

# Role of Tourism in Tanzania's Economic Development

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## Abstract

This study has focused on the role of tourism in the economic development. Although much literature exists to show the role of tourism as a sector for the economic development in Tanzania, little is known about how tourism affects the economy of the country. The objective of the study is to explore the role of tourism in the creation of employment in Tanzania's citizens and in income generation in terms of the GDP. The study used secondary data, thus through journals, documents, researches and reports from different institutions. This paper employed a panel data analysis to demonstrate the potential contribution of tourism for economic growth in Tanzania using Pearson correlation under inferential analysis. The study shows the relationship between the tourism sector and two variables thus the employment and income; in the analysis the two important ways to maximize the beneficial impact of tourism on the economy of Tanzania were therefore used: the role of tourist arrival on job creation and the role of tourist arrivals in income generation. The findings indicate that tourism has substantial impact on the economy as shown by increase in GDP, employment opportunities and income generation. Therefore the study recommends that in the in the tourism sector there is a need to be a collaboration with other sectors this is to give an opportunity to other local people who base in agriculture activities so as to improve the livelihood of the citizens and also more economic development in the country.

**Keywords:** Tourism, Economic Development, Employment, Income Generation

## Introduction

According to the world tourism organization, Tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business purposes. These people are called visitors which may be tourists or excursionists, residents or non-residents and tourism has to do with their

activities, some of which simply tourism expenditure. Tourism is one among the important sectors in the growth of the economy, especially to those countries which have the tourist's attractions. Tourism helps in the generating of the foreign currency and employment opportunities. A concise analysis of the impact of tourism for the developed countries is important to guide the policy intended to develop tourism and it argues its benefits (Dawyer and Forsyth 1993). In Tanzania tourism has become Major sector in the economy. The economic policies and the government to support tourism has been emphasized because Tanzania is blessed with the natural resources which attracts the tourists, and also because tourism is in the of foreign exchange earnings for an economy and also generates other economic benefits which include income, employment and revenues. (kweka, Adam and Oliver, 2003). The Government of Tanzania views tourism as a significant industry in terms of job creation, poverty alleviation, and foreign exchange earnings. Tourism today is receiving a greater attention than ever before from international development agencies and from national government.

Tourism sector has the important role to play in the country's economy. Tanzania's tourism industry is thriving and is rated among the fastest growing sectors in the country and it takes a lead in bringing foreign exchange. Similarly, earnings from tourism went up by 8 percent to USD 1,288.7 million. According to the World Travel and Tourism Council, tourism directly generated 719,000 jobs in 2008. Tourism being an important industry in many developing countries providing foreign exchange, employment, incomes and public revenue. It has become an important sector and it potentially constitutes one of the fastest growing sectors. It is one of the top five sources of foreign currency for 83 percent of developing countries. The contribution of tourism receipts to total revenues in these countries is within the range of 80 to 20 percent (Benavides, 2001).

According to the national tourism policy of 1999, the policy seeks to assist on efforts to promote the economy and livelihood of the people, essentially poverty alleviation through encouraging the development of sustainable and quality tourism that is culturally and socially acceptable ecological friendly, environmental sustainable and economically viable. It is also sought to market Tanzania as a favored tourist destination for touring and adventuring a country renowned for its cultural diversity and numerous beaches.

Therefore tourism is the movement of people from one place or from the country of origin to the other for the purpose of leisure or studying or business purposes. The tourists therefore are people traveling to and staying in places outside their normal environment not more than a year for leisure or business activities.

To many countries, tourism is the highest foreign exchange earner and an important provider of employment. According to the World Tourism Organization, in 2000 there were 698 million tourist arrivals worldwide that generated 478.0 US \$ billion. According to the statistics in 2000, Africa region showed average annual growth rate of 4.5% in arrivals. Statistics available also indicate that, Africa's market share in 1999 was 2.0%. Given the size of our continent, the beauty of Africa, the diversity and uniqueness of tourism attractions in Africa, there is stillroom for a bigger growth in both tourist arrivals and receipts. Tanzania is therefore determined to have its fair share in the important industry.

**Conceptual Framework and Research Purpose**

There are a number of studies that have been done concerning the role of tourism in the country’s economic development. According to Burhan and Angela (2013), they stated that the number of tourist arrivals in Tanzania is relevant with quality and satisfaction of tourist in various attraction, they believe that the trend of increasing is good for the countries development. However other study Burhan and Careen (2013) note that there is a limitation of tourist satisfaction in hotel sectors if this will not be taken seriously it is possible that the increase number of tourist arrive will decline. This study is initial view that the good trend of tourist arrival has to be protected and strategically promoted, hence implication on national income and employment.

