tourists; due to this Zanzibar was expected to grow its revenues to US\$ 116 million in 2012 (Antonella, 2006).

2.4 Empirical Literature Review

Tanzania is home to a variety of different tourist attractions, ranging from the world famous national wildlife parks in the north of the country to the beaches of Zanzibar

on its eastern coastline. The Tanzanian economy is based around agriculture (including fisheries, forestry products and livestock) which represented 28% of gross value added (GVA) in 2009, followed by the retail sector including restaurants, hotels, wholesale, representing 14% of GVA and mining and manufacturing (13%). This signifies the importance of tourism enterprises such as hotels, restaurants, other retail services and the supply chains that are stimulated by them, for the national economy.(UNSTATS, Mainland Tanzania 2011).WFC have impact on HI and measures is necessary in order to contribute more in the economy and social development.

2.4.1 Impact of Global Economic Crisis on Hotel Industry: Experience from Regional of the World

Trends demonstrate an increasing economic importance of international tourism, in particular among emerging countries. According to UNWTO, the contribution of tourism to the economic activity worldwide is estimated at some 5% of GDP, its direct and indirect contribution to employment tending to be slightly higher at a range of 6-7% of the overall number of jobs worldwide. Moreover, tourism exports account for 6% of overall exports of goods and services, and 30% of the exports of services.

In 2007, prior to the crisis, international tourism receipts had a highly significant economic weight for many countries, featuring a ratio of more than 5% of GDP or more than 10% of export earnings among 56 countries. By income groups, international tourism may be considered a significant economic sector in 21 (49%) and a highly significant economic sector in 15 (35%) of the 43 low income countries

of the world. Furthermore, tourism played a significant role in 26 (51%) and a highly significant role in 17 (33%) of the 51 lower middle income countries.

In summary, tourism is a major economic sector in about half of the low income and lower middle income countries, particularly in Central and South America, Asia and the Pacific, but also in the Middle East and North Africa. Compared to other export sectors, tourism additionally makes the strongest historical contribution to the growth of GDP per capita in low income as well as lower middle income and by region in countries in the Americas and the Middle East.(UNWTO 2010). Pg 58. Neither in Africa, Asia and the Pacific and Europe nor among upper middle income and high income countries can a similar statistically significant effect of tourism exports on the growth of GDP per capita be observed.

2.4.2 Impact of Global Economic Crisis on Hotel Industry: Tourism Demand Regional of the World (2007-2009)

Although the negative effect of the decrease in demand for tourism exports caused by the global economic crisis may be discerned in international tourist arrival data across all income and regional groups, its intensity and duration varies greatly between different regions as well as sub-regions. Northern and Western Europe, Northern and Central America as well as Southern Asia have been particularly hit by a sharp decline in tourist flows.

On the other hand, the Middle East and some countries in the Caribbean have been considerably less affected and have managed to recover much quicker. Africa has not

been affected by the crisis in terms of international tourist arrivals. In regard to income groups, low income countries have been significantly less affected and have recovered considerably faster than the rest of the world and those of high income countries in particular. An analysis of international tourist arrivals monthly data between advanced economies and emerging economies reveals only slightly different trends between these two groups of countries developments of monthly international tourist arrivals in all four sub-regions of the Americas. Two distinct observations arise: firstly, Caribbean countries experienced a pre-crisis decline of international tourist arrivals during the summer of 2007.

In 2008, international tourist arrivals largely corresponded with developments of the other sub-regions, whereas in 2009 Caribbean countries performed comparatively better than North and Central American countries. Secondly, since early 2009, hardly any other sub-region has suffered more in terms of decreasing international tourist arrivals as the North American and Central American countries due to the fact that the USA is such a significant source market in these two sub-regions.(UNWTO 2010). Pg 60

In regard to European sub-regions, Northern Europe, where destinations such as the UK or Ireland have a strong link with the US outbound market, appear to have been slightly more affected by the decline of International tourist arrivals. On the other hand, Southern Mediterranean countries were somewhat less affected by the decline of international tourist arrivals. Overall, however, all four European sub-regions experienced a largely homogenous reaction to the global economic crisis.

2.4.3 Impact of Global Economic Crisis on Hotel Industry: Experience from America

The crisis hit the tourism sector and lasted for 15 consecutive months of negative growth until October 2009. The crisis peaked in March 2009, with a 12% decrease in international tourist arrivals. Since then, international tourist arrivals steadily recovered and turned positive during the last quarter of 2009. During 2009, international tourist arrivals decreased by 4% at global level, coupled with a 6% decline in tourism receipts. The 2008-2009 crisis was the first serious downturn faced by the sector at global level. The tourism sector experienced important declines and changes in travel habits, such as the decrease of long-haul travel in favour of short-distance travel, including intra-regional and domestic travel.

In 2010, the tourism sector rebounded faster than expected and fully compensated for the losses caused by the economic crisis at global level, posting a growth rate of international tourist arrivals of 7%. The recovery confirms the sectors resilience in the medium and long term, and its role as a key driver of growth and much needed employment in a changing economic setting. (UNWTO 2010/2011).

Hotel Industry impacts in various ways on national economies. Tourists consume a wide range of products and services, including among others transportation, accommodation, food and entertainment services. This demand adds up to the domestic demand with an impact on the economy and job creation. The Hotel Industry also creates demand and employment in non-Hotel Industry of the economy, such as agriculture, construction, manufacturing, retail and trade, and intra sectoral demand. Hotel Industry demand for public goods contributes to the improvement of

the general provision of infrastructure for the local population, as for instance roads, airports, water, sanitation and energy. These activities contribute to national wealth and to the income of individuals and their households. In addition, Hotel Industry-induced economic activities enlarge tax and import tariff revenues for national governments. Revenues and employment generated in the Hotel Industry may help to finance existing social and health insurance schemes. Furthermore, international Hotel Industry as an export category provides hard foreign currencies to destinations and impacts positively on the balance of payments. (Mihalič, 2004); (Sharpley 2004); (Sinclair 1998).

When measuring the impact of Hotel Industry on national economies, direct, indirect and induced effects of Hotel Industry spending must be defined. Direct effects refer to the value added in the sector, local business transactions and taxes. They are equal to the overall turnover in the Hotel Industry sector, not including the amount of money lost due to leakages such as the import of goods and the payment of profits to entities outside the national economy. Indirect effects measure all purchases from other industries within the national economy needed to produce the Hotel Industry sectors output. Induced effects occur as a result of the increased spending within the national economy. This spending contributes to increases in income, part of which is re-spent on other goods and services produced within the national economy. (Vanhove 2005): p. 183-184.

Owing to these interdependent structures, any change in Hotel Industry demand affects the national economy in various ways and cause changes in the economy's output, level of employment and government revenues. Due to this multifaceted and

multilevel character of Hotel Industry's contribution to national economies, measuring these effects is a highly complex task. The cumulative effect of Hotel Industry income through direct, indirect and induced effects is described by using Hotel Industry income multipliers, which show the relationship between an additional unit of tourist spending and the changes that result in the level of income in the economy. Even though the national economy of a country usually benefits more. (Vanhove 2005): p. 185.

Developing countries (DCs) and least developed countries (LDCs) have continuously managed to increase their participation in the global Hotel Industry sector. (Ashley et. al. 2004); (UNWTO and UNCTAD 2001). According to UNWTO, Hotel Industry accounts for 45% of service exports in LCDs. In 2009, emerging economies received 410 million international tourist arrivals, a 47% share of the world's total, and US\$306 billion in international Hotel Industry receipts equaling 36% of the total. (Own calculation on the basis of UNWTO and IMF data).

Furthermore, Hotel Industry is also a major job generator for many of the world's most vulnerable populations. Since Hotel Industry services may only be consumed on-site, Hotel Industry provides poor and vulnerable groups with the possibility to sell their products and services to global customers, which they could hardly access by other means. Moreover, due to its geographical distribution and labour intensive nature, these employment and income opportunities are often created in rural and remote areas. Considering these benefits, Hotel Industry has a huge potential to contribute to poverty reduction. In consequence, Hotel Industry has been recognized in the United Nations Millennium Declaration as a main lever for poverty alleviation

and the achievement of the Millennium Development Goals 20 (MDGs). (UNDP 2006); (UNWTO (2010). (UNWTO 2002); (UNWTO and (UNCTAD 2001).

2.4.4 Impact of Global Financial Crisis on Hotel Industry: Experience from Africa

The crisis has affected all the drivers (i.e., prices and demand for primary commodities, capital flows) of economic growth in Africa (African Development Bank, 2009; Ngowi, 2010). Because Hotel is a demand-led industry (Raymond, 2001), the industry faces huge challenges emanated from the financial crisis due to declining purchasing power of the tourists from developed and emerging economies (ADB, 2009). The study of (Mladenovic and Zlatkovic, 2009) have also discovered that the Hotel Industries in West Balkan countries are facing problems due to a reduction of capital inflows rooted from the crisis in the foreign capital origin.

The study reveals that the current financial crisis has affected not only Hotel Industry, but also Hotel related sectors. Ashford (2012), states that the reduced impact of the financial relation between sub-Saharan nations is weak. Despite the weak linkages, the continent has been indirectly affected through real sectors in those economies. For example, Chaputula (2011) argues that, though the impact has not really shown the reduction in grants from donors plus lowering of the Gross Domestic Product growth figures is a sign of global economic crisis. The estimate shows that SARS in 2003 and the recent financial crisis have significantly negative effects on domestic Hotel demand. Ngowi (2010) Hotel is one of the core industries in Tanzania, but because of the financial crisis, revenue was predicted to fall by 30% in 2009.

