

Addis Ababa University
School of Graduate Studies
Faculty of Business and Economics
Department of Public Administration and Development Management

**The Role of Private Sector in the Development of the Tourism Industry:
The Case of Privately Owned Hotels in Addis Ababa**

By:
Henok Mitiku

June 2015
Addis Ababa, Ethiopia

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A Thesis Submitted to the School of Graduate Studies, Addis Ababa University, Faculty of Business and Economics, Department of Public Administration and Development Management in Partial Fulfillment of the requirements of Masters of Arts in Public Administration

Advisor:
Ato Teferi Regassa

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Acronyms

AU.....	African Union
EPRDF	Ethiopian People’s Revolutionary Democratic Front
FDI	Foreign Direct Investment
GDP.....	Gross Domestic Product
GTP	Growth and transformation Plan
MASP.....	Multi Annual Strategic Plans
MCT	Ministry of Culture and Tourism
MDGs.....	Millennium Development Goals
MoFED	Ministry of Finance and Economic Development
PASDEP.....	Plan for Accelerated and Sustainable Development to End Poverty
PSD	Private Sector Development
SDPRP	Sustainable Development Poverty Reduction Program
UAE	United Arab Emirates
UN.....	United Nations
UNDP.....	United Nations Development Program
UNECA.....	United Nations Economic Commission for Africa
VAT	Value Added Tax
WB	World Bank

Abstract

The private sector has a key role in playing a vital part in one's country economic growth and development. The economic contribution of privately owned hotels in Addis Ababa is a theme of this paper that has been addressing to investigate the bottlenecks of the hotel industry and assessing the substantial contribution of hotels to the economy. The objective of the research is to critically examine and evaluate the impact of privately owned hotels to the country's economic development. The researcher collected both qualitative and quantitative data from primary and secondary sources, using questionnaire, interview, focus group discussion, document review and personal observation to make the study more reliable and vibrant. Findings indicate that privately owned hotels have a crucial contribution to the economy as a means of generating foreign currency, maintain country's trade balance, in income tax generation, creation of job opportunities, skill development, building image of the country and encourage or attract visitors. The sector has also shortcoming like not having competent policy makers, lack of skilled manpower, and brain drain in the industry, lack of quality products for luxury hotels in domestic market and long customs processes to import items. The researcher concludes that the privately owned hotels contribution to the country's economy is enormous and in its progressive stage. Finally, the researcher recommends that the money generated by the sector should be reinvested to the hospitality industry; highly skilled professionals should be assigned by the government to its institutions to the sector so that they can solve problems related to the sector and also be able to communicate satisfactorily in international level.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The private sector is recognized as a critical stakeholder in economic development, a provider of income, jobs, goods, and services to enhance people's lives and help them escape poverty. However there are still enormous development challenges in increasing inclusive growth, reducing poverty, and improving people's lives. The private sector has a key role to play in addressing these challenges by supporting inclusive growth, poverty reduction, job creation, and access to critical goods and basic services and by providing tax revenues. (Christian et al, 2011).

The hotel industry has a long colorful history beginning with inns, and lodges, and growing into the hospitality industry (Michael and Richard, 2001). An incredible change in the industry of tourism in the world brought many changes in the field of hotel business. This means, the expansion and development of travel has contributed a lot for the development of hotel industry. Along with expansion and development of these industries in the world, there has been increasingly expanded and developed in Ethiopia too.

The stock of hotels in Ethiopia has increased sharply over the last few years. While tourist accommodation is available as the major attraction, improvement as well as new construction is taking place. The inbound tourist arrivals in Ethiopia continued to grow from 76,844 in 1989, to 184,078 in 2004, and reaching 523,438 in 2011. The GTP's target on the number of inbound tourist arrivals by the end of 2014/15 was set at 1 million.

The returns to hotel investment are inextricably linked to tourist demand (local and foreign). Therefore, the relationship between the hotel industry and the wider tourism industry is two directional. Without tourists there can be no hotel industry and without hotels there can be no tourism industry. This symbiotic relationship is reflected on the supply side as well. Local and foreign investment in the hotel sector can be stimulated by public incentives for construction, expansion etc. (Ixigo 2013).

Ethiopia has a small number of hotels which are, generally, of poor standard. For instance, when it compared the number of international standard hotels in Ethiopia with hotels in countries like Egypt, Morocco and Kenya noticed a big difference in number. According to The Embassy of Japan in Ethiopia (2008), the hotel stock amounted to more than 140,000 in Egypt, in Morocco 80,000 and more than 65,000 in Kenya. The international hotel classification system is adopted in Ethiopia and hotels are classified into categories with stars from one to five and hotels without stars. According to Ministry of Culture and Tourism (MOCT) Tourism Statistics Bulletin of (2009), the total number of hotels in Ethiopia in the year 2009 was 426. Recent data on the number of hotels in the country was unavailable. As a result, to estimate the total number of hotels in 2012, we can take a 20% growth rates over 2009 making it 511 hotels in the country. This number includes all five stars, four stars, three stars, two stars, one star and not classified categories of hotels.

In this study assessing the contribution of hotels in Addis Ababa has never been known and recorded and there is no significant data that the contribution from the sector being identified, hence this research will have an enormous influence to identify, evaluate, measure and assess the contributions of the hotels to the economy.

1.2. Statement of the problem

Ethiopia shows great Improvement in economic conditions since 1991, along with greater political stability, improved governance, economic reforms and a more forward-looking government policy. According to World Bank (2012), Ethiopia's rank in doing business is by far better than most of developing countries in general and African countries in particular. And its rank is 111th among 187 economies. However, the country is still behind most economies in some of the basic business indicators. It has weak records in provision of bank loans ranking 150th, protecting investors 122nd, and registration of property 113th, starting new business 99th, and obtaining electricity 93rd in terms of degree of severity of the problems respectively from 187 countries.

Even though the country is in development path in different sectors, still the country suffered from having world class hotel chains in number and providing international service standards.

The country also suffered attracting more private hotel owners due to different reasons and the existed hotels do not perform well as per the international hotel standard these clearly shows that the country does not enjoy economic contribution from hospitality industry.

According to Ebisa and Andualem (2013), the shortage of accommodation in Addis Ababa and in the regions is one of the main impediments to tourism development. Since tourism destinations are spread throughout the country, infrastructure development connecting the sites, as well as hotel development, is a must. International conference tourism is on the rise in Ethiopia due to the presence of many international organizations such as the headquarters of the African Union, and the United Nations Economic Commission for Africa (UNECA) in Addis Ababa.

The capital city, being a business center and a conference venue, is host to annual conferences for UN branches, pan-African business organizations and special interest groups that have been attracting a growing number of delegates to the country each year. Conference tourism has great potential to grow and is poised to gain greater significance due to the development of several top hotels in Addis Ababa to meet the demand. The government has been taking measures to expand hotel facilities into other parts of the country and also plans to set up an office responsible for conference tourism in the near future.

Ethiopia has immense tourism potential owing to its natural, historical and cultural endowments. The reasons behind the sector's poor performance have not been studied in a comprehensive way. To develop the tourism potential and let it contribute in the effect to reduce poverty and underdevelopment in Ethiopia, finding the main determinants of tourist flows in the country is of great necessity.(Walle, 2010)

Other tourism-based countries such as UAE attract the trained/ skilled workers with better working conditions. Brain drain is a problem observed in other sectors, too. Therefore this study expected to fill the stated gaps and more specifically investigate the economic contribution from the hotel industry.

1.2.1. Research questions

This research attempted to examine the following research questions:

- I. How the privately owned hotels can significantly contribute to the economy?
- II. What should be done in order to get ideal economic growth from the sector in general?
- III. What are the problems related to the hotel industry?
- IV. What are the elements of the hotel features most guests / customers looking for when they choose to stay in a hotel?
- V. What are convenient environment to invest to the sector?
- VI. Is there any favorable policy that encourages hotel business?

1.3. Objectives:

1.3.1. General Objective

In light of the stated problems, this research has the general objective of critically examining and evaluating the contributions of privately owned hotels to the country's economic development.

1.3.2. Specific objectives

- To examine the considerable contribution to the country from the hotel sector.

- To investigate critical points that could be a stepping stone to promote the hotel industry.
- To identify challenges that hinders the hotel industry.
- To explore preferences of guests / customers so that the sector becomes more profitable.
- To assess the government role and find out any favorable policy to the sector.
- To find out the government policy that encourages the hotel business.

1.4. Significance of the study

Although different studies might be conducted to assess the impact of the private sector's economic contribution to the country, however the significance influence of the hotels sector especially analyzing from privately owned hotels has not yet been reflected and documented. Thus, this study will have some important inputs to pinpoint vital hypothesis to the subject.

This study also has dynamic influence to understand the hotels sector contribution to the economy and it may also have an impact for future researchers.

This research paper has its own share in assisting the researcher to contribute to the growth of the hotel industry and the development of tourism in Ethiopia, the paper identifies problems related to the subject matter and also provides information to concerned bodies like policy makers, tourism planners, private investors and academicians to take appropriate decisions.

This study helps existed and incoming private hotels to review and evaluate their level of service provision and their contribution to the development of tourism, more over this research expected to extend its significance to the society at large and plays a pivotal role in promoting to the development of tourism industry and hotels contribution to the general economy.

1.5. Scope of the study

Different studies have been conducted to assess the economic contribution from different sectors however, this study focuses on privately owned hotels in Addis Ababa, specifically the study emphasizes four and five star hotels located in Addis Ababa, and the study area concerned in the economic contribution through privately owned hotels and assesses the development of tourism industry in the country.

1.6. Limitations

The attempt to assess the economic contribution to the country from the hospitality industry could not be enough to reflect only analyzing the four and five star hotels in Addis Ababa, nevertheless the study showed the reflection of the status of other three stars and below privately owned hotels in the city. On the other hand the study required a determinant time and voluntary response from target group and the researcher has done his best to attain the optimum result.

1.7. Organization of the Study

The research paper has been organized and consists of four chapters; the first chapter is devoted to the introduction of the whole contents of the research paper. In the second chapter, the body of the knowledge related to the topic under study is extensively reviewed and presented under the title of literature review. The third chapter presented data description and analysis of the findings based on the methodology stated. The last chapter is devoted to the conclusions drawn from the previous chapter and contains necessary recommendations (suggestions).

CHAPTER TWO: LITERATURE REVIEW

2.1 Theoretical Literature

2.1.1. Differences between Private and Public Organizations

According to Christensen, et al. (2007), the central elements of the argument supporting the conception that public and private organizations are fundamentally different in key respects are, first of all, that public interests differ from private interests, since the public sector must consider a broader set of norms and values. Many considerations must be weighed against each other, and democratic considerations, constitutional values and public welfare are given much more weight in public organizations than in private organizations. Second, the leaders of public organizations are accountable to citizens and voters rather than to special groups. Third, public organizations require a greater emphasis on openness, transparency, equal treatment, impartiality and predictability. Opposed to this direction is a tradition within organization theory that rejects the conception of public organizations differing from private organizations in any fundamental respect, and pay some attention to this tradition.