There is a reliable data about the information on tourism, income and employment. However the tourism sectors have been performing relatively well. Taking an example of the of the tour operators and hotels industries, the companies have been performing very well in the country with the services they provide in the country. Taking the diversity of the sector and hundreds of people employed by this sector, it is obvious that the issues of foreign exchange and the country’s GDP are at the core of this sector.

The study will adopt the following conceptual frame work which will link tourism with employment and income in bringing the country’s economic development

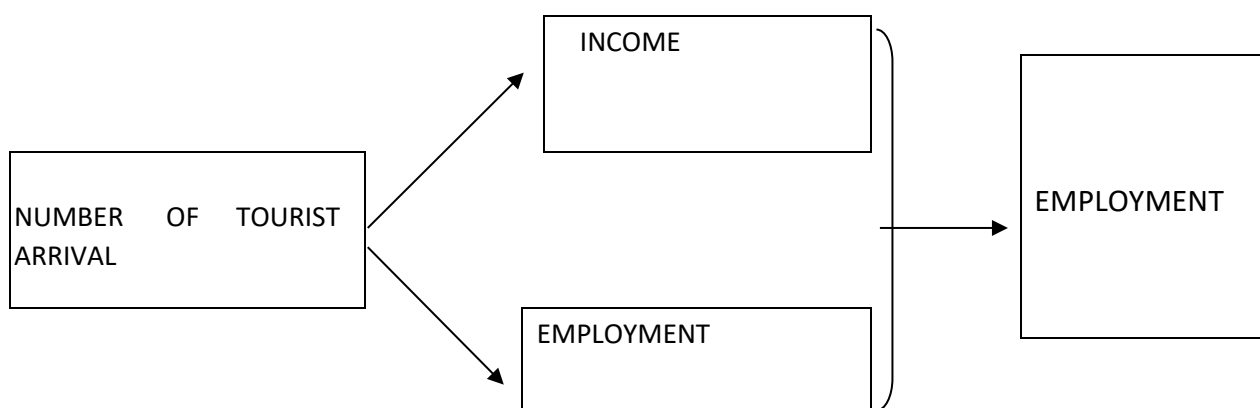


Figure 1. Conceptual Framework to Study Tourism in Economic Development

Source: Author’s Construction

Independent variable in this study will be the number of tourist arrived. The dependent variable will be the economic development and the intervening variable will be employment and income.

Studies concerning role of tourism in developing the country’s economy have been conducted in different parts of the world. In Tanzania there are a small number of researches done so far.

Moreover, some of those researches conducted, focused on how tour reduces poverty. Therefore the factors that influence the role of tourism in the economic development are not addressed in these studies.

### **The Statement of the Problem and Hypotheses**

Tourism in Tanzania has a great impact on creation of employment and the increase of income. But tourism employment is said to be dependent on the level of development of the society. The relationship between employment and tourism in Tanzania is positive but widely varying correlation between the income generation effect of tourism and the creation of employment. Since the employment is influenced by the type tourist product and the skills available locally, this will have the effect on the type of employment created. Therefore the study tend to To explain the role of tourism in relation to job creation and To explain the relationship between tourism and the generation of income

Therefore, hypotheses formed for this study will be:-

i. Hypothesis One

H<sub>0</sub> There is no significant relationship between tourist arrival and employment

H<sub>1</sub> There is a significant relationship between tourist arrivals and employment

ii. Hypothesis Two

H<sub>0</sub> There is no significant relationship between tourist arrival and income

H<sub>1</sub> There is a significant relationship between tourist arrivals and income

### **Study Methodology Research Design**

Research design is the conceptual structure within which the research is conducted. It constitutes the blue prints for the collection measurement and analysis of data. As such the designs include an outline of which the research will do from righting the hypothesis and its operational implication to final analysis of data (Yin, 2009). This study will use exploratory research design. Exploratory research design is used for explaining that has not been clearly defined. The idea of exploratory research design is about lasting onto the process and exploring it. It gives a researcher the ability to explore new experiences and innovative results, but not necessarily final solutions. It is about exploring new experiences, techniques, cultures, mediums, collaborations (Earl, 1989). Therefore, this design has been chosen due to the fact that there is a little researches concerning role of tourism in the Tanzania's economy. The study of the role of tourism sector in Tanzania economy has used the panel data. Panel data are repeated measures of one or more variables on one or more persons (repeated crosssectional time-series). Mostly they come from panel surveys; however, you can get them also from cross-sectional surveys by retrospective questions. The panel data has importance like controlling for individual heterogeneity, panel data give more informative data, more variability, less collinearity among the variables, more degrees of freedom and more efficiency, panel data are better able to identify and measure effects that are simply not detectable in pure crosssection or pure time-series data, panel data allow one to construct and test more complicated behavioral models than purely cross-section or time series data, design and data collection problems (Halady, 2004).