Based on the review of empirical evidences, the global financial crisis is like to affect the consumption of Hotel in Botswana. Hotel Industry has become important source of economic growth for African economies. As mentioned elsewhere, Hotel is one of the major contributors to Gross Domestic Product in Botswana. From macroeconomic point of view, Mbaiwa (2003) maintains that Hotel in Okavango has led to an increase in Gross Domestic Product (GDP) and expansion of the Hotel sector has also made the sector the second largest generator of government revenue after diamonds.

Actually, conserving a place like Okavango has demonstrated the positive relation between protections of wildness and economic growth from Hotel (WTTC, 2012). While it is noted that the first group of economies to experience the crisis were those with the most globally integrated financial sectors, the next group felt decline in trade due to collapse in the volumes and prices of commodities and manufacturing across the globe (Green, King and Miller-Dawkins, 2010).

2.4.5 Impact of Global Financial Crisis on Hotel Industry: Experience from Countries Resemble Tanzania

This study investigated how the decrease in tourism demand in 2009, which resulted from the global economic crisis, has impacted on employment, income opportunities and the livelihood of poor and vulnerable groups, as well as on the capacity of households to cope with such shocks. This evaluation aims to provide an insight into the ramifications of the crisis for people's everyday lives. A comparative large macroeconomic analysis provides empirical evidence of how the decline in tourism demand has affected growth and employment and what effects public policy

measures had across countries on a global level. The aim of this macroeconomic analysis is to identify patterns and trends within the tourism sector and to specifically investigate the varying impact of the crisis on developing countries.

The three country case studies - the Maldives, Costa Rica and Tanzania - provide insights into the impact of the global crisis on levels of employment and opportunities for low- and unskilled individuals working in the tourism sector. The focus is on workers belonging to poor and vulnerable groups on both the national as well as on the household level (including youth at risk, low-wage, low-skilled, informal economy and migrant workers).

The Maldives, Costa Rica, and Tanzania were selected since (a) tourism has a significant weight in their economies and employment, (b) they witnessed a significant decrease in tourism demand (international tourist arrivals and earnings) clearly attributable to the economic crisis, and (c) their cases are typical of similar tourism destinations/countries in their regions, or countries in similar situations (e.g. small island states).

By evaluating the effectiveness of public policy and crisis mitigating measures of private businesses and their influence on the livelihoods of people, the report concludes by providing general recommendations on a macro level, as well as country-specific policy recommendations for the three case studies. These are intended, not only to meet short-term needs, but also to develop context-specific strategies for improving the crisis resilience of poor and vulnerable groups by improving tourism.

2.4.6 Impact of Global Financial Crisis on Hotel Industry: Experience from Tanzania

Tourism has been one of the leading foreign currency earners for Tanzania. The 1 billion USD industry, however, experienced a decline in revenue by about 18% in 2008 and a predicted decline by some 30% in 2009 due to the financial hard times in the US and Europe which are the leading sources of tourists in Tanzania. The tourism value chain to be affected by the crisis includes travel agents, transporters (taxis, buses, car rentals, safari/tour operators), hotels, restaurants and camping sites (reported 60% cancellation of bookings).

The reduced number of tourists will affect employment in hotels, restaurants and camping sites and their suppliers of food, beverages, laundry and utilities. Their financiers too (mainly banks) will be negatively affected. There have been some reports of renegotiation of loan repayments to banks by some tourism-dependent hotels due to inability to pay as per prior agreed schedules. The inability is attributed to the crisis. Other nodes in the tourism chain that will be negatively affected are bureau de changes and trade/commercial. (Mtango E., 2008).

Venta Club a hotel located northern Unguja Island sued by supplies after failed to pay an agreed amount of money, plaintiff argue they compelled to do so because they took the said goods from other supplier on credit, the investigation shows that there is supply chain as Producer - Whole seller – Large scale retailer - small scale retailer – and finally hotelier . on this chain of supply hotel is consumer who carry series of burden i.e. from producer to small scale retailer. (own investigation)

2.5 Research Gap

The Administration of Commission for Tourism realized about world financial crisis and it's impact on Hotel Industry. But researcher failed to find the study done that exactly portray the said impact, so, as an intellectual must reveal the impact which caused by world financial crisis. The case study of Hotel Industry in Zanzibar.

2.6 Conceptual Framework

Hotels impacts in various ways on national economies. Tourists consume a wide range of products and services, including among others transportation, accommodation, food and entertainment services. This demand adds up to the domestic demand with an impact on the economy and job creation. The hotels sector also creates demand and employment in non-hotels sectors of the economy, such as agriculture, construction, manufacturing, retail and trade, and intra-sectoral demand.

Hotels demand for public goods contributes to the improvement of the general provision of infrastructure for the local population, as for instance roads, airports, water, sanitation and energy. These activities contribute to national wealth and to the income of individuals and their households. In addition, hotels-induced economic activities enlarge tax and import tariff revenues for national governments.

Revenues and employment generated in the hotels sector may help to finance existing social and health insurance schemes. Furthermore, international hotels as an export category provides hard foreign currencies to destinations and impacts positively on the balance of payments. Hotels as multiplier to economy so world financial crisis bring much impact.

The circular flow of financial transactions on Hotel Industry relatively to economic activities Zanzibar.

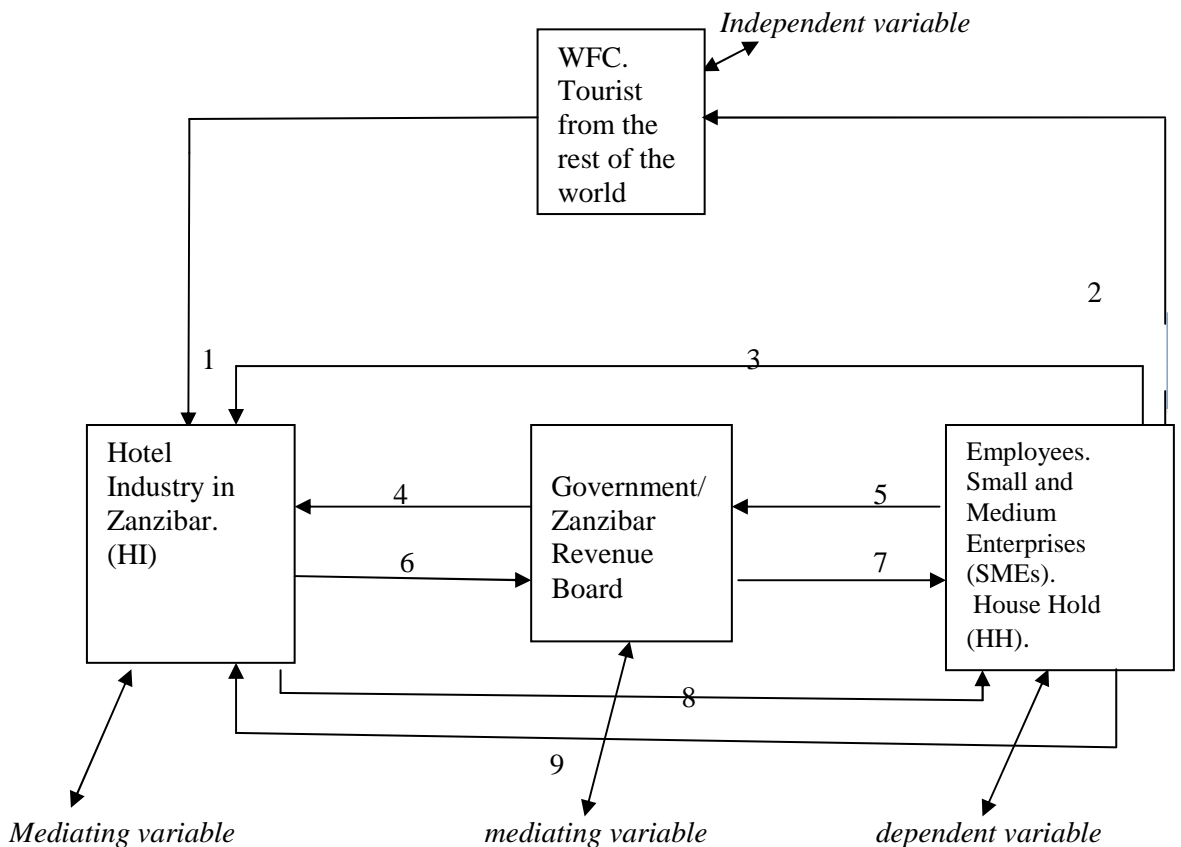


Figure 2.1: Conceptual Framework

KEY:

1. Purchase of locally made service by tourist from the rest of the world.
2. Imports of goods and service by employees, (HH) and (SMEs).
3. Purchase of goods and service from employees, (HH) and (SMEs) by (HI).
4. Purchase of services from HI by Zanzibar government/(ZRB).
5. Payment from HH and SMEs to Government, such as Fees and Tax.
6. Payment of taxes and fees from HI to Zanzibar government/ZRB.