The ambition of this type of organization theory is to construct models and develop insights that are universal and valid for all types of organizations. Differences between public and private organizations are dismissed as stereotypes. The Universalist direction advocates the need to underscore similarities and develop knowledge that is valid across organizations, in order to avoid the division between the public and the private, or between business-oriented and public-utility organizations. It stresses that variables such as size, tasks and technology can influence organizations more than their private or public status does.

Research that compares public and private organizations and examines the publicness of organizations now represents a substantial body of empirical evidence. Twenty-five years ago, a systematic empirical research base had just begun to accumulate. In one comprehensive review of writings about public and private organizations (Bozman et al,

1998), less than ten of the nearly one hundred papers and books cited provided propositions based on empirical research.

By contrast, nearly half the studies cited in a later assessment (Berry and Rainey, 1988) presented some empirical evidence. The continuation of this trend has by now resulted in scores of studies that, although widely varied in method, quality, and influence, have presented research evidence pertaining to differences between public and private organizations. A number of empirical studies have compared structural characteristics of public and private organizations. These studies have examined a variety of structural dimensions, but one of the most interesting issues has concerned formalization (the extensiveness of rules and formal procedures and their enforcement) and red tape. The issue concerns whether, in accordance with stereotypes and endless commentary on the topic, public agencies have particularly high levels of rules and red tape.

The issue is surprisingly controversial, as it turns out. Although the controversy is quiet and implicit, since some of the researchers have often worked without knowledge of the others, in many cases they were simply more inclined to try to resolve the issue than engage in controversy.

Some researchers have found little evidence that public agencies show higher levels of formalization, or related dimensions such as red tape, than do private firms.

As per Pugh, et al (1969), in what became known as the Aston studies, conducted an elaborate research project on organizations in Great Britain; the study was very prominent at the time as an effort to develop an empirical taxonomy of organizations. Pugh et al. Predicted that government organizations in their sample would show higher levels of formalization, but found that they did not. Over the years, additional studies concurred.

Buchanan (1975) also sought to test the proverbial red-tape differences by comparing federal managers to business managers on a structures alliance scale. Unexpectedly, the public managers reported lower perceived salience of structure. Bozeman and Loveless

(1987) found that public-sector research and development units differed only slightly from private-sector units on a Measure of red tape.

Rainey, et al (1995) found little difference between public and private managers in their perceptions about rule enforcement in their organizations. Kurland and Egan (1999) recently reported findings that respondents in public agencies perceived less formalization of their jobs and of communications with their supervisors than did respondents in private firms.

2.1.2. Private Sector Development / PSD/ Policy in Ethiopia

According to Jiska (2012), In line with World Bank and international community recommendations on Poverty Reduction Strategy Papers at the time, the government of Ethiopia published its first Sustainable Development and Poverty Reduction Program (SDPRP) in 2002. In the paper, the government recognizes that proactive development policies are needed to create an enabling environment for accelerated development and attainment of improvements in the standards of living of the people. The fundamental development objectives of the plan are to build a free-market economic system in the country, which will enable:

a) The economy to develop rapidly; b) The country to extricate itself from dependence on food aid; and c) Poor people to be the main beneficiaries from economic growth. In 2005, Ethiopia launched the first five-year Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) carrying forward the SDPRP strategic directions but also bringing in new elements and scaling up the efforts to achieve the Millennium Development Goals (MDGs)Core objective of the PASDEP is to accelerate economic growth, based on commercialization of agriculture and accelerating private sector development. The policy specifically mentions government support for new promising sectors, including horti- and floriculture, as well as measures to improve access to credit for the private sector. In addition, major potential growth sub-sectors are identified and high protective import tariffs have been set to protect the following local industries in selected import substitution sectors, such as Textile and Apparel industries, Meat, Leather and Leather products industries and Agro-processing Industries;

The high economic growth rates, as listed above, demonstrate that the stated reforms have been successful. Still, according to the World Bank (2007), private investment in Ethiopia is far below potential. To meet the PASDEP objectives, more is needed to creating incentives for private sector to increase labor productivity and expand investment, output levels, employment.

2.1.3. Economic Development through Private Sector

The simple truth is that economists have yet to concur on what might constitute a perfect economic development strategy. While there are many sources of disagreement, one of the more common debates centers on the role and extent of state intervention in markets. There is, however, some consensus on the importance of the investment climate in shaping the incentives of businesses to invest, create employment, and expand. On these grounds, improvements in the investment climate are seen as drivers of economic growth and key elements in poverty reduction strategies. (World Bank, 2005).

According to World Bank (2005), suggests that investment climate strategies can be built around a number of key concepts. First, the goal should be to create a better investment climate for all types of firms. Types of firms can include small, large, local, foreign, low-tech, high-tech, and so on. Second, efforts need to go beyond just reducing costs for businesses and address government policy risks and barriers to competition. Third, governments should recognize that there may be a huge gap between formal policies and implementation.

This requires tackling the deeper sources of policy failures, such as corruption, to ensure that policy interventions fit local conditions. Fourth, while there may be no perfect economic development strategy, governments should consistently address key constraints in ways that promote investor confidence. Finally, beyond the broader objective of creating a better investment climate for the benefit of all firms, specific interventions to promote private sector development should carefully identify areas for special policy treatment, be wary of tendencies for rent-seeking when privileges are granted, and be cautiously examined from a cost-efficiency perspective.

As per World Bank (2004), Improvements in the investment climate can be achieved by focusing on the appropriate policy frameworks in basic areas such as stability and security, regulation and taxation, finance and infrastructure, and labor markets. The main elements of these basic policy frameworks and prevailing principles for specific interventions for private sector promotion are:

- **Stability and Security:** Strategies to strengthen stability and security are drawn from the Relationship between the security of property rights and higher levels of economic growth. There are greater incentives to open new businesses and invest more when property rights are protected. On the other hand, firms in insecure environments require higher returns on investment to compensate for higher levels of risk. Higher levels of risk result in lower volumes of investment and correspondingly lower levels of economic growth. (Keefer P. 2004). Various measures to strengthen stability and security include, among others, verifying rights to land and other property; facilitating contract enforcement; reducing crime and corruption; and, ending uncompensated expropriation of property.
- **Regulation and Taxation:** Government regulation and taxation have a direct and obvious impact on business investment decisions. Regulations are required to address market failures. Taxes are necessary to finance public services that cannot be efficiently or equitably provided through private markets. There is, unfortunately a crippling degree of similarity in how these functions are carried out in developing economies. Informality, poor administration and corruption reduce government revenues. For businesses, they increase uncertainty, costs and distort competition. Standard measures to strengthen regulatory and tax administration capacity include, among others: streamlining procedures and simplifying tax codes, curbing discretion of government officials, increasing the autonomy of tax authorities, broadening regulatory consultations and the tax base, and exploiting information technologies to reduce delays and corruption. MacDonald (2006).

- **Finance and Infrastructure:** Firms of all sizes require adequate financial services and public infrastructure to expand and be competitive in a global economy. Restricted access to financial services limits the ability of businesses to create jobs and invest in new production techniques. Poor quality transportation, energy, and communications systems increase costs and reduce the profitability and volume of investment. Standard measures, among others, to improve financial systems have focused on strengthening prudential supervision and regulatory capacity of central banks; resolving information problems by strengthening creditor rights and establishing credit bureaus; introducing greater competition through non-bank financial intermediaries; and, encouraging microfinance. In addition to introducing competition and improved regulation, standard measures to improve infrastructure have included contracting-out services and improving funding mechanisms. (Addison et al 2005).

- **Private Sector Development Interventions:** The policy frameworks outlined above have been formulated with the objective of creating a better investment climate for all firms. Achieving these conditions may require deep societal changes and considerable time. Under these conditions, governments are often under pressure to respond with specific interventions to address perceived market failures. Specific interventions often include policies and strategies to promote:
 - foreign direct investment
 - exports
 - specific industries
 - small or rural firms

Instruments may include, among others: market restrictions; tax or regulatory privileges; clustering or regional promotion strategies; subsidized credit and information based strategies. These may also involve activities such as entrepreneurship training for small business start-ups, promotion of non-financial business development services, and strengthening of business associational activity. Each of these instruments carries a set of

costs and benefits that must be weighed carefully in relation to the specific context. World Bank (2004).

2.1.3. Macroeconomic Environment of Ethiopia

According to MOEFED (2012), Ethiopia is a landlocked country in East Africa (horn of Africa) bordered by Sudan, South Sudan, Eritrea, Somalia, Djibouti and Kenya. It covers an area of 1.127 million square kilo meters. Ethiopia is a decentralized state and counts 9 ethnically based states and 2 self- governing city administrations. Regions are divided into zones and woredas (districts). Woredas are divided into kebeles which is the lowest administrative units with an elected council.

The country's official language is Amharic. Despite colonization in the rest of Africa, Ethiopia remained independent, except from a short period of Italian invasion (1936-1941). Politically, recent Ethiopia's history is colored by the domination of the reign of Emperor Haileselassie (1930-1974) and the military government of Mengistu Hailemariam (1974-1991), also known as the Derg and guided by Marxist-Leninist theories and policies. In 1991 the Derg was overthrown by the Ethiopian People's Revolutionary Democratic Forces (EPRDF) and the political system developed into a parliamentary system.

The first democratic elections were held in 1995, after the constitution has been written in the year before. Ethiopia is stable country in a fragile regional setting. Ethiopia played an important role in both the Somali crisis and in peace-brokering between Sudan and South Sudan.

Currently, the estimated population of Ethiopia is around 80 million people with annual growth rate of 2.1% and around 80% of the population lives in rural areas. Over half of Ethiopia's population consists of young people the average life expectancy at birth is 59.6 years. Ethiopia ranks 174 out of 187 on the Human Development Index of 2011. Ethiopia is one of fastest growing non-oil economies in Africa. According to 2011 data on GDP contribution by sector 40.63% of the production in the Ethiopian economy consists of

agriculture, almost 46.07 percent is services and the last part 13.30% is industry. (MOEFED, 2006)

In the last decade, Ethiopia has been one of the fastest non-oil growing economies in Africa. This economic performance came under threat of high inflation and a difficult balance of payments in 2008 and 2012. It has a GDP per capita of around USD 356.97 in 2011 and ranks amongst the poorest countries in the world. Agriculture in Ethiopia is the predominant sector driving the economy. It employs about 80% of the labor force and accounts for over 80% of foreign exchange earnings. Ethiopia's main export product is coffee, although the export has begun to diversify in the last years. One example of this diversification is the growth in floriculture and horticulture exports. Other export products are leathers, pulses, oilseeds, Chat, sugar and gold. The main import product is petroleum and capital goods.