Therefore panel data used in this study is the number of tourists arrived in Tanzania measured in numerical form, number of employees in tourism sector is measured in numerical form and number of income is measured in GDP. All these data are between 2002-2011. It is the 10 years data which justifies panel data analysis. The table below presents the summary of the raw data of the study.

## Data set and Analysis

Table 1

Year	Tourist Arrived	Employee	Income (receipts TZS Mill).
2011	867,994	270,000	2,107,618.85
2010	782,699	262,000	1,767,967.85
2009	714,367	255,000	1,511,704.59
2008	770,376	235,200	1,520,429.10
2007	719,031	201,500	1,290,542.25
2006	644,124	200,000	1,079,137.00
2005	612,754	199,000	929,058.84
2004	582,807	198,500	812,767.89
2003	576,000	160,500	759,070.40
2002	575,000	160,200	705,618.00

Source: MIGA report and the tourism Statistical Bulletin (2011)

The above table indicates the link between the tourist arrivals in Tanzania and the employment generated and the incomes that the country earns. But this is very raw data, it cannot justify the trend of tourism in Tanzania's economy, thus there is a need to carry data analysis as explained by Merrian (1999:178) data analysis is the process of making data more meaningful. As Burhan (2013:21) data analysis is the activity of evaluating information gathered to obtain answers to research questions. In this study data analysis was conducted through Pearson correlation method in order to measure the relationship between underpinned variables thus, number of employments, incomes and labor. As noted by Siegel and castellan 1998) in order to carry Pearson correlation analysis, it is required that both variables should be on at least an ordinal scale so that the object or individual understudy may be ranked into order series. The Pearson correlation analysis is expected to show to what extent increase number of arrivals is correlated with the increase of employment based on number of job seeker and the increase of GDP based on level of development.

### Empirical Results and Discussion

This part discuss the secondary data established in the previous part by presenting a pattern of results and analysis of the results relevant to research questions of the study. Pearson Correlation under Inferential analysis is presented and discussed in this part.

#### Pearson's Correlation Coefficient

Pearson's correlation coefficient is known as a method of measuring the correlation and it is based on the method of covariance. Pearson's correlation coefficient will indicate the direction, strength and significance of the bivariate relationship among all the variables that were measured at an interval or ratio level. The number representing the Pearson correlation is referred to as a correlation coefficient. Correlations of +1 mean that there is a perfect relationship between two variables.

**Role of Tourist Arrivals on Job Creation**

Table 1.4.1

*Correlation Between Tourist Arrivals and Employment*

		Arrivals	Employment
Arrivals	Pearson Correlation	1	.893**
	Sig. (2-tailed)		.000
	N	10	10
Employment	Pearson Correlation	.893**	1
	Sig. (2-tailed)	.000	
	N	10	10

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

From the table above, there is positive relationship between tourist arrivals and employment because the value for correlation coefficient is positive. The tourist arrival variable has a 0.893 correlation with the employment variable. In other words, tourist arrivals variable has a 0.893 correlation with the employment variable.

The value of this correlation coefficient (0.893) falls under coefficient range from  $\pm 0.70$  to  $\pm 0.90$ . Therefore, the relationship between tourist arrivals and employment is high. Furthermore, the relationship between tourist arrivals and employee performance is significant. It is because the p-value 0.000 is less than alpha value 0.01. Therefore, null hypothesis (H0) is not accepted but alternative hypothesis (H1) is accepted.