7. Government pay wages, Interest, transfer payments to Employees, HH and SMEs.
8. HI pay wages, interest, Dividends, profit and rents to HH and SMEs.
9. HH and SMEs sales goods and services to HI, also hire employees

2.6.1 The Theoretical Framework

Consider the Figure 2.1 above:

House hold (HH) and Small and Medium Enterprises (SMEs) receive income from Hotel Industry (HI) and the government purchase services from Hotel Industry(HI) and HI pay tax and fees to government they also purchase foreign made goods and services(imports). HI receive payments from HH and SMEs and the government for the services, they pay wages, dividends, interest rent to HH and SMEs, and taxes, fees to the government. The government receives taxes, fees from both HI and HH and SMEs, pay HH and SMEs and HI for goods and services and wages to government workers and pays interest and transfers to HH and SMEs. Finally tourist from the rest of the world purchase services produce locally which is an injection to HI as well as Zanzibar economy, the world financial crisis affect HI because no monetary transaction from tourist from the rest of the world via HI to Zanzibar economy and parties concerns.

All transactions between HI, HH and SMEs and some from government have direct and indirect link with money initiated or associate with HI that origin from rest of the world for their purchases of services direct to HI and these transactions is injection to Zanzibar economy.

2.6.2 The Hotel Industry Market Arenas

Another way of looking at the ways HH and SMEs, HI, the Government and the rest of world relate to each other is to consider the financial transaction in which they interact as depicted in the above diagram. The three HI market arenas are Goods and services market, Labor market and Money (financial) market.

2.6.2.1 Goods and Services market with HI

HH and SMEs and Government purchase services from HI in the market, in this market HI purchase goods and service from HH and some service from government and the rest of the world interact in the goods and services , labor, and money market. All of these performed via HI that attract customers international and local by providing conducive environment to tourism.

2.6.2.2 Labor with HI

Interaction with labor market takes place when HI and the government hire labor from HH, the HI is the largest demander of labor although the government is the substantial employer. The total supply of labor in the Zanzibar economy dominated by activities that direct or indirect associates with HI. Example, Supply of goods and services by SMEs such as fish, cereals, vegetables, stationeries and so on. Also supply of services such as consultancy firms, building contractors, bureau de change and so on, Direct supply of labor include tourist operators office, travelling agencies and collages associate with HI skills

2.6.2.3 Money Market with HI

In the money market purchase stocks and bond from HI, HH, and the rest of the world supply fund in this market in the expectation of earning income in the form of

dividends on stock and interest on bond. HI borrow money to build new facilities in the hope of earning more in the future, the government borrows by issuing bond, the rest of the world both borrow and lends to the money market. Hotel Industry did not well organized to capture tourists a part from Western countries that will supplement the recession as caused by world financial crisis.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter represent methodology of the study, the philosophical assumptions supporting the research also it represents research design, research area, research population, sampling size and procedures, data collection and presentation methods and research analysis.

3.2 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This will create effective and efficiency way of research (Kothari, 2004). Research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money. A case study is a form of quantitative analysis, institution observation performed. Case study is concentrated description and analysis of a multiple situation comprehensively and analyzing multiple situation.

3.2.1 Descriptive and Diagnostic Research Studies

Diagnostic research studies determine the frequency with which something occurs or its association with something else. The studies concerning whether certain variables are associated are example of diagnostic research studies (Kothari, 2004). The reason behind using case study design was the method facilitate concentrated study of

institutions concerned and social unities that is generally difficult if researcher using use another method of collecting data. Case study focus one single object, it may be organizations or house hold or small and medium enterprises.

Therefore this design helped the researcher to make study to make detailed study on a single object that helped a detailed study. The study deliberately aimed at being flexible in term of data collection methods for the purpose of allowing triangulation of data. This leads to reasonable conclusion due to have opinion and data from different source of information. This helped the researcher to trace the facts during his research. (Claire Selltiz and other), page 50.

3.3 Study Area

The area of study means the extent in which the study extends to cover, Urban District like Serena Inn Hotel, Tropical tours & Safari Zanzibar ltd and Chando consultancy. South District like Breezes Beach Club and SPA Ltd Hotel at East coast, these are well-organized private institutions. Commission for Tourism in Zanzibar and Zanzibar Revenue Board (ZRB) are the government institutions that directly concern with trend of tourists and collection of revenue respectively. Also the area was accessible to research for ordinary transport. The researcher was expecting good response from parties concerned.

3.4 Population of the study

All people of the institutions with characteristics concerned are population, the said people researcher expect to study for a particular research problem (Rwegoshora *et al*, 2006).

Type of Universe is... the number of items is infinite, i.e., we cannot have any idea about the total number of items... Size of sample is an optimum sample is one which fulfills the requirements of efficiency, representativeness, costs, reliability and flexibility. While deciding the size of sample, researcher must determine the desired precision as also an acceptable confidence level for the estimate (Kothari, 2004) page 56.

Researcher considered only Tourists as an infinite universe from population of the study because they always in and out of hotels second it is economical to take the population of 21 respondents according researcher's budget, as shown on Table 3.1. Hence the research constitute 21 key persons, at least 2 from each institution concerned, include Serena Inn Hotel, Breezes Beach Club and SPA Hotel, Tropical tour and Safari Zanzibar ltd. Commission for Tourism and Zanzibar Revenue Board except Chando Consultancy constitute one person. This is due to the fact that every institution have impact on Hotel Industry.

Table 3.1: Respondent's Institutions Belongs

Institutions	Description
Serena Inn Hotel	Marketing managers 2, Human Resource Managers 1, Tourists 2.
Breezes Beach Club & SPA	Marketing managers 2, Human Resource Managers 1, Tourists 1.
Tropical Tour& Safari Zanzibar ltd	Director 1, Tourist Guiders 2,
Commission for Tourism Zanzibar	Public Relation Officers 2, Finance and Administration officers 2
Zanzibar Revenue Board	Public Relation Officers 2, Tax collector officers 2
Chando consultancy	Director 1.

Source: Field Data

3.5 Sampling Frame and Procedures

3.5.1 Sampling Frame and Sample Size

It is the population, which is studied in order to make inference about the whole population. However a sample can be a number of items that is to be selected from the universe to constitute a sample, (Kothari 2003). Sampling frame as the listing of all members of the population of interest from where a sample is selected, and a sample size is the subset of the population actually drawn from the sampling frame. Bryman (2008). Sample design as a number of items selected from the universe to constitute a sample. (Aaker *et al*, 2002). There are several sample designs out of which the researcher must choose one for his study. Obviously, he must select that design which, for a given sample size and for a given cost, has a smaller sampling error. (Kothari, 2004).

The sample of this study was 21 (25.6%) respondent out of 102 study population that drawn from mentioned study population. The sample size of this research comprised 4 Managers, 2 Directors, 2 Human Resource Officers, 4 Public Relation Officers, 2 Officers from Department of Small and Medium Tax payer, 2 officer from Finance and Administration section, 2 tourist Guiders and 3 tourists to replicate as general picture of global financial impact to other institutions and individual. Table 3.1 summarized below.

3.5.2 Sampling Procedure

Sampling is all about techniques that a researcher uses to sample the respondents, place or things to the study from the population. Research conclusions and

generalization will be only as good as sample they will be based on (Manheim, 1977).

After a researcher obtained a list of all institutions and their respective department's person which were the bases in sample selection, two types of sampling were used i.e. probability which included simple random sampling and stratified random sampling and non – probability sampling i.e. purposive sampling were employed.

Table 3.2: Distribution of the Study Sample

Institutions Detail	Total population	Sample size	Male	Female
Serena Inn Hotel: Marketing Managers	5	2	1	1
Customers/tourists	13	2	1	1
Human Resource Managers	3	1	1	0
Breezes Beach Club and SPA:				
Marketing Managers	4	2	1	1
Customers/tourists	21	1	0	1
Human Resource Managers	4	1	1	0
Chando Consultancy: Director	1	1	1	0
Tropical Tour and Safari Zanzibar Ltd.:				
Directors	1	1	0	1
Tourist Guiders	7	2	2	0
Commission for Tourism:				
Public Relation officers	7	2	1	1
Finance and Administration section officers	11	2	1	1
Zanzibar Revenue Board:				
Public Relation officer	9	2	2	0
Department of Small and Medium Tax payer officer	16	2	1	1
Total	102	21	13	8

Source: Field Data

3.5.2.1 Simple Random Sampling

This is basic form of probability sample. With random sampling, each unit of population has an equal probability of inclusion in the sample (Alan et al 2003). This involves random selection of specific representative respondents from the list of respondents of the institution concerned. Here every unit had equal chance in the research. This method is selected because it helps the researcher to reduce biases and prejudices and other necessary elements of subjectivity, hence the finding could be accepted and generalized as representative to the whole universe. Application of simple random sampling, the research select 21 respondents (persons) out of 102 finite population, where by each and every person had an equal chance of being included in the sample list (Kothari 2004) page 60.

3.5.2.2 Purposive Sampling

The sampling is confined to specific type of people who can provide the desired information, either because they are the only ones who have it or confirm to some criteria set by the researcher. This type of sampling is called purposive sampling (Sekaran, 2003). In this method researcher purposely chose directors from tour operator and consultancy firm, marketing managers, Human Resource managers, Tourist Guiders and Tourists from top three countries tourist producers in Zanzibar, each person who were in the position to provide some appropriate characteristics which were required to form the research sample, who were relevant to this research and easily available to the researcher. Application of purposive sampling is the researcher purposely selected 2 responsible directors and 4 managers irrespective of their institutions and 3 Tourists due to their characteristics and researcher expected to

gain more information from this sample as they were in position to respond on the impact of WFC which was meaningful for the study (Kothari, 2004) page 67.