The continual dependence on agriculture makes the country vulnerable to world commodity price fluctuations. These problems were aggravated by the high fuel and food prices in the global market. One example of these problems can be found in the inflation of food prices: in the period 2008-2012 this quadrupled from 12.8 percent to 47.4 percent per year.

Ethiopia has suffered from internal and external economic shocks, which have resulted in limited economic growth. The economic shocks include deterioration of terms of trade on the world market, oil price hikes, macroeconomic instability, and adverse weather conditions. The result has been inadequate economic growth (development) and a downward trend in savings and investment. In order to address the above scenario, the Ethiopia Government, since 1997 started implementing policies for increasing the competitiveness of Ethiopian products in domestic and international markets, and enhancing public sector efficiency. These policy reforms were meant to create an enabling environment for accelerated and sustainable development of the real sector; import liberalization, privatization, enactment of an investment promotion legislation and the introduction of the Export Processing Zone programs. MOEFED (2006)

2.1.5. Enabling Environment for Private Sector

According to Tilman and Christian (2008), Most people would agree that low levels of bureaucracy, an independent judiciary, good roads and a functioning education system, for example, are parts of a good business enabling environment. However, there is a lack of clarity about the relative importance of each of these elements. Some analysts and policymakers place their emphasis on DE bureaucratization, whereas others focus on public sector support programs of different kinds. Indeed, some elements of the business-enabling environment are a matter of controversy. Opinions diverge for example with regard to the appropriate level of labor market regulation, the need for industrial and innovation policies, and the appropriate level of trade openness.

First of all, it is necessary to open up the “black box” and define the business-enabling environment. There are two approaches that are based on quite different assumptions about the “ingredients” of successful private sector development: the *neoclassical* and the *neo-structuralist* approach. Within the neoclassical approach further propose a distinction between a narrower concept—which call the “regulatory business environment”—that highlights those regulations that immediately affect businesses through the costs of compliance, and a broader concept—the “investment climate”—which encompasses wider framework conditions such as infrastructure, health and education. This proposed terminology helps to make underlying assumptions explicit and to test these assumptions empirically.

The Neoclassical Approach

Proponents of the neoclassical approach to the business-enabling environment assume that most factor markets work reasonably well without government intervention if property rights and competition are guaranteed. Such interventions are in most cases considered less efficient than market-based solutions, and it is stressed that many government interventions in fact hamper private sector development. Measures to improve the business-enabling environment consequently focus on deregulation and the good functioning of markets, with only a limited role assigned to the public sector in a few areas where market failure is most obvious.

Within this concept, further distinguish the narrow concept of the regulatory business environment and the broader concept of the investment climate. None of these concepts is clearly defined and used consistently in the pertinent literature. For analytic purposes, however, the following definitions could be used:

- (a) The “regulatory business environment” covers regulations that immediately affect businesses through the costs of compliance. These are composed of direct costs, such as license fees, and indirect costs resulting from—often unnecessary—transactions. The latter include transaction costs arising from the time that has to be spent in obtaining a license as well as increasing costs stemming from inappropriate government regulations that make contract enforcement or the hiring and firing of workers unnecessarily complicated and costly. The costs of the regulatory business environment are most prominently analyzed in the Doing Business series published by World Bank/IFC on an annual basis since 2004. The latest edition (World Bank/IFC 2007) measures the costs and time associated with complying with 10 types of regulations: starting a business, employing workers, getting credit, enforcing contracts, closing a business, registering property, dealing with licenses, protecting investors, paying taxes, and trading across borders. The emphasis on easing regulations and providing property rights was inspired by the work of Hernando De Soto (1989) as well as by reform experiences in Eastern Europe. Some of the most influential proponents of the regulatory business environment claim that such reforms are not only appropriate to unleash private sector development and growth but that they immediately benefit the poor more than proportionally because “heavy regulation and weak property rights exclude the poor from doing business” (World Bank/IFC 2005).
- (b) The term “investment climate” comprises all the elements of the regulatory business environment, but in addition it includes the quality of infrastructure, the health system, the overall level of education, rule of law, political stability and security, functioning financial markets, trade liberalization and international rules and standards as factors which constitute the “location-specific factors that shape

the opportunities and incentives for firms to invest productively, create jobs, and expand” (World Bank 2004).

The term “investment climate,” as used in the World Development Reports and Investment Climate Surveys, thus refers to a set of enabling factors broader than the “regulatory business environment.” The difference is only one of analytical focus, i.e. authors who emphasize the relevance of the Doing Business indicators would probably not question the significance of the additional elements of the wider investment climate.

The Neo structuralist approaches

Analysts from a neo-structuralist or evolutionary background stress the role of additional determinants in explaining private sector dynamism, and especially the ability to upgrade and build knowledge-based competitive advantages. The key difference lies in their assumption that market failure is pervasive and governments have a more active role to play in correcting such market failure. The risks of government failure, e.g. political capture of rents by bureaucrats and politically well-connected actors in the private sector is acknowledged, but the consequence is to establish checks and balances rather than not addressing market failures at all. Market failure is especially relevant in two areas:

(a) The creation of competitive advantages in increasingly globalized and knowledge intensive markets;

(b) The pursuit of pro-poor outcomes in highly asymmetric markets.

According to Lundvall (1992) and (Malerba 2002) The concept of systemic competitiveness provides a heuristic framework for the analysis of determinants of competitiveness that draws on these and other strands of the academic debate. All this literature coincides in showing that the competitive advantages of firms, regions and nations is more and more dependent on deliberate action (“man-made advantages”), the interaction of multiple private and public actors, and the existence of highly specialized and diversified institutions. As per Porter (1990), it is advanced factors such as specialized sector institutions and highly skilled workforce in areas of competitive

advantage—rather than basic factors like natural resources, location and pools of unskilled labor—that increasingly determine competitive success.

As the process of building competitive advantages becomes more complex and involves more actors and growing information flows, more coordination and facilitation is required. While a considerable part of this will usually be supplied by private service providers, the role of the public sector in this process necessarily also increases. Four reasons stand out:

- (a) More complex and knowledge-intensive industries are likely to generate greater knowledge spillovers for other industries. Since a private investor in an industry A is rarely able to appropriate all the benefits of spillovers into industries B and C, the result may be underinvestment. The same applies for investments that entail dynamic scale economies, or to put it simply, that are likely to create the basis for competitive advantages in the future.
- (b) Industries increasingly depend on complementary manufacturing and service facilities. As long as these are not in place, investment will be discouraged. Efforts to simultaneously encourage complementary firms and foster linkages between them may help to overcome such coordination failure.
- (c) Information becomes more important. Collecting and processing information, however, is costly and may not pay off for individual investors. Consequently, it may be fully rational to set up information systems or subsidize the search costs of private firms if the expected social benefits (e.g. in terms of export market development) are high. This is especially relevant if firms are small, if markets are distant and not well known, and if the economic activities developed are non-traditional ones.
- (d) Values and visions of society are important determinants of competitiveness (Esser et al 1994). There is clear evidence that societies have vastly different preferences with regard to education and technological learning. In some societies both governments and individuals display short-term and rent-seeking behavior,

and people tend to value technological progress, hard work, or entrepreneurial risk-taking much less than others.

The second difference relates to pro-poor outcomes. Neoclassical theorists assume that competition is generally healthy for private sector development. Competition induces firms to challenge old ways of doing business. New firms enter the market, whereas some established companies, no longer able to compete, will exit the market, allowing more productive firms to occupy their positions. This process of entry and exit creates a healthy turbulence that drives technological progress and creates ever more productive jobs (Klein Hadjimichael 2003; Carree Thurik 1999).

2.1.6. The Nature, Meaning and History of Hotels

As per Montgomery (1995), the word hospitality comes from the Latin root meaning “host” or “hospice”. The first hotels were nothing more than private homes opened to the public. Most, unfortunately, had poor reputations. Under the influence of the Roman Empire Inns hotels began catering to the pleasure travelers in an effort to encourage visitors.

The first inn located in America was recorded in the year 1607 and led the way with many others firsts in the hospitality industry. The first publicly held hotel (the city hotel) opened in New York in 1792. The first modern hotel (The Tremont) opened in Boston in 1809 and the first business hotel (the Buffalo Statler) opened in 1908.

From there a surge of hotels flooded American and the rest of the world with prominent names such as Radisson, Marriott and Hilton. Cooper (1998)

2.1.7. Hotel Industry in General

According to Krishna (1995), hotels serve as a “home away from home” for the travelling public. When the first roads were built in Britain, Merchants and other wealthy travelers journeyed to various parts of the country. At points on their journeys shelter, food and drink were to be found at road side taverns. Later on monasteries provided hospitality to raise money for the church. Large manor houses scattered throughout the country

provided services to travelers. When the manor houses began to be taxed the lords of the manors began converting their homes into inns. An inn could provide rest but a tavern could provide only food and drink. Gradually the inns and taverns improved in quality and standard.

The first inn located in America was recorded in the year 1607 and led the way with many other firsts in the hospitality industry. The first publicly held hotel (the city hotel) opened in New York in 1792. The first modern hotel named Tremont opened in Boston 1809 and the first business hotel (the Buffalo Statler) opened in 1908. From there a surge of hotels flooded American and the rest of the World with prominent names such as Radisson, Marriot and Hilton.

The most unique attribute of hotel investment relates to the large up-front cost of construction. This dictates a particular form of developer behavior. Heavy initial costs generate considerable dependence on the future revenue streams expected to cover this initial outlay. The need to create a revenue stream is immediate and this creates instability especially when demand is volatile. Hotel investment is therefore characterized by a 'high operating leverage'. The cost composition of hotels includes a large component of fixed costs and a small share of variable (operating) costs. Hotels with a high operating leverage will therefore be volatile in their profit levels. (Freeman and Felsenstein 2007).

The returns to hotel investment are inextricably linked to tourist demand (local and foreign). Therefore, the relationship between the hotel industry and the wider tourism industry is two directional. Without tourists there can be no hotel industry and without hotels there can be no tourism industry. This symbiotic relationship is reflected on the supply side as well. Local and foreign investment in the hotel sector can be stimulated by public incentives for construction, expansion etc. (Ixigo 2013).

2.1.8. Hotel Classification

Hotels can be classified into different categories or classes, based on their operational criteria. For example the type of accommodation they provide, location of the property, type of services provided, facilities given and so on.