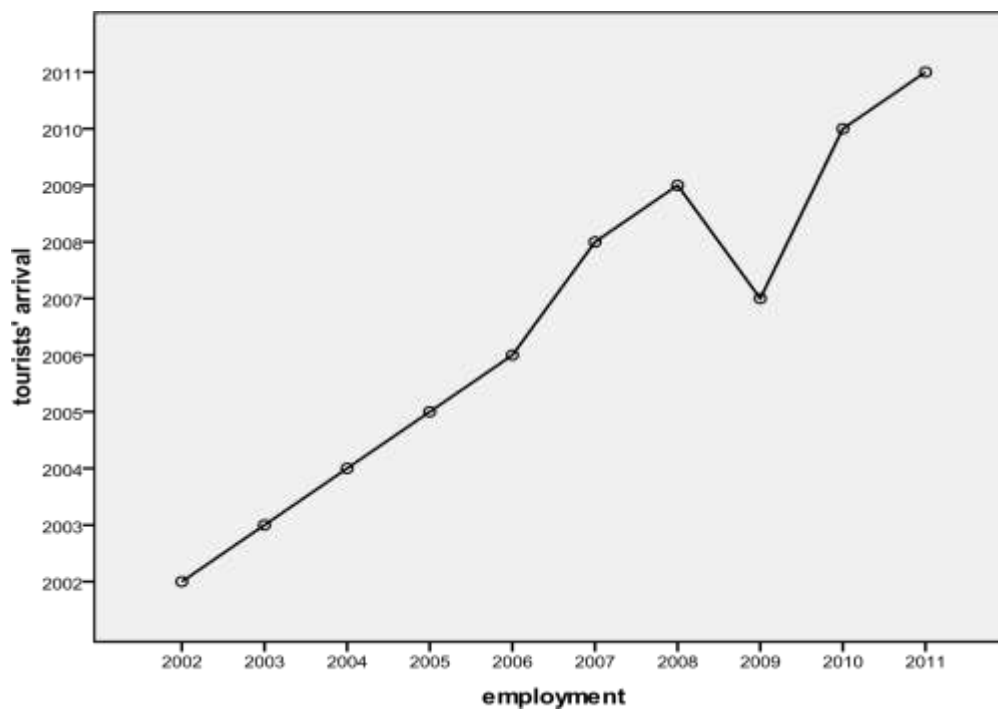


Figure 1.4.1 Relationship between Tourists Arrivals and Employment  
Source: Data generated By SPSS 1

The role of tourist arrivals on job creation is therefore seen as an important aspect to consider in economic development. As suggested by the above results, rise in the number of tourist arrival would also influence a rise the number of employment creations in the sector; which in turn affects the overall economy. These results do not seem to relate with Kweka (2001) who intended to explain the role tourism sector on employment generation. His study found that tourism has a relatively low employment impact because the employment linkage in the Tanzanian economy generally.

However, with the influx of tourists in the sector in recent years, these results do not seem to differ with the recent study of Singh, (2010) that, the employment impact of tourism goes beyond employment in sectors in which tourists directly spend their money, such as hotels, restaurants and airlines. The establishments which receive tourists also buy goods and services from other sectors that generate employment in those sectors through multiplier effect.

**Role of Tourist Arrivals On Income Generation**

Table 1.4.2

*Correlation Between Tourist Arrivals And Income*

		Arrival	Income
Arrival	Pearson Correlation	1	.987**
	Sig. (2-tailed)		.000
	N	10	10
Income	Pearson Correlation	.987**	1
	Sig. (2-tailed)	.000	
	N	10	10

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

As shown on the table above there is positive relationship between tourist arrivals and income generation. This is proved by the positive correlation coefficient between the two variables. The tourist arrival variable has a 0.987 correlation with the income variable, which also means that, tourist arrivals variable has a 0.987 correlation with the income variable. The value of this correlation coefficient (0.987) falls under coefficient range from  $\pm 0.91$  to  $\pm 1.00$ . Therefore, the relationship between tourist arrivals and employment is very strong. Furthermore, the relationship between tourist arrivals and income generation is significant. It is because the pvalue 0.000 is less than alpha value 0.01. Therefore, null hypothesis (H0) is not accepted but alternative hypothesis (H1) is accepted