3.6 Data Collection Methods

3.6.1 Primary Data

Whether sample surveys or census surveys, then we can obtain primary data either through observation or through direct communication with respondents in one form or another or through personal interviews (Kothari 2004). Primary data are collected a fresh and for the first time and they happen to be original in character. Guest (1990) argues that a primary source of data provides the words of witness or first record an event.

Application, in this study primary data were those collected from the field of study, and from those institutions. The primary data was collected through various instruments as self-administered questionnaire and in – depth interview (Kothari, 2004) page 95.

3.6.2 Secondary Data

These are sources data, which have been collected and completed from another source. The Secondary source consists of statistical statements and reports whose data are used by researchers for their studies for example, articles, journals, Census report, annual reports and financial statement of companies, statistical statements, reports from UN agencies, Government Departments, Annual reposts on currency and Finance Published by the Government, statistical statement to cooperatives and regional rules bank published etc. The secondary source consists of not only

published records and reposts but also unpublished records. This was useful for the researcher in understanding various issues related to the study. We obtained secondary data from Commission for Tourism, UN agency and ZRB.

3.7 Data Collection Tools

Research instruments are tools used to collect data for a research project, lists some of these tools as questionnaire, interview, group discussions, and observations. Also their function is mainly to enable a researcher collect reliable data which will later be analyzed Aina (2004).

3.7.1 Case Study Survey

With this instrument, the researcher visited the fields of study, that is Serena Inn and Breezes Beach Club and SPA hotels, made contact with some persons or sample of this study because the areas of study was reasonable to allow the researcher to make contact to various persons necessary for the study and collect detailed information related to this study.

3.7.2 Self Administered Questionnaires

Through this method the researcher distributed questionnaires to the respondents and collected data based on the answers given by respondents. This method was chosen because of the nature of the study as it helped the researcher to collect data from respondents within short time. The questionnaire were self – administered and were distributed to selected respondents in the population sample that are employees from different departments available at those institutions. The questionnaire was closed and self-administered questionnaire. This technique was used in this study because it

did not exert pressure on respondents hence respondents were free from researchers influence to enter his subject matters.

3.7.3 Interview Method

Interview is oral administration of questionnaire or interview schedule, it is a face-to-face encounter consists of dialogue or verbal responses between two or more persons (Muganda, 1999). Interview method was used to verify data collected from the managers, directors and other officers through, and heads of each department of these institutions concerned. This method was applied to one of two or more respondents of the same nature of the departments because the researcher expected to get in – depth information necessary for the subject under study that could not be obtained through other methods like questionnaires and case study surveying. Additionally this instrument allowed the researcher to clarify difficult questions or to restructure the interview guide and study abstract factors like attitudes, reactions and emotions. Additionally, this tool was selected because of its high rate response as compared to the questionnaire method. This is because the interviewer and interviewee had direct contact and secondly, researcher could control the environment and make sure that all questions were answered.

3.8 Reliability and Validity of Data

3.8.1 Reliability of Data

The idea behind reliability is that any significant results must be more than a one-off finding and be inherently repeatable. Other researchers must be able to perform exactly the same experiment, under the same conditions and generate the same

results. This will reinforce the findings and ensure that the wider scientific community will accept the study. Without this replication of statistically significant results, the experiment and research have not fulfilled all of the requirements of testability (Martyn. Shuttleworth (Oct.20, 2008)).

Reliability is the degree to which an assessment tool produces stable and consistent results. This study is reliability qualified due to type of questions and interviews tools are standard and social scientifically accepted. See appendices 1 and 2.

3.8.1.1 Types of Reliability

1. Test-retest reliability is a measure of reliability obtained by administering the same test twice over a period of time to a group of individuals. The scores from Time 1 and Time 2 can then be correlated in order to evaluate the test for stability over time.
2. Parallel forms reliability is a measure of reliability obtained by administering different versions of an assessment tool (both versions must contain items that probe the same construct, skill, knowledge base, etc.) to the same group of individuals. The scores from the two versions can then be correlated in order to evaluate the consistency of results across alternate versions.
3. Inter-rater reliability is a measure of reliability used to assess the degree to which different judges or raters agree in their assessment decisions. Inter-rater reliability is useful because human observers will not necessarily interpret answers the same way; raters may disagree as to how well certain responses or material demonstrate knowledge of the construct or skill being assessed.

4. Internal consistency reliability is a measure of reliability used to evaluate the degree to which different test items that probe the same construct produce similar results. (Colin Phelan and Julie Wren, 2005-06).

3.8.2 Validity of Data

Validity encompasses the entire experimental concept and establishes whether the results obtained meet all of the requirements of the scientific research method. For example, there must have been randomization of the sample groups and appropriate care and diligence shown in the allocation of controls. Internal validity dictates how an experimental design is structured and encompasses all of the steps of the scientific research method. Validity refers to how well a test measures what it is purported to measure. While reliability is necessary, it alone is not sufficient. For a test to be reliable, it also needs to be valid.

This research have highest degree of validity such that it is widely accepted, for example each unit of population used has an equal chance of inclusion in the sample because respondents were randomly selected also purposive sampling used for those respondents qualified for providing desired information, in this case Human resource and Marketing managers and tourists are vividly example.

3.8.2.1 Types of Validity

Content: The extent to which the content of the test matches the instructional objectives. A semester or quarter exam that only includes content covered during the last six weeks is not a valid measure of the course's overall objectives - it has very low content validity.

Criterion: The extent to which scores on the test are in agreement with (concurrent validity) or predict (predictive validity) an external criterion. If the end-of-year math tests in 4th grade correlate highly with the statewide math tests, they would have high concurrent validity.

Construct: The extent to which an assessment corresponds to other variables, as predicted by some rationale or theory (Martyn. Shuttleworth Oct.20, 2008).

1. Face Validity ascertains that the measure appears to be assessing the intended construct under study. The stakeholders can easily assess face validity. Although this is not a very “scientific” type of validity, it may be an essential component in enlisting motivation of stakeholders.
2. Construct Validity is used to ensure that the measure is actually measure what it is intended to measure (i.e. the construct), and not other variables. Using a panel of “experts” familiar with the construct is a way in which this type of validity can be assessed. The experts can examine the items and decide what that specific item is intended to measure. Students can be involved in this process to obtain their feedback.
3. Criterion-Related Validity is used to predict future or current performance - it correlates test results with another criterion of interest.
4. Formative Validity when applied to outcomes assessment it is used to assess how well a measure is able to provide information to help improve the program under study.
5. Sampling Validity (similar to content validity) ensures that the measure covers the broad range of areas within the concept under study.

(Colin Phelan and Julie Wren 2005-06)

3.9 Methods of Data Analysis

3.9.1 Quantitative Data Analysis

The main tool which was used for quantitative data analysis was Statistical calculations of percentages and excel programme were done in different categories and interpreted to analyze the trend of data in order to come up with valid conclusions. Tables and figures were used to provide a quick picture of different situations observed from the collected data, therefore researcher compute trends of different statistical tables, and figures for analysis.

3.9.2 Qualitative Data Analysis

For qualitative data, the study used document analysis method to analyze the data. Data was transcribed from interview to form notes, and then was combined with data obtained from different documents to form codes by relating with research questions and literature review. Then categories were formed according to the research objectives and then written in narrative form. These data were then combined with quantitative data and then discussion and analysis was made.

CHAPTER FOUR

4.0 FINDINGS, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents and discuss the study findings from field on assessment of the impact of world financial crisis based on the research questions as well as research objectives the presentation was divided into two parts, the first part presents the respondents general information while the second part deals with presentation, interpretation and analysis of the research questions and objectives.

4.2 The Respondents General Information

4.2.1 Sex of the Respondents

The research indicated that different sex were involved in the study, 62% were male and 38% of the respondents were female, and it is clear that Hotel Industry were dominated by male or majority of the respondents are male as represented in the Table 4.1.

Table 4.1: Sex of the Respondents

Sex	Frequency	Percent
Male	13	62
Female	8	38

Source: Field Data

4.2.2 Age of the Respondents

The findings of the study showed that the majority of the respondents represented 38.1% lay in between age 25-35, and the minority of the respondents in the study

represented 4.8% were of the age bracket 55 and above, other are shown on Table 4.2.

Table 4.2: Age of the respondents

Age Group	Frequency	Percent
15-24.5	3	14.3
25-34.5	8	38.1
35-44.5	5	23.8
45-54.5	4	19
55 and over	1	4.8

Source: Field data

Ages of all respondents varies from 22 to 53, the higher the age the higher the authority of many respondents usually for public organization as from 41 to 53 of this study, unlike hotels managers found age of 27 to 33. Most government officers and tour Guiders age between 25 and 43.

4.2.3 Education Level of the Respondents

The findings of the study indicated the majority of the respondents were secondary and certificate leavers of 38.1% of the respondents who were government officers, hoteliers and tourist Guiders. The second group of the respondents was diploma holders who represent 33.3% of the respondents are the hoteliers and government officers. The third group of the respondents was degree holders which represented 19% of the respondents, while the fourth group of the respondents is presented by second degree holders who represent 9.5% of the respondents, whereby both third

and fourth group represented the commission for tourism and ZRB officers who directly deal with tourism activities. From the findings the researcher observed, the Hotelier in different department hold diplomas and degrees for government officers; the situation indicated that they had the skills, knowledge and competency to handle the operations and activities of the entire tourism sector, this descriptions summarized in the Table 4.3.