Hotels today are basically classified into the following categories:-

a) Market Segment

- . Economy / Limited Service hotel
- . Mid-Market hotel
- . All-suite hotels
- . Condotel/ Condominium
- . Executive hotels
- . Luxury / Deluxe hotels

b) Property Type:-

- . Traditional hotel
- . Motels
- . Bread and breakfast inns
- . Commercial hotel
- . Chain hotel
- . Casino hotel
- . Boutique hotel
- . Resorts
- . Spas

c) According to Size

- . Small hotels / 150 rooms /
- . Medium hotels / up to 299 rooms /
- . Large hotels / up to 600 rooms /

2.1.9. Hotel Industry in Ethiopia

A relative increase of investment is recently observed in the hotel & tourism sector. The hotel industry consists of many different services, including accommodation, restaurants, cafes and catering. The market for the hotel industry, especially classified hotels in a developing country like Ethiopia, is closely linked to the tourism industry, because a majority of consumers for the sector services come from international tourists.

According to the United Nations Statistical Commission, tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year and staying at least 24 hours in the country visited. The total number of international tourists arriving in Ethiopia is steadily increasing. As the gateway of all international inbound, outbound and transit tourists/ passengers, Addis Ababa has been taking the lion's share in the country's tourist arrivals hosting an estimated 95-99% of the total international tourist arrivals.

With an additional 39 million international tourists, up from 996 million worldwide in 2011, international tourist arrivals surpassed 1 billion (1.035 billion) for the first time in history in 2012. The African continent receives approximately 5% of international tourist arrivals in 2011. In the same year, there were over 50.17 million international tourist arrivals to Africa, an increase of 0.9% over 2010. Compared with other world countries, Ethiopia's share in international tourist arrivals, increased from 0.03% in 2005, to 0.053% in 2011.

The Inbound Tourist Arrivals in Ethiopia continued to grow from 76,844 in 1989, to 115,000 in 1999, 184,078 in 2004, 427,286 in 2009 and reaching 523,438 in 2011. During the year 2011, Ethiopia witnessed a positive tourist growth of 11.8 % over 2010. The compound annual growth rate in Inbound Tourist Arrivals in Ethiopia during 1989 to 2011 was 9.7%. (Ebisa & Andualem 2013).

Ethiopia has a small number of hotels which are, generally, of poor standard. For instance, when we compare the number of international standard hotels in Ethiopia with hotels in countries like Egypt, Morocco and Kenya we notice a big difference in number. According to The Embassy of Japan in Ethiopia (2008), even by 2004 data the

hotel stock amounted to more than 140,000 in Egypt, in Morocco 80,000 and more than 65,000 in Kenya. The international hotel classification system is adopted in Ethiopia and hotels are classified into categories with stars from one to five and hotels without stars. According to Ministry of Culture and Tourism (MCT) Tourism Statistics Bulletin of (2009), the total number of hotels in Ethiopia in the year 2009 was 426. Recent data on the number of hotels in the country was unavailable. As a result, to estimate the total number of hotels in 2012, we can take a 20% growth rates over 2009 making it 511 hotels in the country. This number includes all five stars, four stars, three stars, two stars, one star and not classified categories of hotels.

2.1.10. Hotel Industry in Addis Ababa

Addis Ababa is the Capital city of the Country where literally says the heartbeat of Ethiopia. Emperor Menelik II and his wife Taitu founded the city in 1889 by constructing his palace in Entoto. Addis Ababa is now a diplomatic city where many international institutions are located, the first hotel also founded by the two couples and named Taitu hotel in 1898 and exists to date, this footstep of the hotel industry followed by many standard hotels in the country.

Many other hotels like Ras Hotel, Bekele Molla, Ghion, Guenet, Finifine Adarash, Wabi Shebelle, Hilton, and Ethiopia hotels are among some that followed the tread of Taitu hotel.

From 1970-1975 there are many hotels from small to medium range has been developed throughout the country, especially to the northern parts of the country many government hotels flourished following the tourist attractions of Ethiopia. (Ministry of Tourism, 2012).

The hotel industry consists of many different services, including accommodation, restaurants, cafes and catering. The market for the hotel industry, especially classified hotels in a developing country like Ethiopia, is closely linked to the tourism industry, because a majority of consumers for the sector services come from international tourists.

2.2. Review of Related Empirical Literatures

2.2.1. German Hotels Budgeting and Practical Applications

According to Jan –Martin (2010), “*The theory of budgeting and its practical application in German hotels*” a survey has been conducted among a sample of German hotels based on a set of research questions concerning the current state of application of budgeting procedures that tried to identify the state of budgeting in independent hotel, The study aimed to clarify the state of management control systems and budgeting procedures relevant for independent hotels. Secondary sources (books, journals, government publications, and brochures) and Tertiary sources (dictionaries, encyclopedias, abstracts and indexes), were used. The research found out that a significant difference exists between budgetary procedures defined theoretically and actually applied ones. Research determined further that expert-knowledge within management of independent hotels on the specific budgetary procedures, especially forecasting, is limited and primarily replaced through personal experience.

This study concluded that the analysis of the application of budgeting instruments in the hospitality sector is mandatory. For this matter, further quantitative research on controlling and performance management practices in small hotels is suggested in order to identify challenges, opportunities and determining management factor needing to be tackled. Issues can be the usage of technology as key facilitator within modern accounting techniques. In addition, further investigation into the unique situation of small hotels and the causal interrelations of the different measures is recommended.

2.2.2. Over View of Japan Hotels

As per Kazumasa, (2010), paper written titled “*Over View of Japan Hotel*” that aimed to analyze room and bed occupancy rate, to assess total overnight visitors for both tourism and business, and to examine the aggregate demand for hotel rooms, using a survey data and statistical method and found out that total overnight visitors for both tourism and business decreased significantly in 2008 and 2009 following the Lehman shock; and the

bed occupancy rate, which also slumped after the Lehman shock, was actually already in decline at hotels for business.

The research suggested that the number of foreign overnight visitors in 2009 was 1.78 million visitors. Therefore growth of inbound visitors will become a significant factor for the hotel sector in consideration of the decrease of Japan's population and declining number of trips by Japanese. Hotel demand can be stimulated only by increasing the number of trips for business and inbound trips by foreigners.

2.2.3. Hotel Sector Investment in Ethiopia

The Paper entitled, *Hotel sector in Ethiopia*, written by Ebisa and Andualem (2013) to investigate the overall performance of the hotels industry in Ethiopia, with research questions that includes the demands for hotels/accommodations explained in Ethiopia, the supply of hotels match with the current demand for hotels, hotel sector investment looks like, factors are influencing service delivery of hotels, and trends of bank loans to the sector were major problems, The research used secondary data from journals, books, newspapers, magazines, and reports of various governmental and nongovernmental organizations and found out that the stock of hotels in Ethiopia has increased sharply over the last few years. While tourist accommodation is available as the major attraction, improvement as well as new construction is taking place. The GTP's target on the number of inbound tourist arrivals by the end of 2014/15 was set at 1 million..

The study recommended that, many international standard hotels should be in place to satisfy the inbound tourist inflow of the country and improvements of the banking system in extending credit services would be helpful for the hotel sector.

2.3. Conceptual Framework of the Research

The following figure shows customized conceptual framework that explains the role of hotel industry on the development of tourism sector.

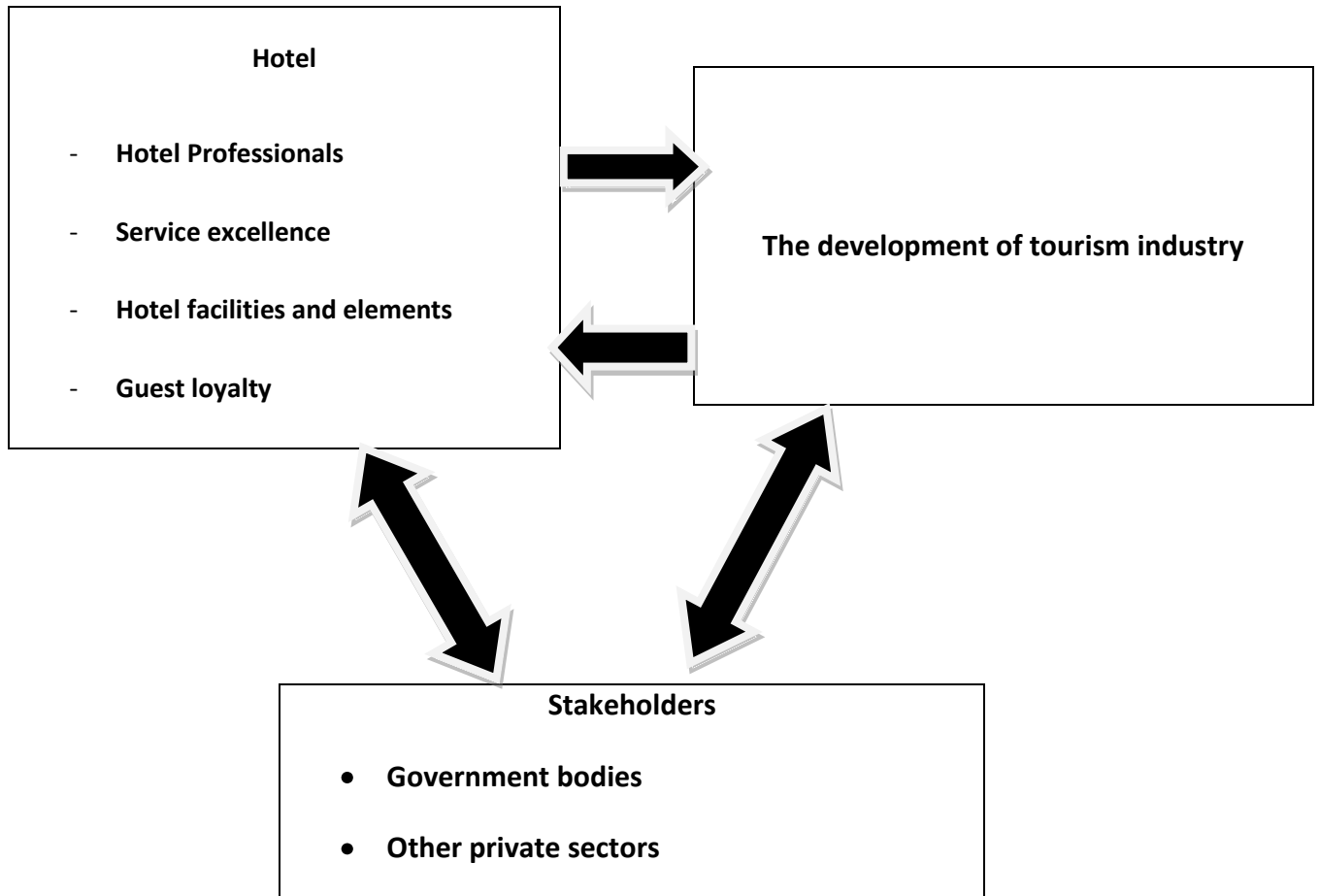


Figure 2.1. Conceptual framework (researcher's own design (2015))

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

Research methodology generally relies on qualitative and quantitative research. For this study analytical research method has been employed that aims in critical evaluation of the sector's contribution in facts, figures and narrative information. Hence the study has been more important and revealing than the facts and figures.

