THE IMPACTS OF GLOBAL FINANCIAL CRISIS ON THE TOURISM INDUSTRY: THE CASE STUDY OF TANZANIA
THE IMPACTS OF GLOBAL FINANCIAL CRISIS ON THE TOURISM INDUSTRY: THE CASE STUDY OF TANZANIA

BY
Kadete, Paul Kayoka
MSC/AF/MO/009/T.11

Supervisor: Gasper Severen Msaidi

A Dissertation Submitted in Partial /fulfilment of the Requirements of the Award of the Degree in Masters of Science In Accounting And Finance of Mzumbe University
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled “Impact of Global Financial Crisis on the Tourism Industry: The case study of Tanzania” in partial/fulfilment of the requirements for award of the degree of Master of Science in Accounting and Finance, School of Business, Mzumbe University.

Signature

____________________________________
Major Supervisor

Signature

____________________________________
Internal Examiner

Signature

____________________________________
External Examiner

Accepted for the Board of School of Business

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DECLARATION

I, Kadete, Paul Kayoka, declare that this dissertation 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.

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ABSTRACT

The tourism industry has been considered to be an important sector in Tanzania for many years whereby it has strong positive effects on the economic development of the country. The positive impact of tourism on the host country is in areas such as foreign exchange earnings, employment opportunities, poverty elimination, provision of social services and improvement of the infrastructure. However the current worldwide top agenda of the financial crisis has weakened the above efforts of the tourism industry towards the economic development of Tanzania. Therefore it is the researcher’s belief that there is a need to conduct an in depth study to scrutinize the impact of the financial crisis on the tourism industry in Tanzania.

This study provided an insight into the tourism industry on how the current recession affects this sector. This might help to create sufficient and sustainable measures on how to hedge against the crisis within the sector so as to boost the economic development of Tanzania.

The researcher conducted an empirical study by using both secondary and primary source of data from the tourism authorities as well as stakeholders in general. For the primary data the main instrument used was telephone interviews with the tourism officials in Tanzania while questionnaires were added to explore both domestic and international tourists’ views on the financial crisis on the tourism industry. Both interview questions and questionnaires were designed using a semi-structured approach.

The researcher explored theories which link tourism and economic development as there were no direct specific theories on tourism.

The analysis of the research findings was undertaken by using a qualitative approach to the data analysis whereby the impacts of the financial crisis on the tourism industry in Tanzania were discussed in depth.

The analysis showed that there are impacts of global financial crisis on the tourism industry in Tanzania. The analysis also showed that there are measures suggested to mitigate the situation however there is still a problem as most of these measures are not yet effectively implemented which could delay its significance, therefore the tourism sector could lose its potential to boost the economic development of Tanzania. Due to these reasons the researcher provided recommendations and suggested areas for further research to enable an in depth study in the future.
ACKNOWLEDGEMENT

The achievement of this dissertation is through contributions of many people to whom I would like to show my appreciations. I would like to convey my sincerely gratefulness to the following:

Firstly, many thanks should go to Mr. Gasper Severen Msaidi, my supervisor, who compassionately supported me with guidance, constructive ideas, advice, suggestions and comments to accomplish this study in its present form.

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Many thanks should go to the Tourism sectors in Tanzania where the research was conducted for allowing me to access the information. I am very grateful to all respondents to this study, their cooperation during data collection enabled me to gather the relevant and accurate data needed to accomplish this research.

Finally, I would like to thanks all my wife and children, relatives and friends for the love, patience and encouragement they gave me at all times during my study. Without giving their moral support this study could not be successful, I thank them so much.
DEDICATION

This dissertation is truly dedicated specifically to my family. My wife Neema Minja Kadete and my sons Clarence and Christian. Their support and endurance made this happen. All I can say is I love them so much.
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ABBREVIATIONS

BOT  Central Bank of Tanzania
EU   European Union
FDA  France Development Agency
FDI  Foreign Direct Investment
GDP  Gross Domestic Product
HBOS Halifax Bank of Scotland
IFS  International Financial Institutions
ILO  International Labour Organisation
IMF  International Monetary Fund
KINAPA Kilimanjaro National Park Authority
LDCs  Less Developing Countries
MIGA Multilateral Investment Guarantee Agency
MNCs Multinational Companies
MNRT Ministry of Natural Resources and Tourism
NBS Tanzania National Bureau of Statistics
SADC South Africa Development Community
SAPs Structural Adjustment Programs
TANAPA Tanzania National Parks Authority
TATO Tanzania Association of Tour Operators
UK  United Kingdom
US  United State
WTO World Tourism Organisation

LIST OF SYMBOLS

Tsh.       Tanzanian Shillings
US $      US Dollars
%         Percentage
CHAPTER ONE

INTRODUCTION

1.1 Historical Background

The Global Financial Crisis of 2007–2010 has been unprecedented since the Great Depression of 1929-1932, UNIDO/South Centre,(2009). It has contributed to the failure of key business such as decline in consumer’s wealth in terms of trillions of U.S. dollars, decline in economic activities and government’s financial commitments. The crisis originated in the US mortgage market and quickly spread to other countries, including the Tanzania, UK, Kenya, Spain, Greece and Ireland. Commercial banks suffer a sudden rush of withdrawals by depositors which is called a Bank run. September 7, 2008 two United States Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac into conservatorship run by FHFA. By the time of the bankruptcy of Lehman Brothers in September 14, 2008 and sale of Merrill Lynch to Bank of America, the financial crisis had become a more general banking crisis which in turn rapidly impacted on the real economy and turned into a global recession. The main reasons for this failure on mortgage extended to borrowers were; weak oversight, poor supervisions of banks and financial institutions. It lead to realization of accumulation of bad loans and business loss to 17 percent of the USA’s GDP. Even though the U.S. Federal Reserve Bank had put in place regulatory solutions but the significant risk remain the world economy.

Economies worldwide started slowing down in the late 2008 as credit tightened and international trade declined. Critics argued that credit rating agencies and investors failed to accurately price the risk involved with mortgage-related financial products, and that governments did not adjust their regulatory practices to address 21st century financial markets. Governments and Central banks responded with an exceptional fiscal stimulus, monetary policy expansion, and institutional bailouts (World Bank, 2009).
The effects of the GFC on developing countries were forecasted to be comparable to those on developed countries. The revision represented a reduction of up to USD 20 per head in Sub-Saharan Africa due to the financial crisis. The channels through which the global financial turmoil affects developing countries include financial channels and real channels. Financial channels effects include stock markets, banking sector (borrowing from advanced economies, foreign ownership of banks, exposure to sub-prime market), and Foreign Direct Investment (FDI). Real channels effects include remittances, exports, imports, terms of trade and aid. Research based on current updates and forecasts, as well as evidence on what happened in previous slowdowns and in the absence of policy responses, it was suggested that net financial flows to developing countries may fall by as much as $300 billion in two years, equivalent to a 25 percent drop.

Tanzania’s economy was projected to increase by 8 per cent in 2009 before the GFC; but due to the crisis, the economic growth was to grow at 5-6 percent for year 2009/10, BOT (2009). By early 2009 there were already indications that the crisis had already affected a number of sectors, including the agricultural and the tourism sectors, thus adversely affecting growth projections, BOT (2009). By May 2009 the Tanzanian government estimated a loss of about US$255 million from domestic income occasioned by the Global Financial Crisis, calling for concerted efforts in boosting agriculture and curbing excessive spending through importation of expensive vehicles and unnecessary seminars countrywide. The financial crisis also affected decisions to review the minimum wage for both public and private sector workers.

1.2 Statement of the problem

In its forecast on January 2008 the World Tourism Barometer asserted that the growth of the international tourist business has slowed tremendously worldwide due to the unfavourable and volatile global economy (Bauernfeind, 2009). Factors such as oil and commodity price rise and massive exchange rate fluctuations have all contributed to undermine the tourism business, other businesses and consumer confidence. Additionally, a sharp drop in the number of visitors from high-income
countries, such as the US, Western Europe and Canada, is also causing great concern within the tourist industry. This crisis does not exclude the tourism industry in Tanzania, which contributes massively to the country’s economy. It is from this perspective the researcher is undertaking this study to examine the impact of global financial crisis on the tourism industry in Tanzania.

1.3 Research Objectives

The Tanzanian economy depends mainly on agriculture, tourism, mining and fishing. The Governor of Central Bank of Tanzania argued that tourism contributes an average of 17.2 percent of Tanzania’s Gross Domestic Product (GDP) after agriculture (www.africa.no/detailed/17380.html). As tourism is so crucial in the Tanzanian economy the financial crisis will have absolutely undesirable effects on her economy.

The objective of this study is to examine the impact of financial crisis on the tourism industry particularly in Tanzania. Moreover, the research objectives directs the researcher to find the answers to research questions through the scientific procedures aimed at finding the truth which is hidden on not yet discovered (Kothari, 2006). This study will provide an insight into the crisis and its impact on the Tanzanian tourist industry and possible measures to address it.
1.3.1 General objective

The general objective of this study was to examine the impact of global financial crisis in tourism industry in Tanzania.

1.3.2 Specific objectives

1) To find out the trend of the tourism industry before and after the financial crisis 2008

2) To investigate the impacts of the financial crisis on the tourism industry in Tanzania.

3) To observe if there is safeguards to manage the global financial crisis on the tourism industry.

1.4 Research Questions

The following questions will be tested in analysis to draw up conclusions on the impacts of the financial crisis on the Tourism industry in Tanzania.

1) What were the trends of the tourism industry (For example national parks and museums and historical sites) before and after the financial crisis 2008?

2) To what extent does the financial crisis affects the tourism industry in Tanzania?

3) Is there any safeguards in place to manage the financial crisis (hedge) on the tourism industry?

1.5 Significance of the Research

The importance of this study is to help in shedding more light on the financial crisis and how it affected Tanzanian tourism industry. The study will also help to determine the relationship between tourism and its contribution to the economic development. More importantly, the study will serve as a reference point to researchers and as policy direction for government in the area of downstream sector of the tourism industry.
industry and sustainable economic growth of Tanzania in general. It will also add knowledge, creating awareness of those impacts and trying to provide possible measures to address them.

1.6 Organisation of the Study

The researcher organised the study into five main chapters in whereby each chapter deals with the specific aspects of the research. The researcher explained each chapter and its relevance below;

Chapter one is the introduction of the study whereby the problem of the study and its objectives are stated.

Chapter two present the theoretical framework and literature review.

In Chapter three the researcher explained the methods used to gather data that included primary and secondary sources of data as well as the main instruments of data collection. Additionally the population and sample size were also stated. Chapter four deals with the presentation of the findings.

Chapter five presents discussion of the findings.

In chapter six, the researcher provides the conclusions based on the overall research findings to reveal the attainment of the research questions. It is from these conclusions that the researcher will suggest important recommendations and areas for further research.

1.7 Limitations of the Study

Time constraint was the main whereby the study was conducted within a very short range of time to meet the course deadline. This hindered the researcher from seeking more information which could have obtained more in depth results leading to stronger understanding of the situation and of the problems faced thus improving data and analysis.
The researcher experienced difficulties during data collection as the Tanzanian Government is ranked as a high power distance cultural (Hofstede, 1980) hence the researcher had to follow protocol to obtain research data. This delayed the researcher in gathering primary data on time while waiting for feedback from respondents. Availability of information was another limitation factor whereby some of the data such as the total tourism budget and the amount of aid given by donors to tourism were treated as confidential. However the researcher was able to obtain little information about the percentage of donors giving aid to the tourism industry. Despite the above limitations, it is researcher’s belief that the relevant information needed for this study was gathered, which resulted in the attainment of the main objective and research questions.
CHAPTER TWO

LITERATURE REVIEW

2.0 Theoretical framework

2.1 Theories of Tourism and Economic Development

The relationship between global and local tourism and how its cultural, environmental and economic interact to generate development is overwhelming. The local tourism development can be understood if key stakeholders such as industry, community, government and tourist interact to have a common goal in economic development (Etzion 1995, 1997).

There are few examples of literature that highlight theories of the economic development in relation to tourism, this is due to the lack of theoretical analysis in tourism resulting from underestimation of the tourism contribution in certain perspective. Some theories were developed during 1970s and 1980s such as dependency, life-cycle and community approach and the last ones being regulation theory and new tourism (Milne and Ateljevic, 2001). Krapf (1961) argued that tourism development should be examined according to the stage of economic development by referring to Rostow’s (1960) model of the stages of economic growth (see appendix 1).

2.2 Dependency and Life-Cycle Theory

Dependency theory emerged from Neo-Marxism (Britton, 1982) while Life-cycle model emerged from Modernisation theory (Butler, 1980).

Dependency and life-cycle theory are both based on the shared principle in this industry whereby organizations cut costs’ through creation of economies of scale, destination increased visitor numbers and tourists fulfilling their desire to travel cheaply and efficiently. However as visitor numbers increase and the global tourism rises this results in a change of the local industry structure that becomes characterised by few elite ownership or foreigners (Milne and Ateljevic, 2001). He argued that the
high costs associated with the rise of mass tourism leaves the communities that depend on it with little or no prospects for local control, and with only limited power to attain their local development. In this case therefore, local people end up with little or no benefit from mass tourism.

The dependency and life cycle theory has been criticized in a certain ways. The dependency theory could be accused of being preoccupied by global level activities and of ignoring what is going on within the nation which might be as important as those influences that originate outside its borders (Amin and Thrift, 1997). Preister (1989) argued that the negotiation process is of great importance for development whereby local people, individual and structural forces need to work together. She added that external forces do not shape affected communities passively but rather they react to the extent that they can change the conditions of existing systems at large.