Table 4.3: Education Level of Respondents

Education Level	Frequency	Percent
Certificate and secondary	8	38.1
Diploma	7	33.3
First degree	4	19
Second degree	2	9.5

Source: Field data

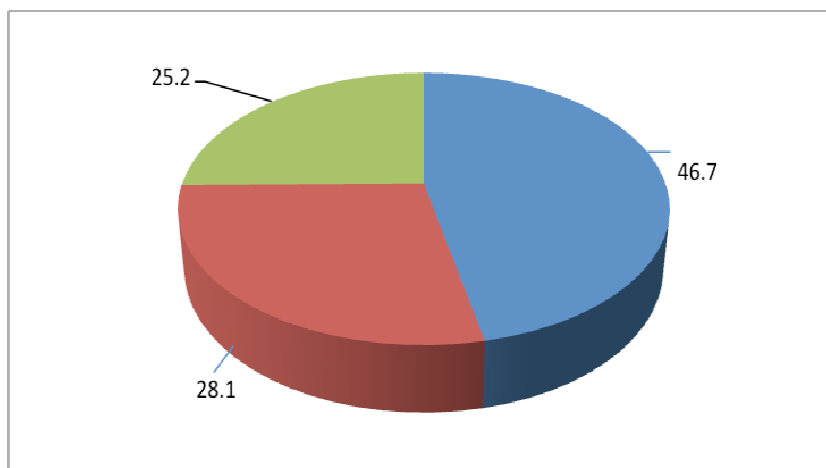


Figure 4.1: Show the Period of Service

Source: Field Data

4.2.4 Period of Service

Research showed that 46.7% of the respondents had above 10 years and over working experience, compared to 5- 9.5 years indicated 28.1% and the 1-4.5 years showing only 25.2%. From the findings the researcher found out that, the tourism stakeholders with short term of services had no enough experience to properly operating HI. As shown Figure 4.1.

4.2.5 Working Institutions of the Respondent

The research also indicated that, 50% of the respondents were employed in private sector while only 50% of the respondents work on public sector. From the findings the researcher observed, tourism sector was more dominated by private workers rather than public workers because of less investment on HI by government compared to private, gradually the unemployed citizens decided deliberately to take an important opportunity to work on tourism sector privately without depending on government employment.

Table 4.4: Positions Held by Respondents

Positions	Frequency	Percent
Director	2	9.5%
Marketing Managers	4	19%
Human resource manager	2	9.5%
Finance and Administration officer	2	9.5%
Public Relation officer	4	19%
Officers from Department of Small and Medium Tax payer	2	9.5%
Tourist Guiders	2	9.5%
Tourists	3	14.3%

Source: Field Data

4.3 The Extent of Crisis on Employment Level in Tourism Industry

The question was asked with an intention of understanding the impact of the ongoing crisis on employment, as far as Hotel Industry is the leading sector to employ large number of people directly and indirectly, 65% of the hotel's head of sections respondents replied that they decided to reduce the number of workers (employees) by giving them a long leaves as one of the measures to curb with the increased running expenses. "Since the numbers of guests were very few, and most rooms were empty to the extent that keeping too many workers was very cost therefore the only solution for that time was to reduce the number of employees".

Table 4.5: Show Trend of Leave without Pay

Year	2005	2006	2007	2008	2009
Percentage	2	1.6	3.2	68	42

Source: Field Data

Trend show 2008 have highest rate followed by 2009 and 2005 is the lowest while number of hiring employees were increased each year by 2.7%, that 2005 is base year.

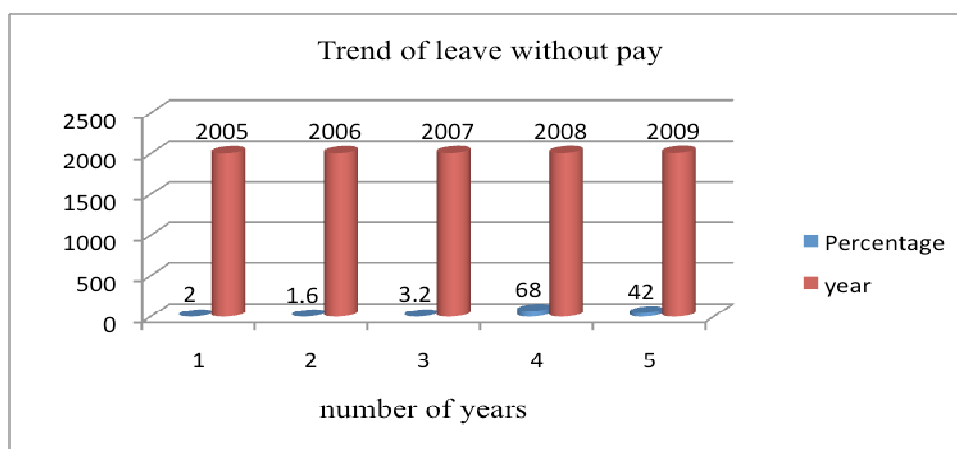


Figure 4.2: Trend of Leave without Pay

Source: Field Data

Due to the fact that workers were forced to take long leaves without payment, therefore this implied that there was a temporary unemployment, for the workers who were required to take the leaves. While some officials, especially from Breezes Beach Cub and SPA hotel and Serena Inn hotel said that they temporary decided to cease the recruitment of new workers (employees) because the number of guests in their hotels were few to the extent that the recruitment of workers was unnecessary.

This means that employment to the fresh from schools or those who suffered from casual unemployment, they faced an extra difficulty in securing for a job. About 60% of the respondents replied that, they reduced the order of food staff, and beverages consumed by visitors in hotels and restaurants supplied to them in order to minimize the running expenses because the number of visitors to their institutions were very low, “it could be meaningless to take large orders of food staff while the numbers of visitors were very low”. This implied that the companies that were supplying food stuff and beverages to the hotels and restaurant faced a cute fall in demand for their products as their main clients decided to reduce the amount of orders supplied by them, hence the earning of the companies decline. However, the discussion will be based on the reasons for the fall of tourists arrival in 2008, of which reasons for that are known and the global financial crisis (WFC) is among of the reason.

Discussion and Analysis

As seen from Table 4.6

In the period of eleven months, starting from January to November, 2007/2008 a total number of 112,605 tourists arrived in Zanzibar through Sea port and Air port in the

year 2008. This number in 2008 (i.e. 112,605) is smaller as compared to the total number of 127,447 visitors arrived in the country in the year 2007. Hence, in the year 2008, the country registered a shortfall of 14,824 tourists equivalent to 11.6% compared to the year 2007. The situation started to show the changes immediately in June 2008 when the crisis was so severe in the United States. However, the number of tourists arrived through cruise ship passengers (shipping companies carrying visitors to Zanzibar), in spite of declining it became zero and hence ceased totally from the month of June up to October 2008. This was precipitated by the ongoing Economic crisis, as shown on the Table 4.7.

Table 4.6: The Tourists' Variation between 2007 and 2008

MONTHS	2007	2008	Change
January	14,942	16,228	1286+
February	13,289	14,323	1034+
March	11580	12,045	465+
April	6,323	4,542	1781-
May	4,076	4,275	199+
June	6,990	6,429	561-
July	13,640	13,283	357-
August	19,870	13,907	5963-
September	11,727	10,398	1329-
October	13,408	7,790	5618-
November	11,602	9,385	2217-
December	-		
Total	127,447	112,605	14,842-

Source: Commission for Tourism Zanzibar, (2008)

+ Sign indicates the increase in the number of visitors from the year 2007 to 2008

- Sign indicates the decrease in the number of visitors from the year 2007 to 2008.

Table 4.7: The Variation Tourists' Number Arrived by Cruise Ship Zanzibar

Months	Passengers by cruise ships	Cruise ship trips number to Zanzibar
January	517	3
February	1091	6
March	193	3
April	450	3
May	1093	2
June	0	0
July	0	0
August	0	0
September	0	0
October	0	0
November	-	-
December	-	-
Total	3344	17

Source: Commission for Tourism Zanzibar, (2008)

Table 4.7 shows the travelling and arrivals of tourist by marine (ships). This means starting from the month of June up to October, 2008 Cruise ship passengers cancelled the route to Zanzibar as the number of tourists to be served were very few. As the operating costs were soaring high, whilst the number of passengers was diminishing, therefore cruise ship companies decided to cancel the route to Zanzibar as a measure to curb down with the increased operating costs. Moreover, the number of tourists served by the Zanzibar Tourism Corporation (ZTC) Kinazini in the period, varied to great extent in such way that, even the revenue collected by the Corporation had declined significantly.

See Table 4.8, showing the visitors served by ZTC, between 2006 and 2009, with the respective Shipping Companies (that is Royal and Sawadee Companies, both companies are Kenya based companies)

Table 4.8: Summary of the Visitors Served by ZTC between 2006 and 2009

Year	Company	Months												Total
		July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Apr	May	June	
2006\2007	Sawadee	115	95	30	75	26	19	65	43					468
	Royal	294	169	620	195	314	192	236	178	216	406	666		3486
2007\2008	Sawadee	63	63	17	60	15	30	17	57					322
	Royal	728	224	645	210	209	644	153	183	369	55			3420
2008\2009	Sawadee	74	101	Cxl	Cxl	Cxl	Cxl	Cxl	Cxl	19				194
	Royal													
Total		1274	652	1312	540	564	885	471	461	604	461	666		7890

Source: Zanzibar Tourism Commission 2009

Key: Cxl = Route cancellation

As seen from Table 4.8, shows the number of visitors arriving in Zanzibar through shipping companies (Sawadee and Royal), declined by 95% from 3742 of 2007/2008 to only 194 visitors in 2008/2009, this was exacerbated by the ongoing global financial crisis. However, starting from the Month of July 2008/2009 the number of visitors served by Sawadee company to Zanzibar declined consistently, where in September the company decided to close its route to Zanzibar due unavailability of passengers as seen from the table above. On March 2008/2009 Sawadee Company re-opened it's route to Zanzibar with only 19 passengers; the data from April to June were unavailable by that time.