3.2. Data Collection and Instrument

For this study both qualitative and quantitative data from primary and secondary source have been used. The primary data was collected through close as well as open ended questionnaires from representatives of privately owned hotels, ministry of finance and economic development and data was also gathered from ministry of tourism and culture. Moreover, In order to address all research objectives and research questions exhaustive a desk review of all available documentation either books, journals or research documents were retrieved along with information from stakeholders.

3.3. Sampling Technique and Sample Size

The Population of this study consists of four and five star privately owned hotels in Addis Ababa, Ministry of finance and economic development and Ministry of culture and tourism and from 46 available four and five star privately owned hotels in Addis Ababa 20 % which is 10 randomly selected four and five star privately owned hotels have been taken for the study and questionnaires were disbursed to four human resource managers / general managers from five star hotels and six from four star hotels, and five experts of the study area were also selected each from ministry of finance and economic development and Ministry of culture and tourism, as a group discussion, two people from travel agents, one economist and three experienced hotel guests have been communicated and exhaustive data was collected.

3.4. Method of Data Analysis

The analysis of research on privately owned hotels in Addis Ababa has been analyzed by using theoretical and empirical evidences through questionnaires that was presented in table. The data through primary and secondary sources have been analyzed using quantitative and qualitative approach as based on theories and principles, to simplify the data analysis the row data was coded and entered into computer for processing it using the statistical package for social studies (SPSS). Since, the research is descriptive and both qualitative and quantitative data analysis were deployed. Specifically, simple statistical analysis like percentage, mean, tabulation and graph was used in order to analyze the data easily.

3.5. The Profile of Respondents

Questionnaires which include both closed and open ended questions had been distributed to sample hotels as well as to selected government stakeholders. Accordingly, two types of questionnaires were prepared and distributed: the first for sample hotels and the second for government stakeholders- Ministry of Finance and Economic Development (MoFED) and Ministry of Culture and Tourism (MCT). After questionnaires were distributed, concerned officers of sample hotels, government ministries had completed and returned accordingly. 10 hotels were sampled for primary data collection, and questionnaires were distributed and all were collected back. For the two government stakeholders, 5 questionnaires each were also distributed and collected. Therefore, the response rate results in 100%, which is an important element to precede the data presentation. As the group discussion, selected knowledgeable persons to the sector have been participated. Thus, the following data presentation and analysis is made based on response of these properly completed questionnaires, available documentations and focus group discussion participants.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

In this chapter of the research, data presentation and analysis are made based on collected data. In doing so, the response rate of distributed questionnaire is assessed and then after the data presentation and analysis are followed.

4.1. Hotels Economic Contribution

The data collected using questionnaire included different aspects of privately owned hotels. Different questions were listed and respondents were asked to rate their level of agreement – disagreement using five point Likert's scale: strongly agree, agree, neutral, disagree and strongly disagree.

The first question was to assess the hotels' idea concerning the subsectors contribution to the Ethiopian economy. Sampled hotels were asked to rate their level of agreement for the statement 'Hotels' contribution to the county's economy is important'. The data collected showed that all sampled hotels strongly agreed that the hotels' contribution to the economy is enormous. This is presented in Table 4-1 below. The big contribution of hotels to GDP can be seen from table 3:14 which increased from 1.7% in 1992 E.C to nearly 4% in 2005 E.C. And also respondents from MoFED emphasizes that private hotels are creating job opportunity and thus contributed their share in tackling unemployment problem. As a result, employed people can generate income which is also important cover cost of living to those people around them. On the other hand respondents from Ministry of culture and tourism depicts that hotel business was contributing to the nation's image building, which in turn encourages foreign direct investment. More over the existence of an international standard hotel builds and encourages or attracts tourists, companies, international conferences to Ethiopia, which as a result was increasing the number of guest to the country, respondent revealed. Besides, the existence of standard hotels in the country was also increasing other investor to invest in the hotel business which had a multiplier effect though strengthening the hotel sector and further to the economy as a whole, the collected data showed. The group discussion participants enlightened that the hotel business also contributed in generating foreign

currency to the nation's economy, which was important to maintain the country's trade balance and further they noted that the contribution of hotel business to the nation was the tax income generation to the government. The tax incomes mentioned were salary income tax, indirect taxes like VAT and sales tax, and profit tax, While employees were provided with job opportunities, there was salary tax generation; while there was transaction with customers, there were VAT and sales taxes; at last, while the hotel business generate profit tax.

Table 4-1: Hotels' contribution to the country's economy

		Frequency	Percent
Valid	Strongly Agree	10	100.0

The other issue addressed by the questionnaire was hotel employee's ability to tackle their basic economic needs by the income they generate from the hotel. In view of that, respondents from sample hotels rate their agreement to the statement _employees of your company are able to tackle basic economic needs'.

Table 4-2: Basic economic needs

		Frequency	Percent	Cumulative Percent
Valid	Strongly Agree	5	50.0	50.0
	Agree	4	40.0	90.0
	Neutral	1	10.0	100.0
	Total	10	100.0	

As shown in the Table 4-2 above, their response showed that most of them either strongly agreed or agreed: 50% of the respondents strongly agreed while 40% of the respondents agreed to the above statement. Besides, only 10% of the respondents, which is one respondent, remain neutral to the statement.

This implies that only few respondents are not in a position to tackle their basic economic needs by the money they earn from hotels; it could be due to insufficient salary, extended family, and other social responsibilities. As per the data collected from group discussion as well basic economic needs perception differs from individual to individual and how one understands it than the other and assumes the main human basic economic needs to include food, shelter and cloth.

The other issue considered was employees' ability to meet hotel guests' demand. The statement rose to be rated by respondents was 'employees of your company are able to meet your guests' demands.' As shown in the Table 4-3 below, 40% of the respondents (4 respondents) strongly agreed and the remaining which is 60% of the respondents (6 respondents) agreed to the above statement. Accordingly, as shown in the table, no sample hotels disagree that their employees meet their guests' demands. This further explained that employees of the hotel are well trained and able to explain hotel's products and services and more over they can provide a service with their guest's demand. However the Ministry of culture and tourism respondents' emphasis that there are still crystal clear gaps in providing seamless and superior quality service that is competent in international level and respondents added that the needs and preferences of tourists are driven mostly by technology, thus employees of the hotels need to cope up with the changing technology in order to meet their guests' demand.

Table 4-3: Meet guests' demands

		Frequency	Percent	Cumulative Percent
Valid	Strongly Agree	4	40.0	40.0
	Agree	6	60.0	100.0
	Total	10	100.0	

The questionnaire was also included a statement which states ‘employees of your hotel are happy to stay in the hospitality industry quite few years ahead.’ The response from sample hotels revealed except one respondents all sample respondents show agreement: either agreed or strongly agreed. As presented in the table below, 4 respondents (40% of the respondents) had strong agreement while 5 respondents (50% of the respondents) also had agreement to the above statement. It is also revealed that no sample hotel showed any level of disagreement. Over all these means, employees of the hotel industry are happy to stay in their profession and love their jobs; these will maximize reputation of the hotel business and an opportunity to new entrants. On the other hand guests of the hotel also enjoys the service provided by the experienced employees that will probably rendered personal service which escalates guests experience and will have a high probability of returning back and in the long run the reflection of business loyalty and economic prosperous.

Table 4-4: Stay in the hospitality industry

		Frequency	Percent	Cumulative Percent
Valid	Strongly Agree	4	40.0	40.0
	Agree	5	50.0	90.0
	Neutral	1	10.0	100.0
	Total	10	100.0	

The Table 4-5below shows the level of agreement of sample hotels to the statement ‘guests of the hotel are happy to pay for the service they received.’ Accordingly, the data revealed that 5 respondents (50% of the respondents) agreed while 3 respondents (30% of the respondents) strongly agreed and 2 respondents (20% of the respondents) sided to neutral. As per the data collected and group discussion findings the money spent by the guests in four and five star hotels is relatively fair in compared with other similar level hotels in developed countries, in the result guests are enjoying with the money they spent and the service they received. As per the data collected respondents from MTC incoming tourists to Ethiopia are enjoying their stay and satisfied by the accommodation

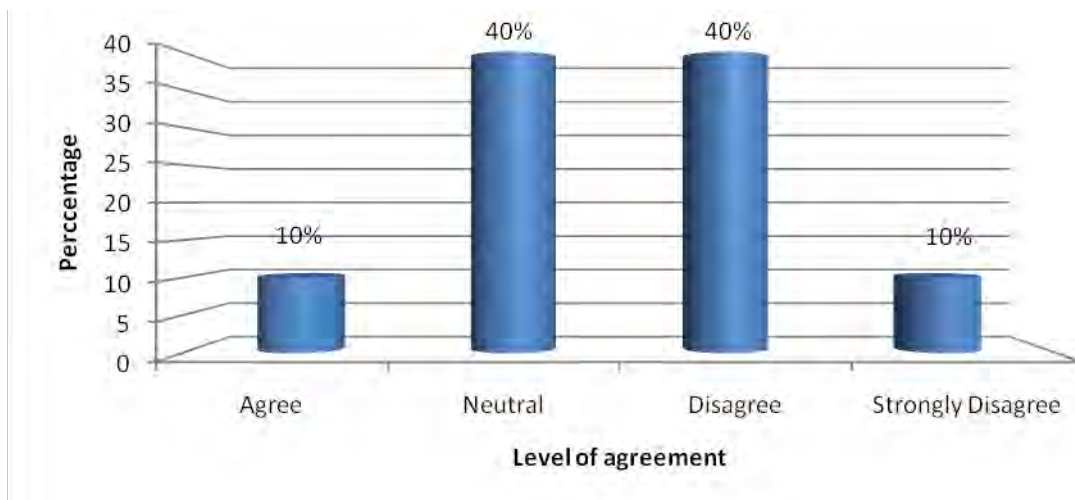
availability, attraction sites and other experiences and they are happy during their stay in the country.