2.3 Community Approach Theory

This theory emerged in 1989, which emphasized the importance of communities taking an active role in determining tourism outcome (Murphy, 1985; Taylor, 1995). Milne and Ateljevic (2001) assert that this theory takes the community into consideration and gives them the chance to participate in tourism development planning. Therefore local people have the chance to air their views when necessary and they are capable of controlling the outcome of the tourism industry to some extent. However the involvement of the community in the tourism development process has left behind the local elite and it is forgotten that aspect like race and gender relations will have an impact on power structure within communities as these communities are rooted in broader political, socioeconomic and environmental structures. Urry (1990) and Belsky (1999) argued that the desire of each individual within the community varies considerably and it cannot be assumed that local attachment come first so that people’s curiosity can be represented territorially. Essentially, the community approach tends to overlook the local implications of the evolving nature of capitalist accumulation at broader scales.
2.4 Regulation Theory and New Tourism

Teague (1990) argued that due to globalization the world today is living under a new political economy that is applicable to the economic development process. Tickell and Peck (1992) emphasized that.

“Regulation theory introduces the concept of a regime of accumulation- a social system linking production to consumption. The temporary stability of this system depends on a particular mode of social and political regulation based on a set of internalized rules and social procedures such as state actions, social institutions, behavioural norms and political practices” (Tickel and Peck, 1992, Pg. 190).

This theory is focused on the concept that the industry must attain flexibility internally and externally. Internally, firms must specialize their products and change product settings in order to meet market taste. Externally there must be a shift associated with vertical and horizontal disintegration that leads to downsizing specialized firms. It is from this point that several tourism researchers have applied these frameworks to understand the changing formation of the tourism industry and its role in local, regional, and national development processes. In contrast profitability in tourism today does not only depend on economies of scale and exploitation of mass undifferentiated market but also in segmented markets, economies of scope, and customized holidays which are gaining importance for profitability and competitive advantages in tourism (Poon, 1989).

2.5 EMPIRICAL LITERATURE REVIEW

2.5.1 Introduction

Tourism is the fastest growing industry, which offers massive advantages to both the local and global society. The industry contributes annually over four thousand (4,000) billion Dollars of economic activities all over the world and it creates vast job opportunities whereby one out of every five employees in the global labour force are employed (Fayissa et al., 2007). High growth in the tourism industry continues to have an enormous impact on economic development in many areas as it acts as a
stimulus for economic growth. Moreover, economic development of the countries enhances growth of the tourism industry, therefore an economic tremor will have an adverse effect on tourism.

Recent global crisis has progressed from other major crisis that has happened in developed world in recent decades and spread to emerging economies and less developed countries (LDCs). The crisis has also originated from the enormous global shock that resulted from high food and fuel prices that has forced substantial economic burdens on many countries that in turn has considerably increased poverty and economic uncertainty (Turner, 2008). This crisis has impacted upon many areas of the economy. It has widened from one sector to another, firstly it started from housing into banking and other financial markets, then to all parts of the real economy tourism included. It is from this rationale that the researcher is undertaking a review of the literature to scrutinize the impact of global financial crisis on the tourism industry in Tanzania.

2.6 Overview of Global Financial Crisis

2.6.1 Meaning; Financial Crisis

Many scholars have come out with several names for the financial crisis, such as financial meltdown, Credit Crunch, financial turmoil, credit bubble, economic downtown, economic slump and recession. This crisis is not a new phenomenon it has occurred on several occasions in past years for example in the mid seventies, early eighties, nineties and early two thousand (Claessense et al., 2009). Some scholars argued that there is no official definition of recession; however it has been associated with the period of decline in economic activity (Turner, 2008). A quarterly magazine of IMF December 2008 define recession as two consecutive declines in a country’s GDP, however it has been argued that this definition has its limitations, examining GDP alone is narrow thus is advised to consider other wider indicators of economic condition to scrutinize whether or not the country is suffering recession. The National Bureau of Economic Research (NBER) of America defines recession as;
"a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough." Consistent with this definition, the committee focuses on a comprehensive set of measures-including not only GDP, but also employment, income, sales, and industrial production-to analyze the trends in economic activity" (NBER, 2008, Pg.1).

Additionally, Noble and Ravenhill (2000) argued that a financial crisis occurs in a country where there is weak exportation and clear macroeconomic disproportion, such as, uncontrolled inflation, insufficient domestic savings and wide shortage in government budgets. However, Turner (2008) defines recession as the results of numerous companies across the West abusing free trade, moving jobs offshore simply to boost profit margins but at the same time increasing the unemployment rate in the home country.

Based on the above definition, the researcher has learned that recession reduces the purchasing power of customers. Since tourism activities involve spending, the recession will have consequences on to tourists’ power of spending.

2.6.2 Crises in different eras

The question of how the recent crisis compared with other crises has been touched on and authors have attempted to address it. According to Allen et al (2007), financial crises have occurred in four eras i.e. Gold Standard era (1880-1913), The Interwar years (1919-1939), The Bretton Woods Period (1945-1971) and the recent period (1973-2008). There are several individual financial crises that have occurred within these periods, the most notable one being the Great Depression of the 1930s. The different crises will be grouped under past and more recent financial crises and a number of similarities between the crises and important differences will be highlighted below.
2.6.3 Past Financial Crises

2.6.3.1 Pre Great Depression

The most benign period was the Gold Standard Era. During this period, banking crises occurred but were limited. Currency and twin crises were also limited compared to subsequent periods. The implication is that globalization does not inevitably lead to crises since the global financial system was fairly open at this time.

2.6.3.2 The Great Depression

The economic damage caused by the current crisis has been said to have worrisome parallels with the Great Depression of the early 1930s. The Great contraction of 1929-1933 was the worst recession in the United States of America. Output declined by 34%, prices by 24% and unemployment rose from 4% to 25%. In their monumental “A Monetary History of the United States” (1963), Friedman and Schwartz argue that the contraction was mostly as a result of a one-third disintegration in the supply of money which was accelerated by four major banking panics, occurring in succession, starting in October 1930 and also the failure of the Federal Reserve to follow its mandate and act as a lender of last resort by using open market purchases to offset these bank failures.

According to Bordo (2009), the many bank failures also resulted in an implosion of financial intermediation which further contracted the economy. In March 1933, the FDR declared a one week banking holiday during which solvent banks were separated from the insolvent. Only the solvent banks were to reopen. This is when the contraction ended. In April 1933, large purchases of gold by the Treasury increased the money supply and changed inflationary expectations from inflationary to deflationary. This together with the floating of the dollar quickly stimulated recovery.
Allen et al (2007) explains that after the Great Depression, most policymakers were so determined to prevent such an event from occurring again and so they imposed strict regulations or brought the banks under state control to prevent them from taking much risk. As a result banking crises were almost completely eliminated. This period was the Bretton Woods period. Besides the twin crisis in Brazil in 1962, there were no banking crises at all during the whole period. Frequently, currency crises did occur but these were mostly because macroeconomic policies were conflicting with the fixed exchange rates level set in the Bretton Woods system.

2.6.4 Some Recent Financial Crises

Both emerging and developed countries have become more prone to crises in recent years. There have been repeated comparisons between the current crisis and past crises such as the Mexican Crisis, the Asian Crisis and the most frequent one being with the Great Depression which also started in the USA.

2.6.4.1 The Scandinavian Crises (1985-1986)

According to Allen et al (2007), Norway, Finland and Sweden experienced a typical boom-bust cycle that led to twin crises. In 1985 and 1986, lending increased by 40 percent in Norway. Prices of asset hiked whilst consumption and investment also increased significantly. The bursting of the bubble was mainly due to the collapse in oil prices causing the most severe banking crisis and recession since the war. In Finland, the massive credit expansion was as a result of an expansionary budget in 1987. According to Allen et al (2007), housing prices rose by a total of 68 percent in 1987 and 1988. The central bank also raised interest rates and imposed reserve requirements to moderate credit expansion. In 1990 and 1991, the economic situation was worsened by a fall in trade with the Soviet Union. Prices of assets plunged, banks had to be supported by the government and GDP contracted by 7 percent. In Sweden, a steady credit expansion through the late 1980s resulted in a property boom. In 1990, credit also tightened and interest rates increased. Several banks experienced severe problems because of lending that had the foundation of inflated asset values. The government had to intervene and a recession followed.
2.6.4.2 Japanese Financial Crisis

According to Allen et al (2007), in the 1980s, the Japanese real estate and stock markets were affected by a bubble. Japan faced a growing pool of investable funds relative to traditional domestic investment opportunities, as corporate fixed investment slowed while household saving remained strong. Financial liberalization throughout the 1980s and the desire to support the United States dollar in the latter part of the decade led to an expansion in credit. During most of the 1980s, asset prices rose steadily, eventually reaching very high levels. According to Davis (2003), the introduction of a new Governor of the Bank of Japan in 1989 who had less interest in supporting the U.S. dollar and was more concerned with fighting inflation led to the tightening of the monetary policy to counteract the risk of a spill-over of asset price increases into general inflation. In 1990 quantitative restrictions were also applied to lending for real estate purposes. This led to a sharp increase in interest rates in early 1990. The bubble burst. Equity and real estate prices fell sharply in Japan from their 1990 peak. The next few years were marked by defaults and retrenchment in the financial system. Three big banks and one of the largest four securities firms failed as they faced problems of capital adequacy. The aftermath of the bubble affected the real economy and growth rates and the consequences were the banking crisis and recession.

2.6.4.3 Mexican Crisis (1994)

According to Olivie (2009), in the years leading up to the Mexican crisis, a lot of Latin American countries initiated economic reforms that attracted the attention of international investors. In the case of Mexico, the terms for access to certain treaties or organizations (e.g. North American Free Trade Agreement, OECD and the General Agreement on Tariffs and Trade (GATT)) and domestic reform process conveyed an economic reform agenda that incorporated domestic economic deregulation, an opening up in terms of trade and finance and the privatization of public sector companies in several sectors. International investors, who considered the changes positive, were also encouraged by low interest rates in the US in the early 1990s.
Foreign financing entered Mexico mainly as bonds. Even though foreign direct investment and shares on the stock market also brought in money, for the most part, this came from privatization and was insignificant compared from debt. According to Olivie (2009), debt contracts and titles were also denominated in foreign currencies. This substantial entry of capital transformed into a credit boom financing domestic consumption and imports, in addition to the speculative bubbles that emerged in the real estate sector and the stock market. And since these transactions were denominated in Mexican pesos, excessive foreign debt and a rise in internal credit directed at high-risk activities meant that there was a currency imbalance between assets and liabilities.

During the course of 1994, other complications compounded the situation. Some of these were of economic and others of a political nature. With reference to the economy, one complication that stands out most is the rise in interest rates in the US market. Moderate levels of interest rates were at least somewhat responsible for capital entry into Mexico in the early 1990s. According to Olivie (2009), a lower differential in interest rates resulted in a lesser lure of Mexican debt. To make things worse, a series of events left Mexico engulfed in political instability.

The stock markets began to fall with the eruption of the Chiapas rebellion. Olivie (2009) also discusses how international investors’ expectations as to profitability and risk intrinsic to the Mexican economy started to alter. Even though stock indices randomly continued to fall for the remaining months of the year, Mexican interest rates began to rise as foreign currency reserves declined. By year end, with exhausted currency reserves, the Mexican authorities had deserted the semi-fixed exchange rate system, accelerating the collapse of the Mexican peso. Just then, the crisis spread to the rest of Latin America, resulting in the so called Tequila effect.

2.6.4.4 Asian Crisis (1997)

Up until 1997, Asian countries such as Singapore, Hong Kong, Taiwan (the Dragons) and Thailand Indonesia and Malaysia (the Tigers) experienced great economic
performance. Their economies grew at sustained high rates for a very long time. According to Allen et al (2007), after sustained pressure, the Thai Central bank stopped defending the Thai Baht and consequently it fell 14% in the onshore markets and 19% in the offshore markets marking the start of the Asian financial crisis.

The Philippine peso and the Malaysian ringitt were next currencies to come under pressure. The Philippine central bank tried to defend the peso by raising interest rates, but it however lost $1.5 billion of foreign reserves and consequently let the peso float, resulting in the currency falling by 11.5 percent. The Central bank of Malaysian also defended the ringitt before letting it float and so did the Indonesian central bank.

Singapore decided against defending its currency and by the end of September 1997, it had depreciated by 8%. Taiwan also stopped defending their currency and let it depreciate but it was not affected much. According to Allen et al (2007), Hong Kong's exchange rate, which was pegged to the dollar, was affected severely but however, it was able to maintain the peg. The South Korean won appreciated against the other South East Asian currencies in the beginning but as time went by and things got more intense it lost 25 percent of its value. By the end of the crisis in December 1997, the dollar had appreciated against the Malaysian, Philippine, Thai, South Korean, and Indonesian currencies by 52, 52, 78, 107, and 151 percent respectively.

Real effects of the crisis were persistent and continued to be felt within the region even though the turmoil in the currency markets was over by the end of 1997. Output of many industrial and commercial firms fell sharply and a lot of financial institutions went bankrupt. The crisis was quite severe and extremely painful for the economies involved.

2.6.5 Common Elements of Current Crisis with the Asian and Mexican Crises

The Asian and Latin American crises of the late 90s have a lot in common with the current global crisis, although there are also some big differences. It is clear that the three regions all had domestic economic problems before their respective crises began. A common problem that materializes in all three regions is the weakness of
the system of financial regulation and oversight. With Mexico and Asia, this may have been the result of financial reforms that were undertaken too fast and/or in a disorderly fashion.