Also as seen from Table 4.8, there was no service operated by Royal Company. This was the time (Month of September) when many financial institutions in the United

States and other European nations were suffering from liquidity shrunk. Hence, some people from those countries hesitated to take loan from banks that can enable them to travel. Also workers in those institutions decided to remain in their respective working places either due to fear of losing jobs when they would travel for longer trips or due to unwillingness of many banks to grant loans for travelling. Therefore, the number of tourists to Zanzibar and other African countries, had fallen out of the projected figure. There has been decreasing number of visitors in hotels and restaurants, findings show that room occupancy was about 25 to 45 before Christmas 2008.

Table 4.9: Show Percentage of Hotel and Tour Operator

Year	2007	2008	2009
Hotels	4%	48%	36%
Tour Operators	2.1%	12.4%	17.6%

Source: Field Data

Table 4.9 shows tourism institution operating during Christmas in respective years. However the situation slightly improved during Christmas. Mr. Jonathan Cheres, the room division manager of Serena Inn hotel, a popular joint for budget tourists said many guests who had earlier ordered their reservations from Europe and USA have made cancellations following the global financial meltdown. He said most of the guests of that Serena Inn Hotel which located in Shangani Street would normally book for their accommodation straight from their home countries. When they arrive to Zanzibar then they would make arrangements for their safaris. During October, the manager said, he experienced an increased cancellation for reservations. However,

Mr. Ibrahim Mwinyi Mzaley, the reservation manager of Breezes Beach Cub and SPA hotel, also along Shangani Street, said he did not think the fall in the number of booking to his hotel was due to the global financial crisis only but rather to the US presidential elections. He said many tourists; most of them happen to be Americans, have made reservations at the hotel that are effective after the US elections.

Tour Travel, and Tour operator Companies have also expressed concern on the impact of the economic crisis on the travel and tourism industry. The administration officer of the Zanzibar Association of Tour operators (ZATO) Mr. Thabit said his association had experienced cancellation of several booking of tourists, from the US, who were expected to use his services. "We have already cancelled many packages after being instructed to do so because the tourists have decided to stay put to see how the financial crisis is going," he said. Mr. Thabit explained that for his association the cancellations of the tour packages were a major blow because it did not only mean that he won't get any income but he had also suffered a lot of losses to prepare for the guests. "Even the number of pop-in tourists, those who do not make reservations, has suddenly declined", he said. An official of ZanTours along Malindi Street was also concerned with the cancellations of bookings especially from the US attributing them to the financial crisis and US Presidential Elections.

The tourism industry contributes about 25 per cent of the Zanzibar's Gross Domestic Product and is the second most important activity after agriculture. Zanzibar received 137,111 tourists during the financial year 2006/07. Already in another front the global financial crisis is adversely affecting the Tanzanian shilling as speculations by

banks and currency dealers have created artificial high demands for the US Dollar in the financial markets. One US dollar in Zanzibar is now sold at about TSH. 1315 compared to 1250 about four weeks back.

4.4 The Effect of Recession on Revenue Collection by the ZRB and other Institutions in Hotel Industry due to WFC

To understand how the revenue collection affected as result of the global financial crisis specifically on Hotel Industry observe table number 4.10. The Table (4.10) portray government agent (ZRB), Department of Small and Medium Tax Payer projection in the year 2008, collection from various sources that have direct and indirect link with HI as a revenue, such as hotel, restaurant and tour operation levies and airport service charge.

Table 4.10: ZRB Projected Collection Report for the Month of January to December 2008 (Tsh)

Months	Hotel Levy	Restaurant Levy	Tour Operation Levy	Airport Service Charge	Total
January	146,889,999.00	168,975,962.34	39,450,000.00	921,298,000.00	1,276,613,961.34
February	297,565,999.00	50,250,999.00	20,611,386.00	495,417,000.00	863,845,384.00
March	146,999,000.00	41,881,700.00	13,989,197.00	205,417,000.00	408,286,897.00
April	242,450,000.00	54,750,800.00	27,416,700.00	260,100,000.00	584,717,500.00
May	188,450,000.00	38,750,800.00	17,416,700.00	128,000,000.00	372,617,500.00
June	131,400,000.00	37,232,400.00	9,341,300.00	146,500,000.00	324,473,700.00
July	63,850,000.00	48,827,500.00	35,578,500.00	557,500,000.00	705,756,000.00
August	161,240,000.00	76,587,500.00	58,637,500.00	83,000,000.00	379,465,000.00
September	190,049,400.00	95,237,500.00	68,578,500.00	507,500,000.00	861,365,400.00
October	155,200,000.00	79,687,500.00	49,687,500.00	558,400,000.00	842,975,000.00
November	124,300,000.00	82,787,500.00	51,578,500.00	458,000,000.00	716,666,000.00
December	165,100,000.00	108,287,500.00	37,578,500.00	658,500,000.00	969,466,000
Total	2,013,494,398	883,257,661.34	429,864,283.00	4,979,632,000.00	8,306,248,342

Source: ZRB, (2009)

The data from Table 4.10 above can be summarized as shown Table 4.11 and Figure 4.3 (Amount in T.shs)

Table 4.11: Sum of Projected Collection from Hotel, Restaurant, Tour Operation and Airport respectively

Particular	Hotel levy	Restaurant levy	Tour operation levy	Airport service charge	Total
Total for the year	2,013,494,398.00	883,257,661.34	429,864,283.00	4,979,632,000.00	8,306,248,342.34

Source: Zanzibar Revenue Board, (2009)

See also Table 4.12 for the actual amount collected by (ZRB) for the year 2008

Table 4.12: Actual Collection Report for the year 2008 (amount in Tsh)

Months	Hotel Levy	Restaurant Levy	Tour Operation Levy	Airport Service Charge	Total
January	69,278,914.50	37,495,821.92	6,796,193.30	41,536,705.00	155,107,634.72
February	16,754,600.00	38,836,186.26	21,324,690.51	320,111,613.60	397,027,090.37
March	363,524,320.28	158,575,458.38	29,696,894.42	637,873,156.00	1,189,669,829.08
April	279,712,544.98	134,674,182.29	30,069,080.33	196,452,308.20	640,908,115.80
May	118,122,126.34	26,841,424.97	10,956,020.06	144,797,372.00	300,716,943.37
June	95,369,463.35	44,468,647.35	9,314,263.42	191,392,126.90	340,544,501.02
July	147,629,014.03	49,595,822.04	23,009,302.54	406,847,276.60	627,081,415.21
August	163,548,616.69	67,729,229.38	331,238,522.00	586,858,363.40	1,149,374,731.47
September	230,085,256.16	92,502,407.52	39,721,589.86	440,032,694.50	802,341,948.04
October	170,697,290.44	71,442,790.25	50,862,865.07	513,457,562.50	806,460,508.26
November	141,722,885.52	88,639,681.56	59,331,705.94	497,214,441.60	786,908,714.62
December	122,065,867.67	71,787,291.08	37,325,559.54	588,432,951.00	819,611,669.29
Total	1,918,510,899.96	882,588,943.00	649,646,686.99	4,565,006,571.30	8,015,753,101.25

Source: Zanzibar Revenue Board, (2009)

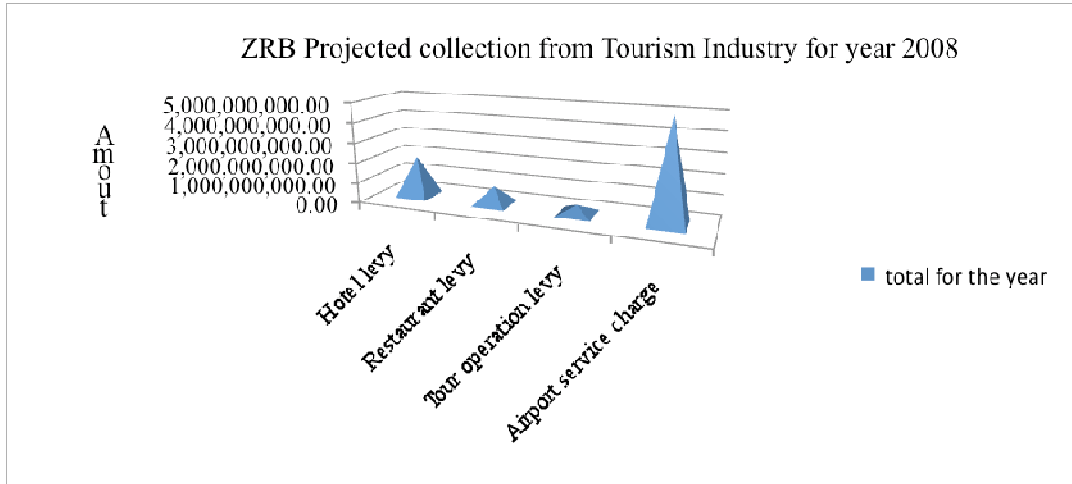


Figure 4.3: Show the Value as Appeared in Table 4.11

Source: Zanzibar Revenue Board, (2009)