Table 4-5: Happy to pay for the service received

		Frequency	Percent	Cumulative Percent
Valid	Strongly Agree	3	30.0	30.0
	Agree	5	50.0	80.0
	Neutral	2	20.0	100.0
	Total	10	100.0	

The questionnaire also collected data about existence of comments or complains by guests of sample hotels. Accordingly, respondents were asked to show their level of agreement to the statement ‘_guests of the hotel complain or comment about the money they spent against the service they received.’

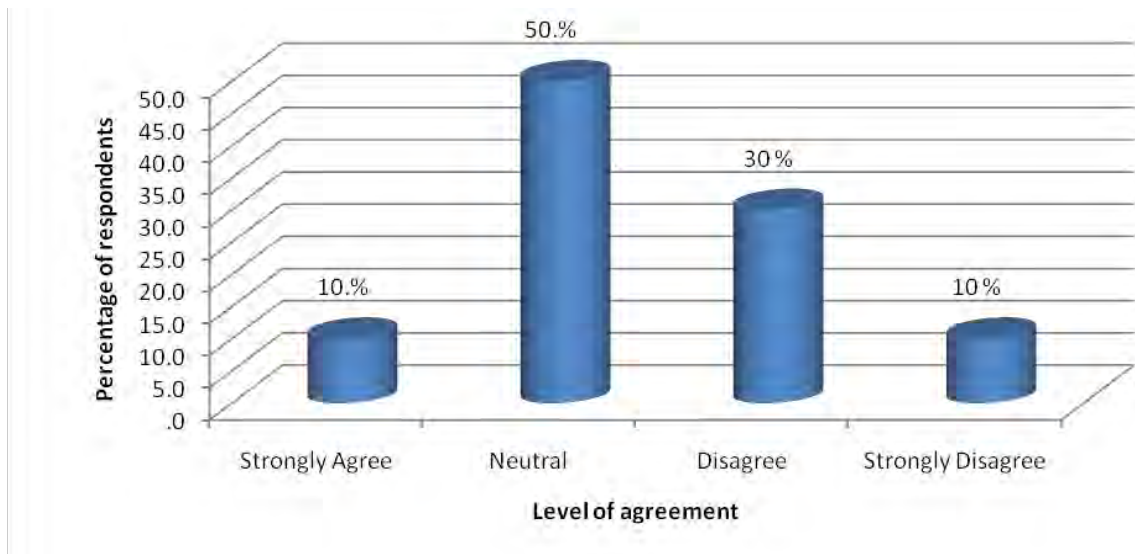
Figure 4-1: Guests’ complain / comment about the money they spent against the service they received



The Figure 4-1 above depicts the percentage of respondents’ level of agreement. Hence, there exist mix of agreement and disagreement. Among the sample respondents, 10%, 40%, 40% and 10% of the respondents agreed, remain neutral, disagreed and strongly

disagreed respectively to the statement. This data therefore shows that 50% of the respondents either disagreed or strongly disagreed. This further explained that most guests are enjoying with the hotels' products and services in a satisfactory way, on the other hand guests might not comment to the hotel but complained to the chain hotel headquarters about the service they received during their stay, and group discussion participants also emphasizes that guests might simply switch the hotel without complaining / commenting about the service because the decision is in their hand for their next visit.

Figure 4-2: Guests of the hotel



Related to guests, it was assessed if most guest of hotels' are tourists. In doing so, the statement _most guests of the hotel are tourist' was forwarded to respondents of sample hotels. Their responses were summarized and presented in the Figure 4-2 above. As a result, 30% of the respondents replied disagreement while 50 % of the respondents in their regard had the neutrality to the statement. However, 10% of the respondents replied strong agreement while the other 10% of the respondents replied strong disagreement to the statement most guests of the hotel are tourists. In four and five star privately hotel setting, the probability of having tourists is low, as the data showed 40% of respondents said that their guests are not tourists, however there is also a probability of incoming tourists in their property as the data indicated 10 % of respondents agreed that their

guests are tourists, Most incoming tourists are not staying in four and five star hotels due to their accommodation budget as per the MTC respondents.

Table 4-6: Business traveler types

		Frequency	Percent	Cumulative Percent
Valid	Strongly Agree	3	30.0	30.0
	Agree	6	60.0	90.0
	Neutral	1	10.0	100.0
	Total	10	100.0	

In explain the hotels guests, it was also assessed whether they are business travelers or not. Accordingly, responding hotels were given to rate their level of agreement to the statement ‘most guests of the hotel are business traveler types.’ As presented in the above Related to guests, it was assessed if most guest of hotels‘ are tourists. In doing so, the statement ‘most guests of the hotel are tourist’ was forwarded to respondents of sample hotels. Their responses were summarized and presented in the Figure 4-2 above. As a result, 30% of the respondents replied disagreement while 50 % of the respondents in their regard had the neutrality to the statement. However, 10% of the respondents replied strong agreement while the other 10% of the respondents replied strong disagreement to the statement most guests of the hotel are tourists. In four and five star privately hotel setting, the probability of having tourists is low, as the data showed 40% of respondents said that their guests are not tourists, however there is also a probability of incoming tourists in their property as the data indicated 10 % of respondents agreed that their guests are tourists, Most incoming tourists are not staying in four and five star hotels due to their accommodation budget as per the MTC respondents.

Table 4-6, 30% of the respondents strongly agreed, 60% of them agreed and the remaining 10 of them were neutral to the statement. Further, the collected data confirmed that there were no respondents who disagreed at any level of disagreement. As per the group discussion participants most guests of the four and five star hotels being business

travelers hotels are advised to think and find out a big conference room, meeting packages and translation facilities.

For the questionnaire’s statement that ‘_Guest of your hotel are satisfied by the service you provided’, all the responding hotels showed agreement but at different level of agreement. That is, 40 % the respondent strongly agreed and the remaining 60% of the respondent agreed. Accordingly no sample hotel had disagreement. This means that the overall operations of the hotels are in a very good status that can satisfy all of their guests in respect to the service provision. This is shown by the Table 4-7 below. However respondents from MTC argue that some incoming tourists are concerned with superior quality services and data from group discussion revealed that guests are always require consistent and friendly service.

Table 4-7: Guests satisfied by the service provided by the hotel

		Frequency	Percent	Cumulative Percent
Valid	Strongly	4	40.0	40.0
	Agree			
	Agree	6	60.0	100.0
	Total	10	100.0	

The win-win business relationship and understanding a hotel’s contribution was also addressed through the research questionnaire. Hence, sample respondent were given a statement ‘_your company and employees have a win-win business relationship and understand the outcome of your hotel’s contribution.’ This further noted that employee-company relationship is vital and a key to success for a business and both parties are happy to stay to a long period. The corresponding response is given as follows below in the table 4.8 in detail.

Table 4-8: Win- Win business relationship

		Frequency	Percent	Cumulative Percent
Valid	Strongly	3	30.0	30.0
	Agree			
	Agree	7	70.0	100.0
	Total	10	100.0	

As shown in the table, all respondent either strongly agreed or agreed to the statement. That is, 30% of the respondents make strong agreement and 70% of the respondents make agreement. The economist from group discussion explained that a business relationship between employee-company relationship is only rely on the profitability of the company and the money the employee earn that bond both to stay longer.

Table 4-9: The industry in general

		Frequency	Percent	Cumulative Percent
Valid	Strongly	10	100.0	100.0
	Agree			

With regard to the statement ‘_there is a lot to be done in the industry in general’, the all sample hotel respondents’ level of agreement was strong. This is given in the Table 4-9 above. Therefore, the data also revealed that there is no any disagreement to the idea that says a lot needs to be done in the hotel industry. As per the group discussion findings as well there is a lot to be done in the industry from the existed owners to the new entrants, from government side to stake holders so that the sector could achieve ideal economic growth.

The other variable considered in the questionnaire was through the statement ‘_there are different problems causes not to get ideal economic growth from the sector.’ Then, as presented in the table 4.10 below, 40% of the respondents showed strong agreement and 50% of the respondent also showed agreement to the statement. Besides, 10% of the respondents neither showed any agreement nor any disagreement, showed neutral

response. This implies that the sector suffered with different problems not to maximize optimum economic growth. Summarized problems stated from all respondents were presented below:-

Not competent policy makers: The big decision makers especially on the government part were not as exposed as to the tourists and thus they do not match in capacity, resource and payment to the hospitality industry.

Lack of skilled manpower: there was lack of qualified or trained and experienced manpower (labor) in the industry. Besides, some employees were considered to lack passion to serve beyond for the sake of salary. In this regard, group discussion holders explicitly explained that there was lack of competent hospitality or hotel and tourism colleges or university.

High turnover and brain drain: since new hotels had been emerging over time there is high turnover of employees in the industry. Further, the problems mentioned were that there was brain drain in the industry.

Lack of quality products for luxury hotels in domestic market: Facilities required luxury level hotels were not available in the country markets, in other saying; there was lack of quality products/machineries in local market. On the other hand, there was long bureaucracy in the customs office to import items that were necessary for the operation.

Infrastructure problems: Besides, there were electric power interruptions frequently which some of the respondents considered as major problem. Further, there were poor internet and other communication connections and other problems mention by the respondents include the Escalation of construction and renovation costs, and owners' interferences creating obstacles to move forward.

Table 4-10: Problems not to get optimum economic growth

		Frequency	Percent	Cumulative Percent
Valid	Strongly Agree	4	40.0	40.0
	Agree	5	50.0	90.0
	Neutral	1	10.0	100.0
	Total	10	100.0	

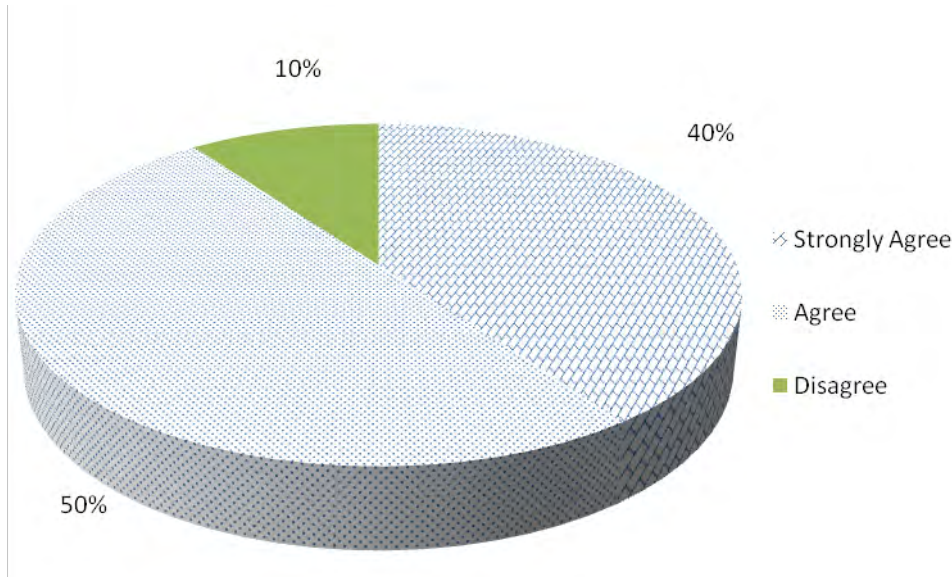
The questionnaire also collected data whether hotels provide almost everything what guests want during their stay. Regarding this concern, the statement given to be rated with levels of agreement was _Your hotel provides almost everything that your guest want to have during their stay. The hotels physical feature, product and services are suitable to guests as per the data collected and guests do not have any problem.