According to Allen et al (2007), when the asian crisis occurred, the South Korean economy deteriorated even more in earlier periods in some of its macroeconomic variables without slipping into a financial crisis. With regards to the Mexican crisis, studies that have been done attribute the rise in interest rates in the US and domestic political instability as the factors that contributed to its occurrence. In the case of the US, the country has been posting twin deficits for decades. Since the 1990s the US has had a constant current account deficit which it has financed through a debt which the rest of the world economy has been willing to supply. This was partly because the US dollar is an international reserve currency.

2.6.5 Parallels of the current crisis with Great depression

Although there has been success in controlling the damage caused by the current crisis, the risks involved should not be taken too lightly. According to Helbling (2009), the weakening in financial conditions from balance sheet contraction, asset fire sales, and increased demand for liquid assets has been more rapid than during the Great Depression and at least as strong, if not stronger. This can be seen in the diagram below. The current crisis peaked faster than the great depression.

Helbling (2009) also explains that feedback effects on the solvency of financial intermediaries from deteriorating economic activity have started to materialize. What turned the recession of 1929-30 into the Great Depression was the surfacing of adverse feedback loops between real and financial sector adjustment in the absence of an offsetting policy. Evidently, policy actions to stop asset price deflation, avoid debt deflation, reinstate confidence in the financial sector and support a global recovery need to be maintained.
Comparisons of the current financial crisis and the great depression have been done by several authors. The distinction has been between the setting, initial conditions, transmission, and policy responses.

Helbling (2009) suggests that in both the Great Depression and the current crisis, the US economy was the centre of the financial contraction. This characteristic differentiates these episodes from the any of the financial crises that have occurred in the past few decades. A global impact has thus been all but certain from the onset because of the weight of the US economy and its financial system.

In both episodes rapid credit expansion and financial innovation that led to high leverage paved way for the crisis.

According to Helbling (2009), however, the 2004-07 boom was global whilst the 1920s credit boom was mainly concentrated in the US. A financial shock to the US economy now has a greater and more immediate effect on global financial systems because of higher levels of real and financial integration than during the interwar period. These greater financial vulnerabilities must be balanced against weaker global economic conditions in 1929. Helbling (2009) also suggests that to a lesser extent, consumer prices in major economies had already stagnated or started declining before the US recession started. Slowing activity in the economy thus led to deflation almost immediately. On the contrary, inflation which was above target in mid-2008 has provided an initial cushion in the current crisis. Key attributes in the financial sector transmission in both episodes were liquidity and funding problems. At the root of both crises were concerns about the net worth and solvency of financial intermediaries, although the specific mechanics differed given the financial system’s evolution.

According to Helbling (2009), in the Great Depression, the problems were as a result of the erosion of the deposit base of US banks in the absence of deposit insurance. In four waves of bank runs, about one-third of all US banks failed between 1930 and 1933. The scene for bank runs in countries in Europe was set by the failure of the Austrian bank Creditanstalt, in 1931. However, in the recent global financial crisis,
deposit insurance has provided some sort of reassurance and has to a greater extent prevented bank runs by retail depositors. Instead, financial intermediaries have experienced funding problems relying on wholesale funding, mostly those issuing or holding US mortgage-related securities whose value was affected negatively by increasing mortgage defaults. Because of increased cross-border linkages, the problems have immediately reached other nations. On the contrary, during the Great Depression, the spillovers were more gradual. Rising capital flows to the US and money supply contraction in the source countries were responsible for the transmission of the US funding problems.

There has been a strong, swift recourse to macroeconomic and financial sector policy support in the current crisis unlike in the Great Depression, when countercyclical policy responses were practically absent. Central banks in the major currency areas have intervened massively to provide financial systems with liquidity and lowered policy interest rates. Exceptional discretionary fiscal stimulus will support aggregate demand this year.

According to Bordo (2009), the current crisis which has led to a recession was not caused by a classic banking panic because the Federal Deposit Insurance Corporation (FDIC) successfully removed the incentives for depositors to stage runs on their banks. However, the causes were in fact losses in wealth that were related to the stock market crash that led to even greater wealth losses, contracted consumer spending and investment and collapse of housing prices. Nevertheless a banking crisis is still a key element of present problems because the interbank lending market dried up, many banks became insolvent and lending is constrained. Helbling (2009) also explains that in addition to this, the failure of the subprime mortgage market led to the collapse of the derivatives markets, and because of the run by creditors on the uninsured investment banks, to the collapse of the shadow banking system. A major credit crunch also resulted and this is evident in the large hikes in quality spreads and the paralysis of some credit markets. This also resulted in a serious recession which in turn has intensified banking system and the financial sector problems. A similarity between the current recession and the Great depression is that both crises were driven
by shocks to the banking and financial sector, but the orders of magnitude are much less now than then i.e. five quarters into the recession, real GDP reached about 6% below trend. At the same stage in the Great depression, it was 12% below trend and at its trough in 1933 it was 30% below trend.

2.6.6 What makes this global financial crisis different other crisis

The financial crisis that broke out in the US in 2007 and spread to the rest of the world’s wealthy and developing economies over the course of 2008 caught analysts, governments and private-sector forces utterly by surprise. Credit crises in the past tended to be confined to the commercial banking and direct lending sectors. With the growth of the securitization market, investment banking firms became big players in the mortgage market, as well. This allowed the risk to spread far and wide, making this crisis that started with subprime lending in the United States both a bank and nonbank, as well as a global, problem.

Many economists have offered numerous analyses as to the causes of the crisis and have also debated over the best ways to respond to it. There have therefore been repeated comparisons between the current global crisis with other crises. One of the most frequent ones is the comparison with the Great Depression in 1929, which also started in the US. The consequences for the real economy are compared with those of World War II, and the work that the G-20 countries embarked on in November 2008 is compared with the process that led to the Bretton Woods accords of 1944.

According to Samuelson (2009), each financial crisis, however, has a resemblance to other crises and passes through similar phases. Nevertheless, each crisis also has its own distinctive characteristics. Three features distinguish the current economic crisis: Firstly, the proximate origins of the crisis were in the United States: despite of the amount of blame for the crisis placed on US macroeconomic policies and on financial regulatory policies, it still remains a fact that the United States led the way into the crisis. Secondly, if the leading economy in the world, whose currency and financial institutions are at the foundation of the global financial system, stops performing efficiently, it should not be surprising that the resulting crisis is global. In this crisis, the citizens and authorities of a country can run, but they cannot hide.
Thirdly, it is quite common for a crisis to begin in the financial sector, spread to the real economy, cycle back to further deteriorate the financial sector, and in so doing further aggravate the conditions in the real economy.

According to Samuelson (2009), the analysis of the economic and financial situation was more complicated in the current crisis. During the greater part of 2008, global growth appeared to be holding up in general, and inflation, mainly in commodity prices, was still rising. Policymakers were sluggish in learning that they were dealing with two severe crises on a global scale i.e., in the financial system and in the real economy. Numerical evidence about dual crises in the traditional industrial countries on average reflects that financial decline led to real economy slump. Improvements in the real economy lead the financial upturns, except for equity prices.

2.6.7 Global financial crisis on Tanzania

2.6.7.1 First Round Effect to Tanzania

The initial global effects to Tanzania were limited such that the country survived the first round effects of the global financial crisis (GFC) which were characterized by sudden credit crunch or failure of the financial market to work. This is because traditionally the financial markets within the country have low levels of integration with the international financial market and operated in a regime of capital account restrictions. This lowered exposure to the bad financial assets leading to lower exposure to the crisis. However, by late 2008 the banking sector in Tanzania started worrying that trade financing was increasingly becoming more risky as commodity prices continued to lose value in the world market and export orders reduced. One of the initial interventions by government of Tanzania was to assure the general public that the local banking sector was in sound condition. Meanwhile it started initiatives to support the Banks so that they avoid reducing trade financing as that would have greatly affected the national economy in terms of foreign exchange earnings and job creation.
2.6.7.2 Second Round Effects

Over time the falling purchasing power of developed economies began to manifest in terms of fall of commodity prices; loss of jobs leading to unemployment; decline in incomes; fall demand for world tradable commodities. The most negatively affected sectors were: agriculture, industry, mining and tourism (MOFE, Budget Speech 2009/10). As the global economy continue to sinks into depression, price levels of key export commodities in Tanzania fell further as consumer demand in advanced countries continued to decline and the revenues from the tourist sector dwindled as tourists cut back on holiday making. There were fears that although the government had managed to stay on track in the promise to create a million jobs by 2010, the financial crisis was likely to derail the process. The government therefore made concerted efforts to maximize the benefits from falling international crude oil prices so that local prices are lowered and therefore reducing the cost of production and transport.

2.6.8 Signs of Resilient of the Financial Sector

The earlier assessment by the Bank of Tanzania that the domestic financial sector was in sound condition due to proper management and minimal direct exposure to the international financial markets has not been disputed by facts on the ground. By the third quarter of 2009, the financial sector in Tanzania was still reporting growth and profitability. In terms of small banks1 an after tax profit of approximately Tsh 2.2 billion was recorded (compared to the profit level of approximately Tsh 1.8 billion in the second quarter). The same applied to bigger banks2 which showed an increasing trend in the recorded after-tax profit. A combined profit of approximately Tsh 50.6 billion was recorded in this third quarter, compared to the Tsh 29 billion recorded in the second quarter.

2.7 Relationship between Tourism and Economic Development.

Tourism is of great importance in any country’s economic growth and on conversely economic growth will initiate growth in tourism activities in any economy. The
importance of economic development to tourism is widely accepted (Pearce, 1995). Tourism has been regarded as the main instrument for regional development as it stimulates new economic activities; it has a positive economic impact on the employment, foreign exchange earnings, production and gross income. However uncontrolled and unplanned tourism activities can lead to a negative impact on the society (Fossati and Panella, 2000).

2.7.1 Positive impact of Tourism in economic growth

Tourism is classified as one of the fastest growing industries worldwide. It contributes extensive economic benefits on both sides, for the tourist home country as well as the visiting country. In less developed Countries, including Tanzania; tourism activities are regarded as resources which are expected to enhance economic growth. When tourists travel internationally apparently the host country earns foreign currency, hence the inflow of revenue creates government revenue, business turnover, household income and employment (Archer and Fletcher, 1991). Domestic tourism will have the same effects on the host country while international tourism creates an inflow of foreign currency while on the other hand domestic tourism creates spatial redistribution of local currency within the boundary of the country (Archer et al., 1998).

From a different perspective (Wall and Mathieson, 2006) argued that currency flows generated by tourism do not always constitute primary or secondary effects because some of the currency inflows are not directly initiated by tourism expenditure (for example tertiary effect such as imported goods).

The tourism sector has a greater contribution for country economic growth, here the researcher wants to review literature which shows how tourism contributes significantly to poverty reduction in most less developed countries. Mathieson and Wall (1982) argued that developing countries are characterised by low income, uneven distribution of income and wealth, high level of unemployment and under employment, low level of industrial development that are held back by the small size of domestic market and a heavy dependence on agricultural products for export
earnings. The author emphasized that the emerging of the tourism sector in developing countries has a more significant effect on economic growth and poverty reduction whereby through inflow of currency, many infrastructures and human resources have been generated. Most business is focused on profit earning and not poverty reduction, tourism included. However, Goodwin et al (2004) emphasized that there are various approaches in which the tourism industry can contribute to poverty reduction as figure 1 below indicates.

**Figure 3.1: Linking Tourism and Poverty reduction**

![Diagram](image)

**Source:** Goodwin et al., (2004)

Though tourism has positive impacts on economic growth from one perspective, from another viewpoint it has an adverse effect.

**2.7.2 Negative impact of Tourism on economic growth**

Though much literature has been written to explore the significances of tourism as foreign exchange earners little is known about how tourism expansion affects the
economy of a less developed country (LDC’s) and societies around tourism sites. Most Less Developed Countries (LDC’s) depends on foreign aid from the developed world to stimulate its economic growth as well as to cover budget deficits in social services and infrastructure activities. In this context therefore, tourism growth creates an illusion to the aid provider to limit and cut their financial aid as a result many countries that depend on financial assistance are affected, which leads them remaining poor. From a different perspective the enormous inflow of tourists may lead to price increase of many goods and services in the tourist destinations by which in turn the societies around are affected as they have to follow the price pattern (Vanhove, 1997). Supporting this argument (Durand et al., 1994) argued that in holiday resort prices are higher during peak season than for the rest of the year whereby retailers increase prices on all goods and services. He said that the local residents are forced to pay more for their daily consumer goods. Additionally, retailers in tourist regions are required to pay higher rents and taxes, which in turn are passed to the final consumers (Mathieson and Wall, 1982). Further more tourists are interested in very narrow range of products such as beauty products, gifts, sports equipments clothes, meals and special products like chocolates, which the local residents are not always in need of, and this lead s them to change their buying behaviour and shift to other points of sale.

On other hand it is assumed that mass tourism increases land price, it also creates additional demand for land whereby potential buyer compete hence a higher price. The local people are required to pay more for their homes. Generally, mass tourism leads to higher land value, more jobs and wealth. Conversely, in a situation when tourism demands are very high inflationary tensions in tourism spill over the economy at large and contribute to a large inflation (Wall and Mathieson, 2006).