In the year 2008 the ZRB estimated a total amount of T.shs 8,306,248,342.38 to collected from tourism sector as shown on Table 4.10, however it failed to reach the intended goal due to the impact of world financial crisis. Table 4.12 can be minimized into as shown Table 4.13 and Figure 4.4

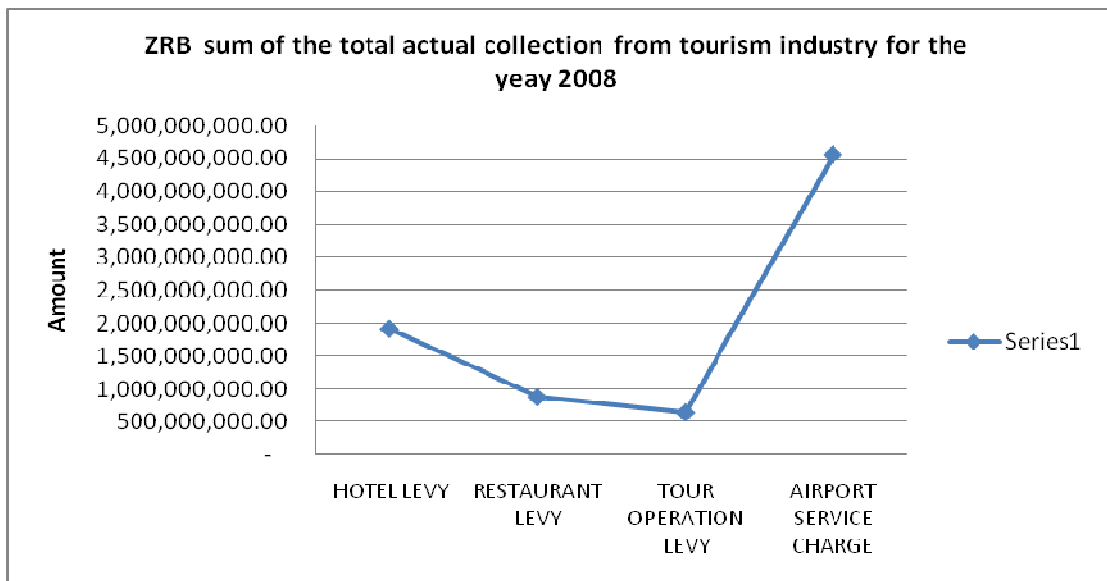


Figure 4.4: Shows the Value as Appeared in Table 4.13

Source: Zanzibar Revenue Board, (2009)

Table 4.13: Showing the Sum of Actual Collection for the Year 2008 (in Tshs)

Particulars	Hotel Levy	Restaurant Levy	Tour Operation Levy	Airport Service Charge	Total
Total for the Year	1,918,510,899.96	882,588,943.00	649,646,686.99	4,565,006,571.30	8,015,753,101.25

Source: Zanzibar Revenue Board, (2009)

For the year 2008, the Zanzibar Revenue Board collected an actual amount of T.shs 8,015,753,101.25, from tourism sector. During the year 2008, the ZRB was expecting to collect total revenue of about Tshs 8,306,248,342.38 from tourism sector but the figure stood at about Tshs 8,015,753,101.25, Hence it experienced a short fall of T.shs 290,495,241.09 in revenues which is equal to 3.5% decrease against the projected figure.

In addition to the questions asked some Tourists in Zanzibar, some visitors especially from Italy (3), other European countries (4) and United States (2) were also interviewed to express their concern on how they are affected by the ongoing financial crisis, so as to make the study realistic. Most of them 0.67% especially from U.S.A were replied that, the ongoing financial crisis has affected them in such a way that they decided to either shorten the time for travelling, while others said that they cancelled some of their trips to other countries.

However, 0.22% were replied that they had not much affected by the on going crisis, because it happened while they are away from their home countries. Some Italians, replied that they however have decided to adjust their spending pattern in an effort to curb with the effects of the financial crisis. One of the interviewee named Adriano from Italy said, his colleagues who were expected to travel in July 2008 to Zanzibar

and other African countries have decided to cancel travelling and remained in their home countries. “My colleague from Italy who were expected to come Africa in July have cancelled their trips to African countries and, therefore, remained at home until other times they will travel” and 0.11% said he fill normal.

4.5 The impact of WFC on Development of Road Infrastructure

Table 4.14: Show the Respond on the Impacts of World Financial Crisis on Development of Infrastructure in Unguja

Statement	Strong agree	Agree	Neutral	Disagree	Strong disagree
Hotel Industry are involved in development of road infrastructure	86.8%	10.3%	2.9%	0%	0%
Hotel Industry are involved in Electricity supply	79.2%	16.4%	3.6%	0.8%	0%
Hotel Industry are involved in Telecommunication improvement	46.4%	42.5%	5.5%	5%	0.6%
Hotel Industry are involved in marine / sea transport	51.2%	30%	0.6%	12.4%	5.8%

Source: Field data

The research indicates that majority (86.8%) of the respondents agreed that the Hotel Industry and hospitality products was involved in the development of infrastructure like road construction and rehabilitation. From the research findings the researcher

found that Hotel Industry contributed largely to government and private companies to pay attention to roads construction and rehabilitation not only to facilitate easier transport to natives but also improving tourism sector in the country as supported by World Bank (2000) which stated that in Mauritius tourism infrastructure was well-developed because roads were maintained in very good condition, with 1,834 kilometers (1,139 miles) out of a total of 1,910 kilometers (1,186 miles) of roads being paved in 2000s. Mbaiwa (2002) encouraged that Infrastructure development such as the construction of tarred roads to facilitate the tourism industry in the Okavango and Chobe regions in Northern Botswana became one of the major governments pre-occupation. Booth (2004) explained that construction of a new paved road linking Kigali to the western part of Rwanda where Lake Kivu is located has also benefited tourism. Since 2000, there has been a fourfold increase in the number of tourists visiting national parks.

While the question about Hotel Industry is involved in electricity supply was agreed to respondents (79.2%) them this was because tourism sector depended much on the availability of electricity service for its investment, operation and development as supported by Kweka et al (2001) who stated that in order to encourage investment for tourism development, there was a need for improvement in infrastructure across the regions in Tanzania, notably in utilities such as water, electricity supply and solid waste disposal.

The respondents (46.4%) agreed again that Hotel Industry were involved in telecommunication. From the research findings the researcher saw that tourism depended more on presence of reliable telecommunications because the tourists and

visitors needed telecommunication wherever they are and every time for their personal and official issues.

The majority of the respondents (51.2%), were not sure that Hotel Industry was involved in provision of navigation transport services, only (7.5%) say no, this was because the researcher found that many tourists greatly preferred to use flight from one place to another because it was safe and comfortable for them rather than marine transport while this finding is emphasized by Asian Development Bank (2005) stating that an efficient transport infrastructure had been considered as a key component that directly influences the competitiveness of a country's travel and tourism industry in Asian and the Pacific countries like China and India.

The research findings made the researcher to establish that tourism brought great impact because there was construction of more hotels and lodges and this gives a clear picture that there was a huge and rapid expansion of tourism industry in Unguja Island, Zanzibar. Again, the respondents were not sure as to whether the Hotel Industry brought impact in the construction of airports (3.7%), while construction of airstrips (56%). From the findings the researcher found that because of insufficient airports and poor management for airstrip plans in Unguja, Zanzibar this became reason made the respondents to doubt on it.

Research indicated that the respondents clearly agreed that Hotel Industry are a basic need for the development of the projects of infrastructure. From the research findings the research found that these were necessary projects because without safe water no real and long future life to people and smooth business in the country. On the

contrary, the research showed that the respondents were not quite sure that Hotel Industry was a basic need for the construction port projects such as seaport and airport projects. From the researcher's findings it was believed that because of there was no or little serious emphasis on the kinds of projects mentioned above and affecting the problems of setting project priority led the respondents to be in dilemma.

Zanzibar Economic Bulletin (2009) insisted that Infrastructural programs were a primary requirement that had to be provided for a future meaningful development of tourism industry.

Different literature discussed about the contribution of Hotel Industry to development of infrastructure was supported by Hall (2000) who stated that tourism infrastructure and facilities were very important in tourism planning and development in Cambodia. The objective also was supported greatly by Asian Development Bank (2005) that an efficient transport infrastructure is considered as a key component if it directly influences the competitiveness of a country's travel and tourism industry, while Nahed (2006) showed the challenge about the lack of good infrastructure's progress towards tourism progress as he reported that a prolonged infrastructure gap did slow the tourism activities, pace and drove up the costs of developing new projects, place greater strains on the existing infrastructure and potentially deter foreign business and leisure travelers. Researcher found that he has same interpretation as those writers above.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In recent period starting from June 2008, Hotel Industry has been affected by the Global financial crisis that has been affecting many countries of the World. This impact is mostly seen in Developing countries, the research conducted by IMF in Sub Saharan Africa branch showed that the impact is vividly seen in Less developed Countries than the Developed countries and it has shown that Tanzania is among of the country that is affected by the crisis other Sub Saharan African countries are Mozambique, Rwanda, Senegal, Uganda, Kenya, Malawi and Ghana, this is due absence of strong attraction on Tourism Industry including Hotels Industry.