Table 4-11: Guests' demand during their stay

		Frequency	Percent	Cumulative Percent
Valid	Strongly Agree	3	30.0	30.0
	Agree	3	30.0	60.0
	Neutral	3	30.0	90.0
	Disagree	1	10.0	100.0
	Total	10	100.0	

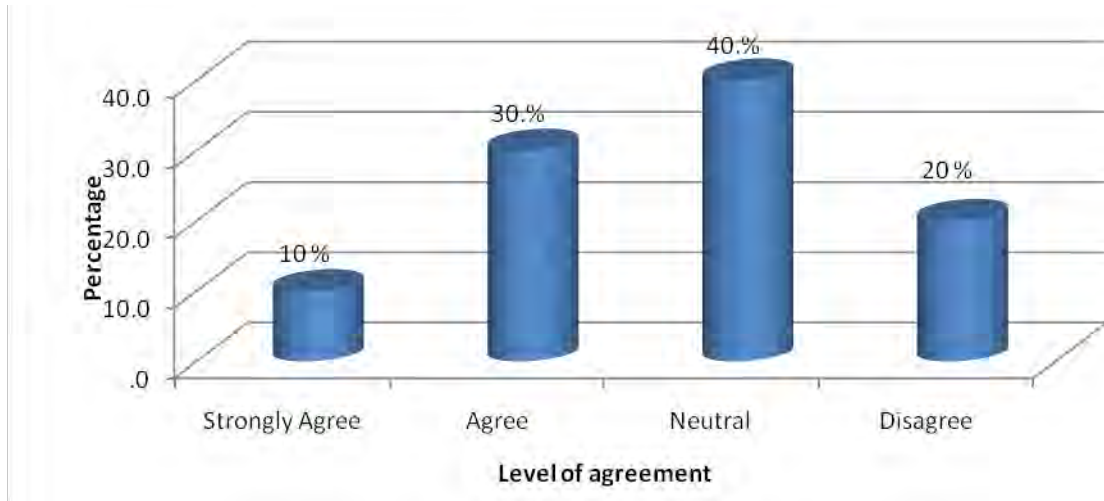
The respondent levels of rating ranges from strongly agree to disagree. Accordingly those strongly agree, agree and neutral responses each had 30% share from the total respondents. Only10% of the respondent had disagreed response. This is in detail presented in the Table 4-11 above. This further explained that hotel guests' demands are more or less fulfilled by four and five star hotels capacity.

Figure 4-3: Hotel requirement to the operation



The research was also devised to include a statement to evaluate whether the hotels fulfilled the requirement pertinent to the operation. Accordingly, the statement provided to be rated was that ‘_hotel has a fulfilled requirement that is pertinent to the operation.’ As depicted in the Figure 4-3 above using the pie chart, the collected data from sample hotels revealed that 40% of the respondents strongly agreed and 50% of the respondents agreed to the statement. However, 10% percent of the respondents disagreed to the statement, as presented in the pie chart. In this data the researcher further added that the hotels operations are equipped with necessary requirements, guests will not complain about the service provided. More over the group discussion participants agreed that the current form of four and five star hotel in Addis Ababa are capable of providing the required materials to the operations because as per the group participants, the hotels are competing each other to attract guests.

Figure 4-4: Government policy



Regarding favorable government policy to the hotel business, respondents were asked to rate that ‘There is favorable government policy to perform the hotel business.’ As presented in the Figure 4-4 above, 10% of the respondents strongly agreed and 30% of the respondents agreed that there is favorable government policy to the hotel business, 40% of the respondents responded neutral stand. Further, 20% of the sample respondents disagreed. On the other hand, respondents from MoFED and MTC strongly agreed that there is favorable government policy to perform hotel business, however people from group discussion suggests that the existing policy should be flexible to attract new entrants by providing incentives and allow them to import a tax free items to the hotel industry.

Cross tabulation of ‘guests of the hotel complain or comment about the money they spent against the service they received’ and ‘there is favorable government policy to perform the hotel businesses’ was made. As shown in the Table 4-12 below, all (10% of the respondents) those who agreed that guest complain and comment about the service also agreed that there is favorable government policy. Further, those who strongly disagreed that guest comment and complain about the service also disagreed that there is favorable government policy to the hotel business. The detail of the cross tabulation is presented in the table 4.12.

Table 4-12: Cross tabulation of Guests’ complain or comment about the money they spent against “favorable government policy to perform the hotel business”

		There is favorable government policy to perform the hotel business (%)				Total
		Strongly Agree	Agree	Neutral	Disagree	
Guest of the hotel	Agree	0	10	0	0	10
complain or comment	Neutral	10	10	10	10	40
about the money they	Disagree	0	10	30	0	40
spent against the service	Strongly					
they received (%)	Disagree	0	0	0	10	10
Total		10	30	40	20	100

The questionnaire also collected data on the number of employees in the sample hotels. Accordingly, the sample hotels had created on average about 238 job opportunities. The maximum and minimum number of employees in a hotel was found to be 700 and 80 employees, as shown in the table 4.13 below. Therefore, the range results in 620 employees. This implies that number of gaps of employees of the four and five star hotels are big these means that some hotels are operated with many employees others operated with low, these comparison of number of employees among hotels will definitely affects their revenue and quality service provision. As respondents from MoFED and group discussion holders suggest that the hotels in similar level should have to have comparable number of employees so that the aggregate contribution towards employment will be capitalized.

Table 4-13: Number of employees in hotels

	N	Range	Minimum	Maximum	Sum	Mean
How many employees do you have?	9	620.00	80.00	700.00	2139.00	237.6667
Valid N	9					

4.2 Most Important hotel features and services to Guests

Based on the sample respondents' from hotels and group discussion participants' response, the following were identified as what most guests favored hotel features and services they are looking for;

- Hotel Security and Safety (the main issue globally)
- Hotel Cleanness
- Hotel's associated service: fitness center or gym, swimming pool, parking, good restaurant and recreation
- Hotel's Internet connection; Free high speed wireless internet connection
- Hotel's staff loyalty and greetings with smile and very nice service
- Quality service (in terms of guest service, shuttle service, spa and etc.
- Prompt service, excellent service, quality service and products
- Free breakfast
- Access to superior quality coffee and tea
- Options for pillows and for mattress , Shower head for hydro massage and High quality toiletries
- Location (location convenient to the business they are coming)
- Convenient parking space

4.3 Hotel's Performance

As per the respondents from ministry of culture and tourism stated that the ministry's major responsibility was to grade hotels in a consistent basis and make regular inspections or supervision to ascertain hotels were delivering services as per the stars granted or comply to the appropriate standards. The respondents from the ministry of culture and tourism strongly agreed that hotels in Addis Ababa have huge contribution to the country's economy. Further, the ministry agreed that the hotels are capable of serving tourists satisfactorily and the hotels have very good place to stay for tourists. The ministry also agreed that the related government policy is favorable to the industry and that the policy attracts and allow investors to the industry.

Respondents from MoFED also strongly agreed that privately owned hotels in the capital city had significant role to the economy and agreed that the industry is in its increasing stage, the data showed. However, the ministry strongly agreed that improvements required developing the sectors' contribution. Besides, the response confirm that four and five star hotel in Addis Ababa had the capacity of serving their guests satisfactorily. Regarding the policy of the government, the ministry strongly agreed that it was favorable and the business had no government intervention.

Respondents from ministry of culture and tourism further explained that international tourists had no good expectation to Ethiopia hotels' services. However, tourists had considered that the hotel services are good enough after they came here in Ethiopia even if there were still shortcoming, the ministry responded. Further, tourists were considered to be general satisfied to the hotel service during their stay in Ethiopia, given that satisfaction tourist was determined by the interplay of various factors like attractions, accommodations, safety and security. Yet, the ministry considered lack of quality service in the industry as an issue.

Hotels' safety and security, fastidious and spacious bed rooms equipped with range of facilities to fine cuisine and additional entertainment facilities were most important elements and priorities tourists were looking for, based on the ministry of culture and tourism response. As the respondents explained, four and five star hotel in Addis Ababa had significant improvement.

The MoFED respondents' in their regard responded that the main problems associated with the hospitality industry were lack of educated manpower specific to the sector and limited loan from banks to expand the hotels in the sector. The ministries also considered maintaining peace and security and creating favorable condition for investors as convenient policies to the sector to attract foreign investment.

The respondents from MoFED comparatively explained the performance of the hospitality sector to the country's economic performance. As the ministry's respondents' response, the service sector, in which hotel and restaurant in part, had been driving the economy and the hotel business was considered to be performing pretty well. The

ministry also considered hotels as important to economic growth based on other developed countries' experience and government would give due attention to the sector.

Table 4.14 Hotel and restaurant share of GDP for the past 14 years (1992 -2005 E.C)

Year E.C.	Hotels and Restaurants	GDP @ Constant Price	Hotels & Restaurants as Share of GDP
1992	3304,062.2	198827,138	1.7%
1993	3574,115.6	215332,635	1.7%
1994	3751,548.1	218594,313	1.7%
1995	3987,484.0	213870,310	1.9%
1996	4234,643.6	242897,563	1.7%
1997	4724,187.7	271605,244	1.7%
1998	5646,799.0	301032,667	1.9%
1999	7197,700.4	335519,015	2.1%
2000	8876,138.0	371716,667	2.4%
2001	10993,632.5	404436,976	2.7%
2002	13663,700.8	455196,015	3.0%
2003	17029,347.4	506079,135	3.4%
2004	18808,705.3	548921,587	3.4%
2005	22248789.01	606733,602	3.7%

Source: MoFED (2005 E. C)

Secondary data from MoFED above depicts that hotel along with restaurant contribution to the general economy is enormous which increased from 1.7% of 1992 E.C to 3.7% of 2005 E.C; this shows that the sector is in its growth stage.