Even though the above negative impacts have been discussed by many researchers, their concerns are more on environmental and climate issues. Tourism activities depend on their environment for economic development however with no control measure tourism growth can lead into environmental and climate deterioration (Lea, 2001; Creaco and Querine, 2003; Wall and Mathieson, 2006).
2.8 Economic Development and Tourism in Tanzania

Tourism in Tanzania became a great economic sector during 1990s and it has been regarded as primary sector. In 1995 the industry contributed 7.5 percent of Gross Domestic Product (GDP), and 12 percent in 2001 and in two years dramatically increased up to 16 percent in year 2004 and 17.2 percent in 2005 respectively (Skof, 2007). Revenue from the tourism industry seem to be lucrative, however it is necessary to know its economic implication before concluding about this positive development that it should be promoted. The benefits associated with tourism growth in relation to economic development have to be analysed.

The Tanzanian government formulated economic policies to support tourism for numerous reasons. Firstly, Tanzania is gifted with several types of natural resources that form the basis of tourist attractions and one third (1/3) of its land is reserved for natural parks. Secondly the tourism industry generates foreign exchange earnings for an economic development; it also has other economic benefits such as employment and tax revenue within the sector and linkage with other sectors (Kweka et al., 2001). Supporting the argument, Wade et al., (2001) argued that tourism has the most fundamental aspect of economic development in less developed countries (LDC’s) Tanzania included, he said that tourism offers many economic benefits, which comprises of poverty reduction and achieving high standards of living. Moreover incomes generated from tourism are used in other public services such as hotels, school, hospitals, leisure centres and infrastructures. A good and reliable infrastructure will facilitate more tourism activities hence more income and jobs.

The impact of tourism on Tanzania economy is comprised of many problems (Shivji, 1973). Mass tourism from Multinational Companies (MNCs) that build big hotels and leisure centres have the positive impacts in economic development. Nevertheless, while citizens are enjoying these benefits, on other hand they have adverse effects such as environmental degradation, detriment of local culture and most of the profits are taken back from their economy (Lea, 2001). While it can be argued that the host economy benefits from the tourism growth the fact remain that MNC’s continue to exploit less developed countries (LDCs) therefore limiting the
economic gain from tourism growth. Another area of concern is cost implication in regard to infrastructure facilities whereby the Tanzanian government borrows money from other sectors to build the infrastructure in order to attract more tourists with the perception that it will boost economic growth. These might ruin the development of other sectors of the economy if the business tourism included failing to contribute enough to pay back the return of investment (Berk and DeMarzo, 2007; Perks, 2007; Atril and McLaney, 2008). Supporting the argument Shah and Gupta 2000 emphasized that little attention was given to the fact that the impact of the diversion of resources from other sectors to tourism facilities would have an adverse effect on the environment or society concerned.

The positive impact of tourism can be analysed via employment and income multipliers whereby income generated from tourism can both be direct or indirect and encourage employment creation by adding total tourism expenditure in the host economy. Many people are involved in several areas of economic activities such as curio shops, tour guides, tour operator, fruit selling to tourists, agricultural products supplies to tourist hotels and hand craft, all these are important sources of employment (Luvanga and Shitundu, 2003).

2.9 Contribution of Worldwide Financial Institutions and Donors on the Tourism Growth in Tanzania

Finance is regarded as the life blood for any business investment and tourism is no exception. For any business to prosper it needs funds and other strategic aid to facilitate its growth. Tanzania being a poorer country requires both financial and strategic aid to cope with competition in the world tourism market. Huge funds are required for training, infrastructure and information management to boost the industry to its full potential. Coordinated and improved foreign aid programs will enhance the development of a sustainable nature based tourism industry (Wade et al 1999). For this case therefore, funds have to be obtained from different sources such as financial institutions and non financial institutions. The World Bank as the major financial institution plays a vital role in tourism as a contributor to economic development. Mathieson and Wall (1982) argued that the World Bank have assisted
in overcoming many problems in tourism industries by providing subsidies, long term loans, tax and duty concessions. Institutions provide long term loans for tourism investment and opportunity to local entrepreneurial activities whereby most of the profit remains within the tourist exporting country. Additionally, the World Bank recognised the contribution of tourism in developing countries by investing in East Africa and other parts of the world.

Chambua (2007) asserts that tourism being one of the economic activities under the World Trade Organization (WTO) is provided with financial assistance from donor agencies like the European Union (EU), International Financial Institutions (IFIs) such as the World Bank and International Monetary Fund (IMF). Moreover, some of the western countries such as Sweden, US, France and British provide strategic foreign aid for tourism development. For IFIs and donor countries, the industry plays a major role as a powerful force in integrating countries like Tanzania into the worldwide economy.

From a different perspective, some studies indicate that International Financial Institutions provide financial aid in tourism industry if and only if the host country accepts some laid down conditions. Chavez (1999) argued that International Monetary Fund (IMF) included tourism as part of its Structural Adjustment Programs (SAPs) which are a prerequisite for financial aid approval. The conditions require the host country to liberalise its financial sector, deregulate and liberalise its economy and to integrate into the global economy. Under the IMF and World Bank, tourism is categorized as an export strategy. Due to its capacity to generate billions of Dollars, tourism has been promoted by the IMF and, the World Bank as a means for Third World Countries to repay their debts.

Introduction of MIGA (Multilateral Investment Guarantee Agency’s) provide technical assistance which focus on attracting FDI (Foreign Direct Investment) in tourism sector. The agency in partnership with Swiss Government financed a program for investment in Sub Sahara Tanzania inclusive to support investment in tourism industry (World Bank Group, 2006).
Additionally, in the year 2006/2007 France Development Agency (FDA) contributed €4.7 million for construction of a National College of Tourism in Tanzania to facilitate tourism growth in the country through professional training in hotel management. France also gives assistance to improve institutional skills and development of training programmes to ensure quality training for all institutes in Tanzania’s tourism sector (Breve, 2006).

There are few literatures that show facts about how much financial aid the tourism industry has received from donors and financial institutions in the past years. However although some of them indicated what percentage of the national budget was funded by donors this data does not indicate how much went to tourism. For example, in 2007/2008 donors and financial institutions financed 46% of the total national budget, which is about 7,139 billion Tanzanian shillings, (www.minbuza.nl/en/developmentcooperation); yet how much of this amount actually went to tourism? It is for this reason that the researcher intends to gather information to reveal the actual funds given specifically into the tourism industry.

2.10 Impact of the Global Financial Crisis on the Tourism Industry

The World Tourism Organisation (WTO, 2006) mentioned that the tourism industry has contributed the market share growth rate of about ten percent of the African economy. However at this time of economic recession it is likely that the tourism sector will potentially be affected in contributing to African economic growth. Block (2009) support this argument that the global recession is expected to reduce the number of travellers in particular holidaymakers. This will have a significant effect on the tourism industry in Tanzania as most of the tourists are coming to Tanzania from different parts of the world. Holidaymakers from Western Europe and America have decided to cut their long trips to Asia and Africa in favour of short and mid trips near to their home countries (Ihuucha, 2008).

Pigram and Wahab (1997) asserted that tourism is an integral part of the global economy and is reputed to be the world’s largest economic sector and one with a vested interest in the environment and the resource base on which it depends. They
argued that the tourism environment comprises of socioeconomic and cultural phenomena as well as a biophysical element, which represents both a resource and an opportunity for tourism as well as a potential limitation on the manner of its development. Tourism can be a very volatile industry, sensitive to change in perception and taste and to altered economic or political circumstances (Long, 1993). Economy fluctuations will have either a positive or an adverse effect in this industry (Tarlow, 2008). In the business context, the professional component of tourism is constrained to keep abreast of change, be aware of, and respond to changes in all areas like technology and many factors, which helps to shape the tourism market. Many empirical studies have been done in response to tourists’ and tourism’s changing socioeconomic circumstances, political and cultural changes.

This industry is a highly sensitive and vulnerable activity and it is not without reason that tourists can be scared off by any number of real or perceived threats to safety, health and financial well being. Changes impinging upon the nature and scale of tourism in the modern world may be categorized as socioeconomic, technological and environmental. Each of these elements may lead to fluctuations in the patterns and characteristics of world tourism (Butler and Pearce, 1995). Though some factors that influence tourism have been highlighted above, this study will specifically address the impact of socioeconomic factors on tourism.

World Tourism Organization (2009) asserts that international tourism started slowing down since June 2008. The organization expected that number of visitors across border will either remain dormant or decrease by 2 percent.

2.10.1 Socioeconomic Fluctuation (Economic Downturn)

Tourism is part of the leisure sector that is rapidly gaining economic importance. The volume of tourist flows at a worldwide level is showing a continued growth path, mainly as a result of increasing incomes and improvement of transport systems. People are travelling more frequently and over longer distances for leisure purposes. Our worlds are becoming a global tourist village whereby remote destinations are easily reached and the modern telecommunications sector provides direct
information access to those destinations (Giaoutzi and Nijkamp, 2006). Nevertheless, the recent global recession might have an impact on tourism.

Wahab and Pilgram (1997) argued that due to the global recession of 1990 worldwide tourist trends experienced a severe decline as a result of massive unemployment and shortage of income. Economic recovery was slow and inconsistent which led to a cautious response in tourist activity (World Tourism Organization, 1995). Following the economic recession several countries focused on restructuring national economies and rehabilitating tourism strategies to boost economic activity and employment in this sector. Additionally, Butler (1995) emphasised that some of the economic restructuring was to reduce public expenditure and to encourage private sector investment in tourism projects as separate or joint ventures; constructions of big hotels and casinos in several countries are good examples.

Societal changes do not experience the same recurring habitual characteristics like those of an economic nature. Rather, they are evolutionary, cumulative, and somehow unnoticeable. Ageing of western populations has been accompanied by the measure of wealth, increased and the desire to remain active, among older age groups. It is not strange anymore to find elderly people undertaking exhausting and expensive tours, uninhibited by the misperceptions, and taboos of a time past. Moreover, young generations are becoming a growing segment of the tourism market, they are stimulated by a range of motives which are underpinned by free time, energy, and the spirit of adventure, and perhaps restrained expectations. Changes in attitudes to marriage and family and gender, are additional forces helping to fashion the tourism of the past and today. Though, the socioeconomic fluctuations can create difficulties for the tourism sector, those same societal changes and economic adjustments can lead to more perceptive tourism consumers.

From the above empirical studies the researcher observed that there is large correlation between economic development and tourism growth. A stable economy necessitates having to strong purchasing power from the citizens. It is from this angle that the researcher decided to analyse some of the empirical studies on the general impacts of the financial crisis to see its overall effect in economy.
2.11 Review of the Impacts of the Financial Crisis in General

The global financial and economic situation is evolving rapidly (Purnell, 2008) and many studies have been written to analyse its impacts. However the arguments remain as to which part of the world is mostly affected. World Bank News (2009) asserts that about 53 millions of poor people in the developing countries are mostly affected by the crisis and if no measures are taken to stabilise the situation, the consequences will be worse than they are already. Supporting the argument the ILO director general asserts that the crisis might hit several important sectors of economy worldwide such as automotive, tourism, construction, finance real estate and services; he also noted that if this crisis is not confronted quickly it could cause a more negative impact on society (ILO news, 2008).

This calamity has implications in all areas of society such as economically, socially and politically. Recession has been associated with unemployment, business failures, mortgage arrears and repossessions, rise of inflation rate, protectionism, budget deficit, decline in consumer spending and decline of financial markets (share plummets). The areas highlighted above will be critically analysed in depth below.

2.11.1 Unemployment

Somavia (2008) stated that it is estimated that due to the financial crisis unemployment could rise worldwide. Moreover the author emphasises that unemployment has risen from one hundred and ninety (190) million in 2007 to two hundred and ten (210) million in late 2009. Specifically Hall and Jamieson (2008) argued that there will be a sharp rise in unemployment especially in investment banking whereby HBOS (Halifax Bank of Scotland) which was taken over by Lloyds axed forty thousands(40,000) jobs however this is not the only the sector that has been affected as Virgin Atlantic also announced that it would to cut six hundred (600) jobs. Metro (2008) pointed out that Construction Industries across UK will be affected by the financial crisis in which at least 300,000 jobs could be lost in the next years. Moreover in France more than a million workers have been protesting demanding action to be taken by their president in order to protect their jobs whereby
more than ten percent of people will lose their jobs in different sectors as a result of deepening economic recession (Metro, 2009).

Therefore from the above scenarios unemployment is the major issue that majority of people are more worried about, since people are losing their income it is likely that they will be conscious of how they are spending. Due to these reasons tourism activities will definitely be affected.

2.11.2 Business Failure

Many companies across the globe have been reporting sharp a decline in their sales in the years 2008 and 2009 in contrast to the previous years. There are different perceptions which agree or disagree that business failure could have been caused by the financial crisis. Peterson (2009) stated the argument made by Henry Mintzberg in his article of “The Financial Crisis as A Failure of Management” that most of the business failures or the crises are caused by the management itself. For example, the performance of the GM Motors Company has delayed, to reaching their expectations and management were considered to be a part of this problem. In contrast to this argument Liou and Yang (2008) stated that business failure is a result of the auditing team failing to detect and prevent financial frauds, a good example is the unexpected financial crisis brought by Enron, world com and other corporate distresses involving accounting irregularities. A study by Berk and DeMarzo (2007, Perks (2007), Atril and McLaney (2008) asserted that business failure is a result of cash flow problems whereby the business depends on its cash flow for its growth. However cash flow problems such as late payment of debtors and vice versa as well as too much spending leads to business failure.

It has been seen that many companies across the world closed their business, for example in UK some of the post offices has been shut down due to poor performance as a result of increasing business competition and going deeper into recession has decreased the company turnover. This has been evidenced by Hope (2008) who reported that the government is intending to shed 2500 post offices branches out of its 14,000-strong network as it incurs a loss of £4 million a week.