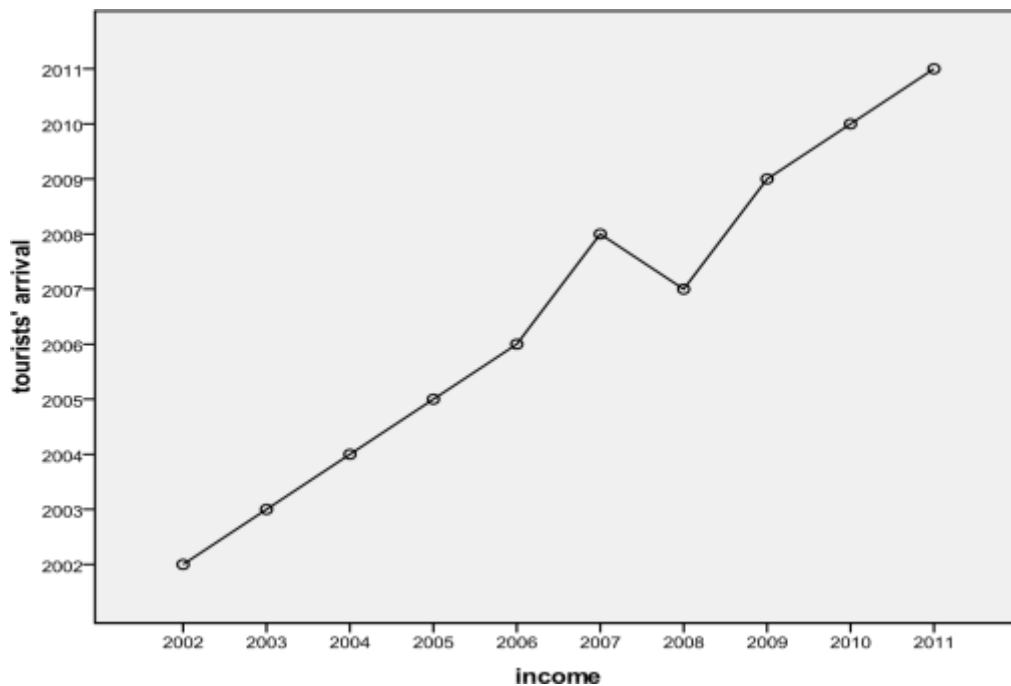


Figure 1.4.2 Relationship between Tourist Arrivals and Income Generation

As seen on the above figure, rise in tourists' arrivals have also influenced greatly to the rise of income generation from the sector. A slightly turn in 2008 however, could be explained by the global financial crisis of 2007-2009. Tourism has been one of the most important aspects for developing countries' economies, especially in income generation. As suggested by Shantimani (2010) tourism provides foreign currencies without exporting anything out of the country and it provides more stable earnings for the country than any other industry. This reflects this study's findings as tourism relationship with income increases foreign currency earnings and growth of the economy.

The income in the form of foreign exchange earnings from an invisible exports helps in offsetting the loss if any, which the country may have from a visible export. Kweka's (2001) income multipliers analysis showed that tourism is not particularly significant in terms of income generation, as such being inconsistent with this study's findings. However, as noted in renewed study of Kweka (2004), tourism expansion has substantial impact on the economy as shown by increases in real GDP, total welfare and exports. Thus, the growing number of tourists in the sector as shown by the findings also influences rise in other sources of income like tax revenue, infrastructure and employment.

### Conclusion and Recommendation Conclusion

This paper employed a panel data analysis to demonstrate the potential contribution of tourism for economic growth in Tanzania using Pearson correlation under inferential analysis. The analysis considered two important ways to maximize the beneficial impact of tourism on the economy of Tanzania: the role of tourist arrival on job creation and the role of tourist arrivals in income generation. The findings indicate that tourism has substantial impact on the economy as shown by increase in GDP, employment and income. This is the result of the Tanzania's government police and strategies introduced in the Tourism sector to increase tourism contribution in Economic Development. The first National Tourism Policy was

adopted in 1991 to provide the overall objectives and strategies necessary to ensure sustainable tourism development in the country. The sector directly accounts for about 16% of the GDP and nearly 25% of total export earnings and it is a major source of foreign exchange. A better infrastructure stimulates economic activities substantially. For instance, the increase of the number of hotels and restaurants thus the tour operators provide employment and income generation to the people and the country as well. Furthermore, improvement of GDP is shown to appreciably amplify the beneficial effects of tourism.

### **Recommendations**

The study shows that there is a positive relationship between tourism and employment creation and also there is a positive relationship between tourism and income, therefore the number of tourists arrivals in Tanzania has the impact on the economic development. It is therefore recommended that tourism needs to have a linkage with other sectors especial the agriculture sector since most of the Tanzanians depend much on the agricultural activities. Involvement of local community will enhance tourism contribution to the local economy, improve rural livelihood and alleviate poverty. Participation of the local community will give an opportunity for an expansion of SME's, employment and as well as improve the linkages between agriculture, SME's and tourism sectors.

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