5.2 Summary of the Main Findings

This research had shown that the Economy fall by approximately 300 billions which is equivalent to 25% shortfall for the years 2008-2009 in which Tanzania, Ghana, Malawi and Mozambique named to have greatly affected by the crisis. Many Asian countries that depend their economy on Hotel Industry such as Vietnam, Singapore, Thailand, Malaysia, and Jakarta, Australia especially in Western province, America, and many European countries have witnessed a small numbers of visitors out of the projected figure or in comparison with previous season before the crisis.

HI in Zanzibar affected with WFC hence decided to reduce the employees by giving them a long leaves as well as they temporary decided to stop hiring employees to reduce running expenses because most rooms were empty. They reduced the order of

food staff and beverages consumed by visitors in HI supplied to them for the same reason, this implied that the companies that were supplying food stuff and beverages to the HI faced a huge fall in demand for their products as their main clients decided to reduce their purchases hence impact of WFC may be prolonged as supply chain concerned from primary producer to ultimate merchandise firms.

In 2008 travel agents cancelled the route to Zanzibar as the number of tourists to be served were very few due effect of the WFC hence the operating costs were soaring high this leads short fall in revenues to 3.5% decrease against the projected figure. For the case of development of infrastructure most (86.8%) of the respondents agreed that the Hotel Industry products was involved in the development of infrastructure like road construction and rehabilitation. Hotel Industry contributed largely to government and private companies to pay attention to roads construction and rehabilitation not only to facilitate easier transport to natives but also improving tourism sector in the country so WFC may bring about failure of development of infrastructures for various reasons including deficit budget, investment and so on.

5.3 Conclusion

From the study it can be concluded WFC affect much in Zanzibar because WFC affect tourists travelling and ultimately tourism sectors which HI one of it, that tourism sector and hospitality products in Zanzibar became a major contributor to the creation and provision of employment opportunity to the people especially unemployed youth within and outside the Island. Business persons, number of youth and some adults regardless of their gender benefited a lot from tourism sector whereby this enabled the people to struggle towards eradicating abject poverty. HI

did not put much effort on instituting quality services, reliance on Western market only, currently, Zanzibar face hard time and unstable market on HI due to terrorism threat and poor infrastructure. HI create jobs to Households also create market to SMEs and Residents enjoy good infrastructure. Zanzibar became popular in the world of tourism due to conducive environment such as eco tourism, spice, attractive sea cliff and hospitality of the host.

The impact of WFC to HI on development of infrastructure, the study indicated that tourism had a positive impact to the infrastructural development because in Unguja Island there was high extent of roads construction, easy availability of water and electricity compared previous days as well as luxurious hotels that enabled greatly to boost and improved the development of tourism sector and other sub-economic sectors in the country at large.

5.4 Recommendations

From the perspective of these findings, the study recommend that the development of any Nation in the world depends on better and giant economic sectors like tourism industry for socio-economic development because in the contemporary world tourism sector continues to take part in terms of development and economy in many countries rather than other sectors like industrial and agriculture sectors etc. Therefore in order for Zanzibar to have development it must improve and protect the hotel industry because it is the only sector which supports a wide scope of development of other sectors, the people living standard and the Nation in general. Therefore, the government of Zanzibar should bear in mind that tourism industry is a panacea to the socio-economic development of the any nation in the world.

- (i) In order to make the best out of the Hotel Industry, strong Public–Private Partnership should be initiated for purposes of developing strategies which will shift Zanzibar tourism product online rather than relying on traditional Sales and Promotions channels.
- (ii) Those who say that the global online travel generates sale of more than 100 billions US Dollars but Zanzibar is not part of this business.
- (iii) There is also the need to have a deliberate programme to solicit celebrities to talk about the country's tourism whether it is domestic or International.
- (iv) The government Ministry of Tourism should organize meeting with Tour Operators to discuss ways of preparing the sectors, so that it can handle the effects of economic crisis.
- (v) In order to adopt their business model to the expected travels, the government should increase its budgets to promote tourism sector.
- (vi) Time has come for putting more emphasis on strengthening market intelligence and promotions bearing in mind that competition is stiffening due to World wide Recession, the aim is to provide decision makers with information on qualitative and quantitative knowledge of the tourism markets, market trends and most effective techniques of tourism promotions and its monitoring, so that they are kept known in order to make the right move.
- (vii) There is a need to assess both tourism and economic strengths and weaknesses of relevant institutions, In case the economy worsens considerably, which group of travelers is likely to lose most?

- (viii) So the institutions need to assess their goals, needs and problems in the light of local conditions and economic conditions at their principal customer sources.
- (ix) The need to invite experts to develop new ideas and monitor the situation and also consider ways of connecting product development with marketing.
- (x) Awareness campaigns in the key markets should be launched soon in order to return the profile.
- (xi) Campaigns must involve all tourism and media partners and should focus on value tourism product. The exercise should also entail trimming any excess fast in operating costs in order to maintain competitiveness.
- (xii) The exercise must have educational components pitched at travel agents plus all frontline travel professionals, so that all industry professionals will be able to talk about Zanzibar tourism and hospitality and their customers.

5.5 Implications of the Findings

WFC have great impact to HI in Zanzibar since 25% of Government earning are from tourism at the same time employment, infrastructure and SMEs also feel the pain of the WFC. There is many employment opportunity for Zanzibaris, what is important to them is to create an environment to win the chance this include proper knowledge and skills on particular sector such as tourism, entrepreneur, market and so on.

Revenue is backbone of any government to run and operate it's activities so Commission for tourism Zanzibar and ZRB as agent of Revolutionary Government

of Zanzibar must use different approach to stop tax avoidance in Hotel Industry this may lead to balance budget. Improvement of infrastructure especial road is one among measures to improve both Hotel Industry and social standard of living. All parties concerned must play his/her chance on proper improvement of Hotel Industry, private and government sectors must cooperate to have good policy on Hotel Industry this may leads to win the international tourism market.

5.6 Research Limitations

Shortage of time is limitation since I had to report at the work during actual office hours, at the same times to go to the field to undertake the research work. Financial Resources, so far the research work needs money for meeting stationary expenses, printing expenses, internet charges, research assistants as well as transport costs, but this research work lacks adequate financing sources to meet those expenditures. Confidentiality is another obstacle, since some public organizations has limited information while private organizations keep secrete with the data that concern to their organizations such as income, employment details etc. Therefore it brought complication in obtaining both cream information and conveniences.

5.7 Areas for further Studies

The contribution of tourism industry on improving the local community development projects in coastal regions in Zanzibar. Despite of several investments, projects including hotels, infrastructure living standard of East coast residents are poor, having solution on this may help local resident to have sustainable development. Hence there is a need have study on it.

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APPENDICES

Appendix I: Questionnaires for Zanzibar Tourism Commission, Zanzibar Revenue Board, Consultant Firms/Tour Operator's, Individuals and Hotel Personnel

Introduction

I, Rashid Abdalla Ali pursuing Master Degree of Business Administration at Open University of Tanzania. I am conducting research titled “the impact of world financial crisis on Hotel Industry in Zanzibar” on partial fulfilment of the Master Degree of Business Administration. I kindly request your assistance in filling questionnaire. The information collected through these Questionnaires is strictly used for Academic Research. This study is based in Zanzibar. The focus is impact of world financial crisis on Hotel Industry in Zanzibar. The information that you are volunteering to give from financial year 2007/2008 and 2008/2009 will be treated as confidential and that anonymity is guaranteed. we thank you in advance for accepting to participate in the study.

Note: monthly collected/printed data will be considered.

General Information. (Fill the blanks)

Sex Male(m)----- Female(f)-----

Position-----

Level of education.....

Period of service.....

Institution.....

Age group: Tick appropriate: 0-14.5 15-24.5 25-34.5 35-44. 45-54.5 55 and over.

1. (a) How many employee forced to undergo leave without payment.

2005..... 2006..... 2007.....
 2008..... 2009.....

(b) To what extent (period) firing of labor and/or the business closed in respective years.

In the year 2007

Hotel.

Male [], female []

Tour operator .

Male [], female []

In the year 2008

Hotel.

Male [], female []

Tour operator .

Male [], female []

In the year 2009

Hotel.

Male [], female []

Tour operator .

Male [], female []

2. (a) what are the amount of revenue uncollected during these financial years?

2007..... 2008..... 2009.....

(b) what are the impacts of the financial crisis on revenue collection?

2007.....

2008.....

2009.....

3. The impacts of World Financial Crisis on development of Infrastructure in Unguja

(a) Please put a tick (√) where appropriate.

Hotel Industry on development of infrastructure

Hotel Industry Impact	Strongly Agreed	Agreed	Neutral	Disagreed	Strongly disagreed
1. Hotel Industry are involved in development of road infrastructure					
2. Hotel Industry are involved in Electricity supply					
3. Hotel Industry are involved in Telecommunication improvement					
4. Hotel Industry are involved in marine / sea transport					

4. What are the general effect on World Financial Crisis to Small and Medium Enterprises (SMEs).

.....

**Appendix II: The following is the interview irrespective of questionnaires above
with correspondence of their numbers**

1. Why they forced to go to leave without payment?
Why at this time there is big change?
Why your organization closed or collapse during 2007/2008?
2. Why revenue decrease in the period of 2007/2008?
3. Can you elaborate your answers based on period of years?
4. Do you think we can we eliminate small and medium enterprises on world
financial crisis

THANKS FOR YOUR COOPERATION