2.11.3 Mortgage arrears and Repossessions

Turner (2008) argued that the economic boom of 1998 to 2007 reflecting the rise of homeownership and a record debt level enabled many people to buy property and fewer to rent. The author asserts that in UK mortgages raised from 58,500 in 1998 to more than a million in 2007.

However, Long (2009) pointed out that due to the global recession the number of households in UK dealing with mortgages arrears and repossessions are increasing due to the fact that mortgagors are spending more than fifty percent of their after tax income to pay their mortgages. Other factors outlined by the author are the increasing pressure on the mortgagors’ disposable income, loss of capability to re-mortgage or spread of credit card debt.

Additionally, Turner (2008) analysed the situation of mortgages in US in which the number of families living in their own house increased to 69.9 percent in 1999. Despite of this, the increase in homeownership started to fall in 2005 and then fell sharply in 2007 due to deregulation in the banking system in which people were given mortgages without the financial qualifications as a result most defaulted.

2.12 Conclusion

From the above literature review the researcher explored many criticisms from theoretical frameworks and empirical studies in relation to the impact of tourism on economic development as well as the current impact of the financial crisis in general. The researcher learned that for the tourism industry to boom economically and socially there should be a strong base of financial support from stakeholders. For that case in this time of financial crisis the researcher noticed that the financial bases such as Governments, financial institutions, businesses and tourists are deteriorating, hence reducing the economical gain made by this industry. The researcher believe that even though the global financial crisis hit the tourism industry Tanzania in particular, it is a problem which people can perceive easily as it touches every aspect of the economic sectors. However there are underlying factors apart from economic slump, which are also contributing significantly. This argument is supported by
Nijkamp and Verdonkschot (1995) who declared that the problems, which hinder the attainment of sustainable tourism development are the lack of experience, knowledge and financial resources and the limited involvement of local authorities. Generally, the current global financial crisis impact on the tourism industry has not yet been investigated in depth, therefore Tanzania in particular there is limited information available. In order to fill this gap this study needs data that can be analysed so as to draw conclusions in relation to the study’s objectives and research questions. The next chapter is the methodology whereby the researcher will highlight the instruments and methods used to gather relevant data and explain the importance and relevance of the criteria and methods used. The methodology will also outline how the analysis will be carried out and show the relevance and limitation of the data collected and methods used.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
This is a methodology chapter whereby the researcher intends to highlight, discuss and evaluate the methods used in data collection for this study. The researcher selected methods suitable for the study and also those which suited the time available to accomplish this study.

This study is concerned about the impact of global financial crisis on the tourism industry a case study of Tanzania.

3.2 Qualitative Vs Quantitative
Ghauri and Grönhaug (2002) argued that a qualitative method of data collection is more subjective in understanding matters while quantitative approach is objective. Additionally, the authors emphasise that a quantitative approach is mostly used to gather data in a large sample while qualitative can be used in a small sample whereby an in-depth of study can be obtained through interview, observation, focus group and other instruments.

On the other hand some of the researchers argued that both quantitative and qualitative can be used in the data collection because it increases the value and justification of the research. According to Cooper and Schindler (2008) suggested that qualitative will enable the researcher to gather data which focus on participants’ attitudes and perceptions whilst quantitative data collection can be used to measure its frequencies.

3.3 Source of data
The researcher used both primary and secondary sources of data to enable useful information for this study to be obtained.
3.3.1 Secondary Source of Data

For secondary data the researcher aimed at finding out other studies related to the topic area such as journals, books, newspapers and any other document which will allow the researcher to gather relevant data for this study. Stewart and Kamis (1993) argued that using secondary sources of data has an advantages for example it is less expensive compared to primary sources of data. Additionally, the authors emphasise that it helps the researcher to make a comparative analysis between the new data and the previous data whereby differences can be examined.

3.3.2 Primary source of Data

Primary source data were collected by questionnaires mailed to other stakeholders such as foreign and local tourists and telephone interviews were conducted with some of the authorities in the tourist industry in Tanzania (Denscombe, 2003). Secondary sources of data are similar to primary sources of data whereby they display positive effects. For example, postal questionnaires, which the researcher used, are less expensive and allow the researcher can to gather opinions and views from participants easily however there is no control over the respondents and there are concerns about the accuracy of data (Saunders et al., 2007). Due to the time factor the researcher used the postal questionnaires then followed this with telephone interview so as to speed up the data collection process as well as gathering data that were not presented in the postal questionnaires.

3.4 Population

The population for this study consists of organizations that have direct links with the tourist industry in Tanzania and their stakeholders. The inclusion of participants in the study focused on the researcher’s conception of their ability to provide necessary and quality information. The tourism industry in Tanzania involves wildlife national parks, Game Reserves, mountain climbing, Museums and Historical sites, Marine Parks, Beaches, Rift valley and many other attractive areas. However due to time
constraints the researcher will concentrate on the following populations to collect data (see table 1).

Table 3.1: Population of the study.

<table>
<thead>
<tr>
<th>NO</th>
<th>INSTITUTION</th>
<th>CATEGORY OF POPULATION</th>
<th>TOTAL NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ministry of tourism in Tanzania.</td>
<td>Officers</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Tanzania National Park</td>
<td>Management and officers</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>Museums and Historical sites</td>
<td>Manager and Officers</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Tanzania Bureau of Statistics</td>
<td>Records and archives officers</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Central Bank of Tanzania</td>
<td>Tourism department</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Other stakeholders</td>
<td>General (Foreign and Local Tourists)</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>52</strong></td>
</tr>
</tbody>
</table>

From the above population the researcher explained what information it was intended to obtain to address the research objectives.

3.4.1 Ministry of Natural Resources and Tourism (MNRT) in Tanzania

The research interviewed some staff. The aim was to gather all data in relation to tourism such as the impact of the tourism sector on the Tanzania economy, any information in relation to financial assistance to the tourism industry, the extent to which the financial crisis affects tourism in his/her perception and which areas are most affected, as well as strategies being used to resolve the problem.

3.4.2 Tanzania National Park (TANAPA)

This is the organisation that manages all the Wildlife Parks in Tanzania. The researcher interviewed a manager and other staff. The reason for this category was that these participants have knowledge and experience specifically in the area of National parks. They were able to give information such as tourism trend before and after the financial crisis, any financial assistance in their areas as well as how it has been distributed, and any financial risk measures in place.
3.4.3 Museums and Historical Sites

Two museums and historical were involved which are Dar es Salaam National Museums and Bagamoyo which is located in the Pwani region. The researcher interviewed a manager and other officers from each park. These participants are the core for this sector as well as knowledge and experience. They were able to give information such as tourism trends before and after the financial crisis, any financial assistance they have received in their areas, and any financial risk measures in place.

3.4.4 Tanzania National Bureau of Statistics (NBS)

This is an organisation in Tanzania that keeps records and provides all information regarding economic indicators, key statistics, lists publications and data base availability. The researcher decided to interview a records management officers in this organisation to obtain data on tourism trends before (2007/2008) and during the financial crisis (2008/2009).

3.4.5 Central Bank of Tanzania (BOT)

The researcher interviewed the head of the tourism department in order to gather data on the issue relating to economic development and tourism. The researcher examined the extent to which the tourism sector has been affected in the current financial crisis and any safeguard measures that have been taken to resolve the situation.

3.4.6 Other Stakeholders (International and Local Tourists)

The researcher used a random sampling technique to distribute questionnaires to 30 international and local tourists. These were based on the eligible age to travel alone for tourism activities. Some of the population were targeted randomly in national parks areas and others were taken locally. The aim was to find out number of visiting they have made before (2007/2008) and during the global financial crisis (2008/2009). Through these questionnaires the researcher was able to determine the extent of the impact of the financial crisis in tourism by looking at the increase or
decrease in their visiting numbers. Additionally, information on tourists’ perception with regards to the financial crisis in tourism was collected.

3.5 Sample size and Selection

The researcher used judgemental sampling that calls for a special effort to locate and gain access to the individuals who have the requisite information (Sekaran, 2003). It is the only viable sampling method for obtaining the type of information that is required from very specific pockets of people who alone posses the needed facts and can give the information. In this case 22 leaders from selected institution who are very knowledgeable are included in the sample. They included officials from the tourism ministry in Tanzania, museums and historical sites camps, Tanzania National Parks Authority (TANAPA), Central bank of Tanzania (BOT) and Tanzania Bureau of Statistics (NBS). Furthermore, Quota sampling was also used which includes establishment of certain categories that are considered to be crucial for inclusion in the sample (Denscombe, 2003).

3.6 The data Collection instrument and design

The research instruments of data collection were consists of interview guide, interview schedule, mailed questionnaire (Krishnaswami et al, 2006). A series of semi-structured interview was conducted to each selected sample. Open-ended questions were selected in this case as they allow respondents to express their views and ideas about the topic in place and do not confine them to a certain range of answers (Saunders et al., 2007).

3.7 Data Analysis

Raw data obtained from field was collected, edited, transcribe, and then coded ready for analysis. Data collected was analysed based on qualitative methods. The results were interpreted, drawing conclusions and answering the research question. These enabled the researcher to present frequencies, total scores and percentages. Spreadsheets were also used in order to come up with the appropriate charts, graphs and pie charts (Naoum, 1998; Cooper and Schindler, 2008).
3.8 Limitations of the Methodology

This research might be more effective if the research would have enough time to investigate more in depth. Hence time was one of the limiting factors; however the researcher tried to overcome this problem by utilizing effectively the time given so as to fulfil the objectives of the study.

The bias of the researcher is also one of the limitations because the researcher intends to gather certain information therefore it is likely that the researcher designed the interview questions focusing on the objectives of this study and from his own perception of the situation. This directed the interviewee towards the interviewer’s expectations. However in order to allow effective participation the researcher incorporated more open ended questions.

Additionally, costs are also a limitation factor whereby the researcher was required to contact participants from different locations whereby the tourism industries such as national parks and museums and historical sites are located in Tanzania in order to interview them.
CHAPTER FOUR

PRESENTATION ON FINDINGS

4.1 Introduction

In the previous chapter the researcher explained the methods and instruments used to collect data. Telephone interviews and mailed questionnaires were conducted whereby the researcher was successful in obtaining relevant information. In this chapter the researcher seeks to present and analyse research findings.

This study is aimed at investigating the impacts of global financial crisis on the tourism industry a case study of Tanzania. Discussion of the findings will focus on responses gathered through telephone interview and questionnaires to key personnel from three National museums and historical sites, Tanzania National Park Authority (TANAPA), Central Bank of Tanzania (BOT), Ministry of Natural Resources and tourism (MNRT) in Tanzania and National Bureau of Statistics (NBS). However other stakeholders such as foreign and local tourists’ responses were gathered randomly through questionnaires provided.

4.2 Findings

4.2.1 Interviews

4.2.2 The degree of the respondents

The study was conducted in Tanzania. To achieve the objectives of the study the tourists and workers in the tourism industry were considered. The researched intended to have 52 respondents. Sixty two percent (62%) of the respondents were males while females comprised of thirty eight percent (38%). Most of the workers in the tourism industry in Tanzania who were given questionnaires or interviewed were of the age of 35 and above because this is the actual working age in Tanzania to have a leading role, which is due to knowledge and experience. More of the employees in the tourism Industry are males than females. This is due to the nature of the work and
the allocation of tourism activities, which is far from their respective homes. The Tanzanian culture evidenced that it is easier for males to work far from their family than females who are more responsible for taking care of the family. In Hofstede’s (1980) analysis of East Africa’s Cultural dimension Tanzania’s ranking showed the score for power distance as 64, uncertainty avoidance as 52, and Masculinity as 41 and for Individualism as 27. Therefore males in Tanzania are shown as being more favoured even in employment opportunities than females which might be the case in tourism industry.

**Table 4.1: The summary of responses**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Sample size</th>
<th>Respondents</th>
<th>Non responses</th>
<th>Response rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>30</td>
<td>25</td>
<td>5</td>
<td>62</td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
<td>15</td>
<td>7</td>
<td>38</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>40</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** Research findings (2013)

**4.2.3 Duration of work**

Thirty eight percent (38%) of the respondents have worked in their organisations between two and five years whilst sixty two percent (62%) have worked for more than five years. The reason for this might be the Tanzanian environment and the nature of the work whereby for an employee to be in a leading role they should be working in their organisation longer. This shows that knowledge and experience matters where being able to understand the managerial role, tourism in general and being trusted is concerned. Due to the nature of tourism activities long working duration of employees is very important hence that enabled the researcher to gather information relevant to the study.

Telephone interviews and questionnaire were used; however the initial aim as stated in the methodology chapter was to conduct fifty two interviews but this was not fulfilled due to barrier of entry as indicated on the table 3.1. The samples selected were the main organizations and stakeholders that deal direct with tourism activities. Participants scheduled for interview were called through phones and sent interview
guidance before the interview as required to enable them to have prior information about what was required by the researcher.

Most respondents agreed that tourism is of great importance to the economic development in Tanzania and most of them declared that the financial crisis had an adverse effect on the tourism industry and tourists as well. The aim of this question was to investigate the impact of global financial crisis on tourism activities in Tanzania as evidenced in the literature search section 2.10 and 2.11.

However, results from the study reveal that there are some sectors in the tourism industry that have been more affected by the financial crisis than others.

4.2.3 Questionnaires

Thirty two (32) questionnaires were distributed but only twenty (22) were responded to of which seventy seven percent (69%).

The responses from the questionnaires enabled the researcher to supplement answers provided during the interviews which showed that there are more international tourists visitors compared to domestic tourists, which gave feedback on the impacts of tourism on the Tanzanian economy and helped to evaluate the increase or decrease of tourism trends at this time of the global financial crisis.

4.3 Total Response Rate

4.3.1 Interview Questions and Questionnaires

Out of twenty respondents that were scheduled for telephone interview only eighteen responded whereby twenty six questions were asked. Additionally the sample of thirty two was supplied with questionnaires that consist of fifteen questions whereby a total number of twenty two responded.
Table 4.2: Response Rate

<table>
<thead>
<tr>
<th>Expected Interview</th>
<th>Conducted Interview</th>
<th>Barrier of Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 interview</td>
<td>18 interview</td>
<td>2 interview</td>
</tr>
<tr>
<td>Questionnaire sent</td>
<td>Questionnaire Answered</td>
<td>10 Non Response</td>
</tr>
<tr>
<td>32 Questionnaires</td>
<td>22 Responded</td>
<td></td>
</tr>
</tbody>
</table>

The researcher encountered difficulties with some of the organizations when collecting primary data over the telephone; this was due to the fact that some officials were busy and sometimes out of the working place. Additionally telephoning Government officials in Tanzania is complicated, as calls have to be passed through the secretary who might not pass the information to the responsible officials.

Questionnaires were distributed randomly in tourist sites. Some of the selected samples did not take it seriously as most of them seemed to be busy and others were not willing to cooperate.

4.4 Tourism in Tanzania

4.4.1 Background

Tanzania is one among several African countries that offer unique destinations that have yet to be known by many. It consists of many wonders having an incomparable diversity of fauna and flora that are difficult to be found in other parts of the world. The country lies on the East coast of Africa, just south of the equator. The country shares borders with Kenya, Uganda, the Republic of Congo, Malawi, Rwanda, Burundi, Zambia, Mozambique and the Indian Ocean. It covers 945,234 square kilometres whereby 942832 square kilometre form the Tanzanian mainland and 2400 square kilometres cover Tanzanian Islands (Zanzibar- Unguja and Pemba) as indicated in appendix E. Tanzania is thought to be the only country that has set aside twenty five percent (25%) of its land for wildlife and national parks. Tanzania’s Wildlife Resources are considered among the finest in the world and have been widely known for many years. The country is endowed with fourteen (14) National Parks like Serengeti, Ngorongoro Crater, Lake Manyara, Mikumi, and Ruaha National Parks. Thirty one (31) Game reserves, fifty (50) Game controlled areas,
conservation area, two (2) Marine Parks and the highest mountain in Africa (Kilimanjaro). Moreover natural attractions include the sandy beaches north and south of Dar es Salaam, the Spice Island of Zanzibar and excellent deep-sea fishing at Mafia and Pemba Islands. Among the Indian Ocean Islands are the remains of ancient settlements. Olduvai Gorge in the interior rift Valley is the site of discoveries of the trace of earliest man. To the tourists, Tanzania also offers interesting Culture and Arts notably the Maasai culture, Makonde art sculptures and carvings (Ministry of Natural Resources and Tourism, 2009).

4.5 Contribution of Tourism to the Economy in Tanzania

Discussion from the literature search section 2.8 revealed the importance of tourism in economic development. Among the poorest countries whereby many people are living below the international poverty line, tourism plays a major role in the economic development. Supporting the argument Yunis (2004) Chief of Sustainable Development for World Trade Organization (WTO) argued that tourism plays a big role in economies of the poorer countries that includes Tanzania. He declared that tourism could eliminate poverty in these countries as the sector contributes to economic development. Findings from the study showed that hundred percent (100%) of respondents disclosed that tourism is a very important economic sector which contributes to employment creation directly and indirectly through multiplier effect, foreign exchange earnings, poverty alleviation and Growth of Domestic Products. The Ministry of Natural Resources and Tourism report disclosed that it was expected that tourism would create about 1,734,000 jobs in the year 2009 and it might increase up to 2,193,000 jobs at year 2010. Additionally, the senior officers for the Tanzania National Park Authority (TANAPA) disclosed that more than 200,000 people have permanent jobs at the wildlife parks whilst more than 176,000 people are temporary workers. The managers from Kilimanjaro National Park Authority (KINAPA) reveal that there are about 3452 people employed as mountain climbing operators. Supporting the finding, World Trade Organization (WTO) asserts that worldwide tourism employs two hundreds million people (200) and generates US$3.6 Trillion in economic activity.
Foreign exchange earnings are another area that tourism contributes to the Tanzanian economy. Findings from the study reveal that Tanzania being a poor country needs foreign exchange earnings for economic development and provision of social services such as hospitals, schools and infrastructure. As revealed by the Central Bank of Tanzania (BOT) the industry contributed foreign exchange earnings as indicated in the table 4.3 and figure 3 below:

**Table 4.3: Foreign Exchange Earnings**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Earnings (US$ MILL)</td>
<td>731</td>
<td>950</td>
<td>1037</td>
<td>933</td>
<td>746</td>
<td>823</td>
</tr>
</tbody>
</table>

**Source:** Central Bank of Tanzania and National Bureau of Statistics (Research Findings)

**Figure 4.1: Foreign Exchange Earnings**

From the empirical data, some respondents argued that through the tourism contribution poverty could be alleviated; however many argue that since tourism is usually driven by the private sector and foreigners’ interests therefore it is not focused on poverty reduction. Tourism can cause displacement, loss of access to resources and social and cultural destruction as evidenced in the literature search.
section 2.7.2 and section 2.2 in the theoretical framework. However, this argument is contradicting the study by (Kahegu, 2005) that tourism is relevant to remote areas, supporting other economic activities and providing employment opportunities to indigenous population. Seventy percent (70%) of respondents argued that tourism alone, as an economic sector cannot alleviate poverty, rather a strong coordinated economic strategy to boost other sectors of the economy to support tourism might be more effective.

From the empirical data, respondents from the Central Bank of Tanzania (BOT) and National Bureau of Statistics (NBS) stated that tourism contributed 17.2 percent of the total Gross Domestic Product (GDP) in 2007 as opposed to 16.3 percent year 2008, which might suggest that the financial crisis has impacted on both the tourism sector and the economy. However, in 2009, tourist receipts declined by 10.0 percent which led to downfall of GDP to 7.4 and has bounced back to 7.0 in 2010.

4.6 Contribution of Financial Institutions and Donors on the Tourism in Tanzania

Donors supplemented the Tanzania budget deficit as one of the poorest countries in the world. Budget support in Tanzania has proven to be an effective instrument that boosts Tanzanian economy as discussed in section 2.9 of the literature search. Respondents from the Central Bank of Tanzania (BOT) mentioned that fourteen (14) donors contributed a total of US$ 750 million to the Tanzanian National budget financial year 2008/2009. Nevertheless it was not revealed how much was allocated to each economic sector tourism included.

From the findings all respondents revealed that they have received financial assistance from different sources. The main donors to the Tanzania Tourism industry are the European Union and France. However Financial Institutions such as the World Bank, IMF and others are in one way or another providing assistance to the organisations.

Respondents from the national museums and historical sites tour operators, Wildlife parks and Tanzania National Park Authority disclosed that they receive their annual
budget from the Ministry of Natural Resources and Tourism however it was not indicated how much does the Ministry receives from donors. This is due to the fact that all information in regards to financial assistance is kept as confidential by the Ministry of Natural Resources and Tourism. The researcher found out from the head of the tourism department of the Central Bank of Tanzania (BOT) that donors and financial institutions contribute forty percent (40%) of tourism budget though the total annual budget was not disclosed. The minister of the Ministry of Natural Resources and Tourism raised an alert that financial turmoil is a global calamity therefore donors might not support Tanzania as they used to. In conclusion he argued that too much dependence on them should raise concerns to the Government.
CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.1 Introduction

This findings presented in this chapter has managed to answer the questions presented in section 1.4 and thus meeting the research objectives of the study. Thus, in this section, the findings are discussed in details in relation to the literature review in chapter two. This discussion is based on similarities and contradictions between the elements of the literature review and their respective findings in the case study.

The general objective of this study was to investigate the impacts of global financial crisis on the tourism industry in Tanzania.

5.2 The Impact of the Global Financial Crisis on the Tourism Industry in Tanzania

The Tanzania is characterized by agriculture and service sectors as the backbone of economic growth. Tourism, agriculture and mining are regarded as the pillar of the Tanzanian economy, as argued by Nord (2009) head of the IMF mission to East Africa. The recent financial downturn has not spared Tanzania. Most economic sectors, with no exception of tourism, have been significantly threatened, according to the Central Bank of Tanzania (BOT). In this section, an analysis of the impact of global financial crisis on the tourism industry in Tanzania is carried out in five (5) main parts that are comprised of tourists’ inflows, employment, business scenario, foreign currency earnings and poverty alleviation. These impacts can be in both direct and indirect ways.

5.2.1 Tourists’ Inflows

The economic development of any country depends on several economic sectors. Tourism is the main economic contributor after agriculture as evidenced in section 2.8 of the literature search.
Findings from the study reveal that the tourist inflow into Tanzania for the year 2005 to the year 2007 steadily increased from year to year however the study also reveals that there was a decrease of tourists arrivals in 2008 of ten percent (10%) compared to the previous year as indicated in table 5.1 and figure 5.1. When respondents were asked why the tourist inflow had decreased in 2008 and 2009, most revealed that the global financial crisis had intervened in the finances of most people and the government as a whole.

Table 5.1: International Tourists Inflows in Tanzania, 2005 - 2010

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourists Arrival</td>
<td>621,754</td>
<td>644,124</td>
<td>719,031</td>
<td>647,128</td>
<td>596,031</td>
<td>614,907</td>
</tr>
</tbody>
</table>

Figure 5.1: International Tourists Inflows in Tanzania, 2005 – 2010


Findings from the Ministry of natural resources and tourism as well as the Tanzania National Bureau of Statistics reveal that most international tourists are from America, followed by those from Europe, Asia and Africa. Additionally, the study exposed that some middle class citizens have been stakeholders in the tourism industry. Findings from the Tanzania National Park Authority (TANAPA) declared
that twenty five percent (25%) of total tourists are domestic, from teenagers and middle aged people whilst the remaining seventy five percent (75%) are international tourists as shown in figure 5 below. The report from the deputy director for the tourism department in the Central Bank of Tanzania (BOT) said the reason for the small domestic inflow is due to lack of education, extreme poverty and negative attitudes towards tourism as a whole. He said that since tourism is perceived as leisure, and most Tanzanians earn less than 1 US dollar ($) a day it is difficult to promote tourism as all the income received is used for basic needs like clothes, shelter and food. Though the domestic tourist inflow is minimal compared to international tourists it makes a significant contribution to the national economy. Supporting this finding the World Tourism Organization (2005) argued that domestic tourism could highly contribute to economic development as international tourism does. The author give a good example of China whereby domestic tourism amounted to 744 million in year 2000 which generated 317.554 billion Yuan and is equivalent to USD ($) 38.44 billion. From the reality above it can be concluded that since Tanzania citizens are living below the poverty line in this time of recession the situation will be worse than before and this will deprive them of leisure activities, especially tourism activities.

**Figure 5.2: International and Domestic Tourists**

![International and Domestic Tourists Inflow](image)

**Source:** Tanzania National Park Authority (Research findings)
Findings from the National Bureau of Statistics (NBS) indicated that tourists’ inflow especially from USA, Canada and Western Europe has dramatically decreased. The data shows that the trend for tourists’ arrivals started to decline in 2008 falling even more in early 2009 as opposed to those of 2007 as shown in table 5.1 and figure 5.1 above as well as appendix D. Moreover findings from TANAPA through interviews indicates that there is a fall of fifteen percent (15%) in tourists arrivals at fifteen wildlife parks; Serengeti being the most affected park between June 2008 and March 2009. Supporting the argument the findings from international tourists revealed in question 12 (see appendix C) that the financial crisis affected very much their life style hence they have reduced their frequency of travelling abroad for tourism activities. This being the case the revenue projection on entry fees to the parks has fallen from hundred (100) to sixty eight (68) billions T.shs.

Findings from the mountaineering tour operators and Wildlife parks’ managers revealed the trend for tourists’ arrivals decreased whereby sixty percent (60%) of tourists cancelled their bookings or postponed their travelling plans due to the financial crisis. Furthermore the respondents above stated that hotels businesses have significantly shrunk this year by sixteen percent (16%) compare to the year 2008. However this result conflicted with findings from Tanzania tour operators who revealed that the financial crisis is not the only reason for the decrease in tourists’ arrival in Tanzania. The government is blamed for not taking the initiative in marketing tourism across the borders as well as within the country compared to neighbouring countries such as Kenya and Uganda. The country is endowed with natural resources, which need to be fully explored by foreign and domestic tourists. Some of the international tourists responded that due to the financial crisis they have reduced travelling to Tanzania instead they visit natural and man- made Wildlife areas in their own country.

5.4.2 Employment

Empirical data from BOT disclosed that due to the financial turmoil unemployment is increasing in both less developed countries (LDCs) and developed countries such as Western Europe and USA as activities in automotive, tourism, finance,
manufacturing and constructions have slowed down dramatically. Additionally ILO (2009) argued that due to crisis unemployment could increase in the range of eighteen (18) to thirty (30) million by the end of 2009.

For the case of Tanzania employment is one of the perceived benefits from the tourism industry as discussed in section 2.7.1 and 2.11.1 of the literature search however; this benefit has declined due to the financial crisis as revealed by the Permanent Secretary for the Ministry of Natural Resources and Tourism. Findings from all tourism stakeholders revealed that jobs layoff is rampant in all sectors of tourism. For example, the Director from the Tanzania National Park Authority (TANAPA) stated that working hours have been reduced, temporary workers cut by thirty percent (30%) and they have stopped recruiting new staff especially graduates.

Data from BOT revealed that the inflow of Foreign Direct investment to Tanzania has decreased tremendously due to the financial crisis, as eighty percent (80%) of foreign investment is from the Organization of Economic Cooperation and Development countries which have been mostly affected by the financial crisis. One of the perceived benefits from FDI’s is employment, therefore decline in FDI inflow has automatically leaded to unemployment and the ceasing of new jobs creation as evidenced by (IMF, 2009;UNCTAD, 2009).

Findings from the Tanzania National Bureau of Statistics (NBS) revealed that the unemployment rate generally is expected to rise with future massive job shedding. The data shows that about forty eight thousand employees (48,000) from different sectors have been laid off in the years 2008/2009. Moreover the study reveals that in the tourism sector thirty (30) to forty (40) percent of employees might lose their jobs in the country.

5.4.3 Business Scenario

The tourism industry in Tanzania does not stand alone in the economic sector; but rather it interlinks with several business activities such as tour operator agencies, restaurants, hotels, pharmacies, air lines, travelling agencies and curio shops. Shortfall or any tragedy in tourism will spread to all these businesses hence having
an adverse effect. Finding from the study reveal that businesses associated with tourism are struggling and counting losses.

The Deputy Director of TANAPA argued that the impact of the current financial crisis has spread to all tourism oriented business. The respondents explained that the pharmaceutical industry has reported decreases in revenue of eighty percent (80%) this year compared to the year before. This resulted to the cutting of expenses by giving redundancy to some of their employees.

Furthermore many tourism businesses have reported business failure especially in wildlife parks and mountaineering operators as disclosed by managers of the concerned organizations. Data indicated that business has fallen by fifteen percent (15%) and it is expected to decline up to thirty percent (30%) by the middle of the year 2009. Finding from TANAPA disclosed that the big hotels that were scheduled for construction near wildlife parks sites was postponed during financial year 2008/2009 due to financial crisis as the total cost was US Dollar sixty million (US$ 60 million).

5.5.4 Foreign Exchange Earnings and Revenue Collection

Responses from the Central Bank of Tanzania (BOT) show that foreign exchange earnings have decreased in 2008 by 10.2%, compared to 2007, as indicated in table 5 and figure 3 above. From the data above it can be seen that the financial turmoil has impacted on government revenue collections such as tax, tour operation levy and wildlife earning have suffered dramatically. Supporting the above findings when interviewed the director of TANAPA disclosed that the revenue has declined by thirty two (32) billion Tanzanian Shillings and this has lead authorities to postpone some of the projects, for example, road rehabilitation and construction of big hotels as a result of recession. In this case therefore, the government has lost its potential to deal with social welfare especially poverty elimination as a result of the decrease in foreign exchange earnings and revenue collection.
5.7.5 Poverty Alleviation

Poverty is severe in most of the less developed countries Tanzania included and it has been a major concern for most governments. Many studies have been done to examine the contribution of economic sectors, tourism included in poverty alleviation as evidenced in section 2.7.1, figure 1 in literature search and section 4.5 of the research findings and analysis. The decline of tourism activities in Tanzania due to the current global financial crisis has had an adverse effect on poverty reduction, as data from BOT revealed.

5.8 Measures Taken to Hedge the Risk of the Financial Crisis to the Tourism Industry in Tanzania

The recent financial crisis is a major concern worldwide; not only business has been affected but also economic growth for many countries and Less Developed Countries are no exception. This catastrophe needs to be addressed accordingly to lower its impact to businesses and governments as a whole.

Many respondents disclose that the effect of the financial crisis that started in America and Western Europe has extended to third world countries and to its economic sectors. From the findings it was revealed that few specific measures have been taken to cope and solve the problem in tourism industries. Sectors like TANAPA revealed that cutting the number of employees and projects has reduced expenditure. However respondents from TANAPA and Wildlife revealed that the consequences will be huge work load for remaining employee hence poor performance. Additionally, postponement of projects like building of extra parks will lead to long term adverse effects especially income generation as a whole, opportunities for employment and business. For these cases above there will be a setback in tourism activities when the crisis is over.

Findings from the Tanzanian Association of Tour Operators (TATO) and Mountaineering disclosed that there are some incentives offered to tourists to attract them to increase tourism activities. For example, prices have reduced by ten to fifteen percent to entice them for more visits. Respondents were not optimistic about
this measure as neighbouring countries like Kenya and Uganda offer more attractive packages and are more aggressive in the marketing strategies for their products outside the borders.

Findings from the Director of TANAPA revealed that they have made some changes in regards to accommodations. For example recently they have been offering a discount rate for couples and families so as to reduce the impact of financial crisis. Additionally, they also offer free nights to those visitors who stay for a long time. However the respondents stated their concern on applying this measure that they could run at a loss though they are optimistic that it will attract more tourists.

The respondents from the Central Bank of Tanzania (BOT) reveal that the government has plans to bailout the economic sectors, including tourism, which have been affected by global financial crisis. They disclosed that the government has lost about US dollar two hundred and fifty five (255) million from domestic income and are expecting a deficit of US dollar four hundred and eighty eight (488) million in revenue collection by the end of 2008/2009 financial year, due to recession. Respondents continue to reveal that before the recession the economy projection was expected to increase by eight percent (8%) but due to this calamity the growth has dwindled and now will be between four and six percent. Due to the crisis many people in economy sectors, tourism included have lost their jobs, so the bailout plan will ensure that those people affected will find other jobs to sustain their lives. The bailout will also boost tourism activities by helping to subsidized tourist costs hence increasing the number of visitors to tourism sites. The Central Bank of Tanzania (BOT) did not reveal how much the total fiscal stimulus package will be and where it comes from. However, the Permanent secretary for the Ministry of Natural Resources and Tourism revealed that the government will get an additional $220 million as a stimulus package from the G20 to combat the global recession. Respondents from BOT explained that the amount, which is equivalent to one percent of the country’s GDP, will be injected into the 2009/2010 national budget to help revive the economy sectors as a whole.
Despite the measures in place above, respondents also revealed suggested measures that are not yet implemented and these seem to be the government responsibility and not a particular sector as revealed by BOT, tour operators and wildlife parks.

Some of the measures suggested were:

1. Tanzanian Government has suggested reducing visa and entrance fees to the parks to all international tourists who are coming for tourism activities. Currently tourists are charged up to US$ One hundred (100) as visa fee compared to our neighbouring countries who are charging US$ twenty five (25) in this time of recession.

2. The government depends on international tourists for foreign exchange earnings which are directly affected by the crisis as explained in section 2.8 and 2.10 of the literature search. The suggested measure is to encourage domestic tourists to visit tourism sites so as to generate income and boost economic development. The current domestic tourists are only twenty five percent of the total tourists’ inflow.

3. The respondents revealed that government is on the way to providing some incentives to the tourists especially from the Southern Africa Development Community (SADC) as well as local tourists by marketing programs through the communication media. Though this measure is costly, it is expected to have a positive impact in the long run.

4. Another measure mentioned is to reduce landing fees for international tourists at time of economic turmoil as a means of attracting tourists.

5. Most of the respondents suggested that there is a need for the Tanzanian Government together with private companies to market tourism sites worldwide especially to the emerging economies whose visiting is currently not promising. This measure will boost tourist inflows.

6. BOT suggested that the Government should work together with public and private companies to reduce taxes which hinder the growth of private sectors.

7. Respondents from the Ministry of Natural Resources and Tourism said that The Government would continue to seek financial aid from donors and urge
the existing donors to stick to their commitment so as to achieve development goals.

8. It has observed that some of the Private and Public Tourism Sector board members and Chief Executive Officers are paying themselves big bonuses, travelling abroad unnecessarily as junior staff revealed it. Some of the Mountaineering and Wildlife parks departments have been boycotting work to demand salary increases, that are unaffordable at this time of financial crisis. Measures suggested are to stop paying bonuses and to cut unnecessary trips so as to save money at this difficult time. Money saved could be allocated for important development projects.

5.9 Hedge against the financial risk

Most of the Tanzania tourists are international which forms seventy five percent (75%) of the total tourists in the country, as has been indicated in section 4.7.1 and figure 5 of the research findings. The acceptable method of transactions for international tourists is in US dollars. Therefore there is a risk of foreign currency exposure due to the fluctuations of the dollar in the recent years as a result of the financial crisis. For this reason private and public tourism sectors in Tanzania have to find ways on how to hedge against this exposure risk.

Berk and DeMarzo (2007) stated that Multinational companies are faced with the foreign currency exchange risk and this does not exclude the tourism industry in Tanzania. Since private and public sectors in the tourism industry generates millions of dollars as indicated in table 6, and figure 5 of the research findings there is a foreign exchange risk as well.

Finding from TANAPA and Mountaineering operators revealed that most of the international tourists made their bookings in advance and transactions were made in dollars. As a results of financial crisis dollar has been weakened (www2.ljworld.com) and hence exchange rate risk.
The respondents above stated that the impact happened between the duration of bookings and tourists’ arrival as there was uncertainty on the exposure and exchange rate of dollar. For this case there is a benefit for them if the dollar becomes stronger and vice versa when it is weaker. From the findings it was revealed that currently the industry does not have measures to hedge against exchange rate risk, however it has been suggested that tourists should bear the cost of dollar exchange rate fluctuations. This proved to be difficult because a matter of fact that most tourists pay for their visit in advance.
CHAPTER SIX

CONCLUSIONS, RECOMMENDATIONS AND AREAS FOR FURTHER STUDIES

6.1 Introduction

This chapter will focus on the conclusion and recommendations based on the data gathered supported by the literature review. The results obtained outline the source for the conclusion and recommendations for the impact of global financial crisis on the tourism industry in the case study of Tanzania.

6.2 Conclusion

The objective of the study was to investigate the impact of global financial crisis on the tourism industry through a case study of Tanzania. The empirical study was conducted through telephone interviews and mail questionnaires. The researcher was able to conduct eighteen telephone interviews out of the proposed fifty two interviews. Additionally out of fifty two questionnaires only forty respondents gave the feedback.

Results from the study indicate that the tourism industry contributes significantly to the economic development of the country. Among the benefits that tourism contributes are direct and indirect job creation, foreign exchange earnings, poverty reduction, government revenues, and improvement of public services such as hospitals, schools and roads.

However, from the study it was revealed that the current global financial crisis has an adverse effect on the tourism industry in Tanzania and worldwide as a whole. As observed job lay-off have been reported in many sectors of the tourism industry. For example TANAPA whereby the wildlife parks have been affected most, has stopped recruitment and reduced temporary employees by thirty percent. Furthermore museums and historical sites which is the second affected sector, revealed that some of the tour operators have closed down their businesses and foreign exchange
earnings dropped from US$1037 Million year 2007 to US$933 Million year 2010 this has impacted on the GDP which fell from 17.2% to 15.3% respectively.

Another area of concern is poverty elimination of which is a great problem in Tanzania. Tourism being the second most important contributor after agriculture, in economic development contributions means its contribution is crucial for the elimination of poverty. This adverse effect of the financial crisis on the tourism has lead to setback in poverty reduction. Tanzania poverty rate is 33.4% year 2007 and the National Strategy and objective for poverty elimination is to reduce poverty by 19% by the year 2015 (Policy Forum, 2008). The effect of global financial crisis on the tourism industry will hinder the government effort to reach this target.

Miller, R. (2000) and Berk and DeMarzo (2007) argued that exchange risk includes unexpected change in currency such as change from fixed to a floating exchange rate. However, in the short run, risk for currencies can be eliminated at agreeable cost through several hedging mechanism and prospect arrangements. For the case of the tourism in Tanzania this arrangement is not done and the reason might be cost implications associated with overall procedures and knowledge.

From the literature search and other empirical studies; the researcher concluded that although the global financial crisis was mentioned as the main factor that affected the tourism industry in Tanzania; however there are other factors that were mentioned: Tanzania is endowed with plenty of natural resources; however secondary research would suggest that the government is not putting enough efforts into promoting the tourism sector abroad resulting in a low inflow of tourists compared to neighbouring countries and underutilization of its resources, hence low foreign exchange earnings and revenue collection.

Tanzania tourism industry depends on international tourists for tourism activities. The introductions of man-made wildlife parks have proved to be a threat to tourists’ inflow to Tanzania. For example in United Kingdom there are both man-made and natural wildlife parks such as West Midland Safari Park and many others (www.informaton-britain.co.uk). The current financial crisis that leads people to
spend thrift made tourists to shift from natural wildlife to man-made parks as explained from the findings in the section 5.2.1.

Aggressive marketing to potential domestic tourists is required to encourage them to visit tourism sites within the country. Currently, domestic tourists account for 25% of the total tourists’ inflow during 2008. This strategy could help to increase domestic currency earnings.

Communication barriers are another factor. Tanzania is a country that uses Swahili as a first spoken language for all communication whilst English is the second official language. Therefore tourists from non-English speaking countries opt to visit areas where communication is not a problem hence contributing to lowering tourists’ inflow in Tanzania.

Corruption remains a major problem for many government departments in Tanzania. Transparency International (TI) ranked Tanzania as the most corrupt country in the world with a score card of 3.0 (Bureau of Economic Energy and Business Affairs, 2009). The money squandered could have been used to improve infrastructure networks within tourism sites and boost tourism.

Through the literature search and findings from the study it can be concluded that the global financial crisis is not only factor that affects tourism industry in Tanzania. However currently it has been the main topic that brought a major concern to many people all over the world as it has affected many areas of the economy, tourism included. The financial crisis comes and goes, so other factors as mentioned above should be extremely addressed by tourism sectors as a whole.

6.3 Recommendations

The economic crisis has been observed particularly in the tourism industry, the Tanzanian economy as in other developing countries is faced with threats of growth deceleration that could undermine the progress in reducing poverty as shown in section 2.7.1 and 4.5 and 5.2.5. Donors have contributed to support the tourism industry in Tanzania as indicated in section 2.9 and 4.6. Despite the economic downturn in developed and emerging countries, it is recommended that donors
should honour their aid commitments. Any reduction or cancellation of aid to Tanzania will amplify the negative impact of the crisis, which in turn will delay Tanzania economic growth targets.

There should be strategies to promote more domestic and regional tourism as indicated in section 5.2.1 and figure 4 that their inflow is not impressive. This can be done by aggressive market campaigns through the Medias. Incentive packages should be offered for a variety of services from travelling, lodging, food and entry fees. The packages such as buy one get one free, four for the price of three and many more can entice domestic tourists hence boost inflow to tourism sites.

In the southern part of the Sahara, Tanzania is the only country that provides quality tourism rather than mass tourism. Little has been known internationally about this kind of service provided by Tanzania therefore there should be market strategies to promote Tanzania tourism abroad. This process is difficult and needs money, the only way to achieve it is to start in one area after another. Firstly to those areas where cost is minimal, for example Africa then further to Europe and America. Incentive packages should also be offered, Visa fees and landing charges discount is not enough to attract international tourists, as the amount offered is little. It is recommended that total tourist package be offered as a means to attract them; this should start from booking, visa, flight, arrival, lodging and food, indoor travelling up to departure. Private and Public tourism sectors should work closely in collaboration with the airlines and any other companies that deal with tourism to make this possible.

It is important for the Tanzanian government to improve the infrastructure in order to support economic sectors to enhance competitiveness and diversification. Reliable and sustainable infrastructures need expansions and rehabilitation. For example there is the case of the Tanzania airports which are situated in the prominent areas such as the Kilimanjaro International Airport near to Arusha where most of the wildlife parks are situated, Mwanza airport that is situated near Serengeti Park. These airports are currently not good enough to accommodate big international flights. It is
recommended that Tanzania government should make improvement to its Airports a first priority as well as all infrastructures to smooth tourism activities.

The issue of hedging financial risk has to be paid attention too. As indicated in section 5.9 there is no measure yet taken. It is recommended that Private and Public sectors in the tourism industry in Tanzania to have insurance against the risk of foreign currency fluctuations so as to protect their revenue.

The Government should introduce mandatory training such as updated tourism management courses, customer services, marketing, park wilderness and many more to all tourism providers. Additionally there should be a campaign for providers to offer value for money and diversification of the market and products. This will enhance cost reduction as a measure discussed in section 5.8 at the same time providing quality services and products.

Fiscal discipline is necessary at this time of global economic crisis. Any unnecessary spending should stop, as it will undermine the income already generated resulting in to loss. Private and Public companies boards and their chief executive officers (CEO) in the tourism sectors should stop paying themselves big bonuses. Salary caps to all staff should be introduced during this time in order to reduce operation costs, the situation should be reversed when the crisis eases. Staff group travelling abroad in relation to tourism work should be look at carefully and if necessary only a minimum number should be encouraged and trips also need to be reduced as shown in section 5.8. This will help to reduce foreign currency expenditure that is in dire need for national reserves as well as buying import goods and services. In addition to the fiscal discipline the government should maintain adequate levels of foreign reserves which are partly sold in the foreign exchange markets when need to do so.

6.4 Interesting Areas of Study

Although the researcher did not intend to scrutinize the issue of bailout in regards to the financial crisis it coincidently happened to be the area of the research’s interest. Nevertheless, some of the respondents mentioned it as the measure in place to reduce the adverse effect of the current global financial crisis as revealed in section 5.8.
The researcher has observed during this study that the current recession has affected every walk of life worldwide. Tanzania has been affected not directly but indirectly as its economy does not solely depend on the property market, financial lenders and stock markets. However the current global financial turmoil that started in 2007 in USA and spread to Western Europe has brought investors’ and peoples’ spending to lose confidence in the financial markets resulting in deepened recession in September 2008. This has also affected international tourists’ activities to Tanzania. The decision made by G20 in its London meeting held in April year 2009 discussed the effect of bailouts to the economy and if it was necessary to do so, re-deregulation of the financial system and protectionism. Tanzania is waiting to see if those measures would work, if would tourism activities will bounce back.

6.5 Areas for Further Studies

The researcher focused specifically on the two sectors of tourism activities in Tanzania that are National Parks and museums and historical sites to gather information that represents the overall tourism activities. However the tourism sector is so broad whereby it comprises of museums fisheries, hotel resorts, Game reserves, beaches and wildlife parks. The researcher believes that another study could be done to involve the whole sector to obtain unbiased information hence bringing more depth to the study by filling up these gaps.

The global financial crisis comes and goes, another study could be conducted after the crisis to examine the wellbeing of the industry. Another study can be done as well to see if the suggested measures has implemented and to what extent it has helped in resolving the impacts of the global financial crisis on the tourism industry in Tanzania.

6.6 Summary

The conclusion and recommendations were provided in this chapter based on the data analysis. It is the researcher’s belief that if the tourism sector in Tanzania will put into consideration the recommendations above, it might enable the lessening of the impact of the global financial crisis on their tourism activities.
The researcher learned throughout the whole experience of carrying out this study and it is felt that if enough time would be provided the researcher could have explored more and bring a greater depth to the study. However within the time range the objective and research questions were successful attained, limitations of the study were discussed to allow for future research.
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### APPENDICES

**Appendix A.**

#### Rostow’s Theory of Industrial Development

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Stage One: Traditional Society</th>
<th>Stage Two: Preconditions for Takeoff</th>
<th>Stage Three: Takeoff</th>
<th>Stage Four: Drive to Maturity</th>
<th>Stage Five: Age of Mass Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
<td>• Largely agricultural (&gt;75%)</td>
<td>• Surplus of agr. &amp; capital expansion of trade &amp; manufacturin g</td>
<td>• rapid expansion of industry</td>
<td>• technology extends to all sectors</td>
<td>• more use of production of durable goods</td>
</tr>
<tr>
<td></td>
<td>• limited production</td>
<td></td>
<td>• surge of technology commercial and agr.</td>
<td>• labour-saving devices are made</td>
<td>• Service sector dominates (&gt;50%)</td>
</tr>
<tr>
<td>Society</td>
<td>• hierarchical social structure</td>
<td>• beginnings of a commercial class w/some urbanization</td>
<td>• increasingl y dominant entrepreneur class</td>
<td>• urbanization</td>
<td>• new middle class</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• increase in skilled and professional workers</td>
<td>• shift to the suburbs</td>
</tr>
<tr>
<td>Political Power</td>
<td>• regionally-based in the hands of landowners</td>
<td>• centralized national government</td>
<td>• powerful factions encourage modernization</td>
<td>• industrial leaders are highly influential</td>
<td>• population growth stabilizes</td>
</tr>
<tr>
<td>Values</td>
<td>• resist change, focus on old traditions</td>
<td>• rising spirit of progress and openness</td>
<td>• increase investment of capital for profit</td>
<td>• emphasis on technology</td>
<td>• social welfare</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• expectation of progress</td>
<td>• more resources for military &amp; security</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• increased acquisition of consumer goods</td>
<td></td>
</tr>
</tbody>
</table>

Source: [http://www.teacherweb.ftl.pinecrest.edu/snyderd/APHG/Unit%207/PDFs/7%20-%20Rostow.pdf](http://www.teacherweb.ftl.pinecrest.edu/snyderd/APHG/Unit%207/PDFs/7%20-%20Rostow.pdf) [Accessed 8th may 2013]
Appendix B

Interview Guide

NOTE: This interview is being conducted as part of MSc. A&F Thesis at Mzumbe University in Morogoro. Details provided will be treated as Confidential and be used solely for academic purposes.

This interview guidance will be used with the following stakeholders; Ministry of Tourism in Tanzania, Tanzania National Park, Wildlife Parks, Mountaineering and Tour Operators, National Museums and Historical sites, Tanzania Bureau of Statistics, Central Bank of Tanzania.

1. Gender
   Male ( )
   Female ( )

2. Age
   18 – 35 ( )
   36 - 45 ( )
   46 + ( )

3. Duration of Work
   Less than a year ( )
   2 - 5 years ( )
   more than 5 years ( )

4. Do you think Tourism activities are very important in Tanzania?
   Yes ( )
   No ( )

5. If yes in Q 4, In what ways

6. Who are your main tourists?
   Foreigner’s ( )
   Local (citizens) ( )
   Both ( )
7. What was the tourism trend with regards to visitors' inflow into Tanzania year 2007 - 2008

<table>
<thead>
<tr>
<th>Options</th>
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</thead>
<tbody>
<tr>
<td>A large number of visitors</td>
<td>(     )</td>
</tr>
<tr>
<td>Average number of visitors</td>
<td>(     )</td>
</tr>
<tr>
<td>Fewer number of visitors</td>
<td>(     )</td>
</tr>
</tbody>
</table>

8. From Q. 7, In your opinion, what do you think could be the reasons?

9. What is the current trend in visitors to Tanzania?

<table>
<thead>
<tr>
<th>Options</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Number</td>
<td>(     )</td>
</tr>
<tr>
<td>Decreased Number</td>
<td>(     )</td>
</tr>
<tr>
<td>Average Number</td>
<td>(     )</td>
</tr>
<tr>
<td>No visitors</td>
<td>(     )</td>
</tr>
</tbody>
</table>

10. From Q. 9, what do you think could the cause of such a trend?

<table>
<thead>
<tr>
<th>Options</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>The global financial crisis</td>
<td>(     )</td>
</tr>
<tr>
<td>Other factors</td>
<td>(     )</td>
</tr>
</tbody>
</table>

11. Have you experienced any financial difficulties in your tourism activities?

<table>
<thead>
<tr>
<th>Options</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>(     )</td>
</tr>
<tr>
<td>No</td>
<td>(     )</td>
</tr>
</tbody>
</table>

12. From Q.11, If Yes in what ways?

13. Which area of tourism, from your perspective are more affected by the financial crisis? Start from the most affected sector

14. From Q. 13, In what ways?
15. Recessions come and go and it is a problem for many sectors. Most sectors hedge for this risk. What is your organisation doing to hedge for the risk of a recession?

16. From Q.15, is it extra difficult to hedge this risk in the tourist sector in Tanzania?

17. From Q.15, what are the effects of hedging?

18. From Q.15, if not hedging, - For what reasons?

19. From your perspective did the Tanzanian economy affect the tourism industry in Tanzania in 2007/2008?
   Increased tourism - by how .......... ( )
   Decreased tourism - by how much .......... ( )
   Not affected tourism ( )

20. From your perspective did the Tanzania economy affect the tourism industry in Tanzania in 2007/2008?
   Increased tourism - by how .......... ( )
   Decreased tourism - by how much .......... ( )
   Not affected tourism ( )

80
21. Is your organization receiving any financial aid to boost tourism activities?

22. From Q.21, Who are your main donors?

23. From Q.22, In your department's total budget, what percentage is contributed by donors?

24. What is the trend of financial aid received on the tourism sector from the last three years 2007 - 2010
   Increased (   )
   Decreased (   )
   No effects (   )

25. In your perspective what do you think could be the reasons?

26. Do you have any additional comments?

Thank you very much for cooperation
Appendix C

Questionnaire

NOTE: This questionnaire is being conducted as part of an MSc A&F Thesis at Mzumbe University in Morogoro. Details provided will be treated as Confidential and be used solely for academic purposes.

This questionnaire will be used with the following stakeholders; Foreign tourists and Local tourists.

1. Gender
   Male ( )
   Female ( )

2. Age
   18 – 35 ( )
   36 – 45 ( )
   46+ ( )

3. Are you travelling as a tourist?
   Yes ( )
   No ( )

4. From Q.3, which group do you belong?
   International tourist ( outside your country) ( )
   Local tourist ( within your country ) ( )

5. If any international tourist, from which country are you travelling from?

6. How many times have you visited?
   Between 2007 and 2008 .......... ( )
   Between 2008 and 2009 .......... ( )
   Between 2009 and 2010 .......... ( )

7. If a local tourist, how many times have you visited?
   Between 2007 and 2008 .................. ( )
   Between 2008 and 2009 ............ ( )
   Between 2009 and 2010 ............ ( )
8. How many times have visited Tanzania for mountain climbing?
   Between 2007 and 2008 ................... (   )
   Between 2008 and 2009 ................. (   )
   Between 2009 and 2010 ............... (   )

9. How many times have you visited Tanzania for wildlife parks?
   Between 2007 and 2008 ................... (   )
   Between 2008 and 2009 ................. (   )
   Between 2009 and 2010 ............... (   )

10. Do you think tourism activities are very important in Tanzania?
    Yes (   )
    No (   )

11. From Q. 10, in what ways are they important?

12. To what extent has the current global financial crisis affected your general life style?
    Very much (   )
    To some degree (   )
    Not at all (   )

13. From Q. 12 , to what extent has it affected your tourist activities in Tanzania?
    Very much (   )
    To some degree (   )
    Not at all (   )

14. In your opinion are there any impacts of global financial crisis on the tourism industry?
    Yes (   )
    No (   )

15. From Q. 14 , If yes in your perspective what are the impacts?


Appendix D

Trends of International Tourist Arrivals to Tanzania

Source: Immigration Department
Appendix E

TANZANIAN MAP