4.4 Summary of the Findings

As per the data collected, the economic contribution of the hotel industry is enormous and promising, like Kazumasa (2010) who stated that the hotel demand is only stimulated by increasing the number of trips for business and inbound trips by foreigners, this paper researcher found out that employees of the hotel industry are happy to stay quite a number of years ahead that would have been an impact to serve the hotel guests in a satisfactory and consistent way more over the win-win relationship between the company and employees also has a huge sustainability of business and state economy at large. Because sample hotel confirmed that employees are able to tackle their basic economic needs, this further explained that not only employees but also their dependents will have a remarkable living standard.

According to the literature, Ethiopia has suffered from internal and external economic shocks, which have resulted in limited economic growth. The economic shocks include deterioration of terms of trade on the world market, oil price hikes, macroeconomic instability, and adverse weather conditions. However in today's hospitality sector the customers of the hotel are very happy to pay for the service they received without any consideration, this will help the sector to move forward and maximize profit and reinvest to another sector and the country will benefit in due to different economic elements.

The researcher also found out that most guests of the hotel neither complain nor comment about the money they spent against the service they received, this implies that the private hotels performance are promising in meeting international guests demand and secured business reputation and more over they will have an opportunity to see their performance on an international standards that is a reflection of the country's business suitability to foreign investors, it further means that the country will have a hard currency that is pertinent to the country's trade balance. Employees in the other end will also have a solid experience in serving international customers and opportunity to advance one's skill and knowledge. The sector in general will have a good business opportunity in the near future.

Most guests of the sample hotels are business traveler according to the data obtained, this depicts that the country will have a optimistic impact for other businesses this automatically related with the overall country's status and see Ethiopia in a positive way which has a chance to foreign direct investment, knowledge share, technology transfer, and etc.

According to the data, some of the four and five star hotel guests are tourists who looking for the country's sightseeing places and world heritage places that spends a lot of money in different places, this means the sector also has some share in providing the country's authentic artifacts and play their role in promoting the country. Nevertheless as per the data collected most tourists are not comfortable with some hotel features like not having a speed internet connection, power outage and telephone network connections. In addition incoming tourists have a huge experience and thus they expect quality and superior service that is parallel to the world class hotels.

As per the literature stated by Montgomery (1995), hotels classifications are ranged from market segment to property types and according to sizes however most sample hotels are not typed in the above classifications and all sample four and five star hotels also agreed that there is a lot to be done in this perspective, this has its own shadow not to expand the hotel industry as per guests preference and it seems the sector lacks innovations and creating new ideas to meet international experiences.

Another point retrieved from the data regarding not to get the optimum economic growth from the sector is most sample hotels agreed that there is lack of qualified and trained man power to the industry, high turnover, not having competent policy makers, and infrastructure problems are few points that challenge the sector from attaining ideal economic growth to the country.

Few sample hotels also have reservations whether they provide everything in their respective hotels that guests usually looking for and yet some respondents of the hotels were hesitant and not sure if they meet or not, but the researcher found out that most guests who stays in four and five star hotels are considering a standard hotel should have to secure safety and security, cleanliness of the hotel, fitness center, swimming pool, vast

parking lots, recreation activities, high speed internet connection, wifi , staff loyalty, prompt response for their problems/complaints and quality service from trained employees.

Regarding government related policy, most sample hotels neither agree nor disagree about the availability of favorable government policy to the sector, this implies that private hotels neither know the policy nor benefit from it but in contrary the respondents from ministry of culture and tourism strongly emphasizes that the government related policy to the sector is friendly and hotels are benefiting through it, thus hotels and affiliated government body should be transparent each other and discussed to the issue and rectify the gap and should work harmoniously.

In general the hotel contribution to the country is enormous in a number of ways like tackling unemployment rate, generating income especially inflow of hard currency, challenging cost of living to employees, skill development, image building to the country, attracts more incoming visitors to different objectives, enhancing conference tourism, promoting FDI, contributing to the country's trade balance, and tax income.

In relation to problems of the sector, the researcher further found that major problems stated by samples hotels and other stake holders are infrastructure problems like power cut, lack of internet connection and communication problem, the escalation of construction and renovation costs, owners interference to the business, safety and security issues, lack of trained man power, hotel competency on international level, and lack of government support are some of the shortcomings to the sector.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1. Conclusions

The private sector has a crucial role in playing a vital part in one's country economic growth and development, assessing the economic contribution of privately owned hotels in Addis Ababa is a theme of this paper that has been addressing to investigate the bottlenecks of the hotel industry, assessing the substantial contribution of hotels to the economy. The objective of the research is to critically examine and evaluate the impact of privately owned hotels to the country's economic development. The researcher collected both qualitative and quantitative data from primary and secondary sources, the researcher used questionnaire, interview, group discussion, document review and personal observation to make the study more reliable and vibrant.

The key role played by the private sector in spurring economic development, often referred to as "engine of growth", has since long been common knowledge. Private sector development (PSD) has thus received increasing attention by policy-makers in the developing world and by the development community alike. In this context, the privately owned hotels economic contribution also has been enormous in different ways. Enabling the private sector to participate in the nation's economic plan would be extremely important it is just because of without the involvement of the private sector any measurable economic growth could not be attainable.

The privately owned hotels now days become a crucial support for the country's economic development and they proved themselves to contribute from 1.7 % to 3.7% share to GDP and the hospitality sector also tackles basic economic needs for its employees and their dependents on the other hand the sector flourishes by meeting its customers' demands in one way or another.

The employees of privately owned hotels are happy to stay in the industry quite a number of years ahead and guests of the hotel are very happy to pay for the service they received.

Guests of the hotels are business travelers who came for other objectives to the country which possibly spend some more money during their stay.

Employees and Employers have a win - win business relationship which is a good element for customers and the business at large. The sector is enabled in creating job opportunities and minimizes unemployment rate, tackle cost of living to those people around them, hotel business had been a means of skill development to employees through training and experience, the sector also plays in building image of the country and encourages or attracts visitors, companies, international conferences to Ethiopia, it is also a means of generating foreign currency to the nation's economy which is important to maintain the country's trade balance, the other contribution to the country is tax income generation due to salary income tax, indirect taxes like VAT, sales tax, profit tax etc.

The hospitality industry in general has also shortcomings like not competent policy makers, lack of skilled man power, high turnover rate, brain drain in the industry, lack of quality products for luxury hotels in domestic market, long bureaucracy in customs office to import items, infrastructure problem like power outage, internet connection, wifi unavailability. Another problem stated was escalation of construction and renovation costs, owners' interference to the operations etc.

The important hotel features and services most guests looking for are hotel safety and security, hotel cleanliness, fitness center, swimming pool, parking lot, recreation center, high speed wireless internet connection, hotel staff loyalty, prompt complain handling system, options for pillows and for mattresses, and location/proximity to the most business destinations/.

5.2. Recommendations

Based on the findings of the study the following points are the possible recommendations:

- As the demand for hotel facilities and accommodation increases in the country, some amount of money generated from the sector should be reinvested to the hotel industry to grow and bring large revenue in the long run.
- The government should review the remuneration scale to involve highly skilled and highly paid people to engage to the hotel industry so that they can solve problems and communicate with the same level of their counterpart in international level of investors, they should also visit world class hotels and should take part in related international conferences abroad.
- International level of hospitality training center should be in place and standard curriculum and syllabus design must be mandatory and traditional ways of serving guests should be avoided.
- Local market for the hotel's products and services should get incentives to provide hotel facilities from abroad and the government should support and encourages them.
- As hotels play image building to the country, the communication elements like internet connections must be improved at least in the areas of four and five star hotels locations.
- As construction and renovation costs are expensive in the country, bank loan should be granted to the sector.
- Safety and security is an issue that most hotels should think thoroughly, and it must have to have a trained and dedicated security people who also have hospitality service attitude should be available.

- Investors should think in constructing hotels different in nature like casino hotels, Boutique hotels, Executive hotels so that to look another market.
- Private hotel owners should think their company as institutional structure for the long run and trying to expand their business in neighboring countries and should create their own brand.

5.3. Implication for Future Research

This research dealt with different parametrical hypothesis to analyze the contribution of privately owned hotels specifically the four and five star hotels in Addis Ababa to the development of tourism and to the country's economic growth, however the researcher recommends further study in this area by identifying different variables in relation to tourism industry vis-à-vis hotels contribution by incorporating three star and two star hotels to reflect the inclusive economic growth from the hotel industry.

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Appendices

Addis Ababa University

Faculty of business and economics

Department of Public administration and development management

(Questionnaire for Sample Hotels)

Dear Respondent,

My name is Henok Mitiku. I am a post graduate student at Addis Ababa University School of business and economics. For my Master's study, I am examining the role of private sector role in the economy in the case of privately owned hotels in Addis Ababa.

As the study scope focus primarily on four and five stars hotels in Addis Ababa. I am inviting your hotel to participate in this research to complete the attached survey.

This questionnaire is intended to gather information about the contribution of the hotel industry to the country's economy in general. I can assure you that any information that you provide in this questionnaire will be kept confidential and only be used for academic purposes. And note that this is not a test. There are no write and wrong answers, if you do not find the answers that's fits exactly, please mark the one that comes closest.

Your genuine response is highly valuable and very supportive for the study and there are no identified risks from participation in the survey. The survey is anonymous. Participation is completely voluntarily. It will take you approximately 15-20 minutes of your time to complete filling this questionnaire. Please answer all questions as truthfully and objectively as possible and return the questionnaires promptly to me.

Thank you in advance for your kind cooperation and precious time.

Sincerely,

Henok Mitiku

Cell phone: +251911-666218

Email: h5m62000@yahoo.com

PART I: Closed ended questionnaires

The following statements relate to your general feedback about the hotel industry and its outcome for employees and the country at large. For each statement, please show the extent to which you believe the exact response you may have, Please tick () the boxes applicable to you.

No	Questionnaire items	Measurement scales				
		Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
1	Hotels' contribution to the country's economy is important.					
2	Employees of your company are able to tackle basic economic needs.					
3	Employees of your company are able to meet your guests' demands.					
4	Employees of your hotel are happy to stay in the hospitality industry quite few years ahead.					
5	Guests of the hotel are happy to pay for the service they received.					
6	Guests of the hotel complain / comment about the money they spent against the service they received.					
7	Most guests of the hotel are tourists.					
8	Most guests of the hotel are business					

	travellers.					
9	Guests of your hotel are satisfied by the service you provided.					
10	Your company and employees have a win – win business relationship and understand the outcome of your hotel’s contribution.					
11	There is a lot to be done in the industry in general.					
12	There are different problems not to get optimum economic growth from the sector.					
13	Your hotel provides almost everything that your guests want to have during their stay.					
14	Your hotel has a fulfilled requirement that is pertinent to the operation.					
15	The hotel performing the business without any government policy intervention.					

PART II. Open ended Questions

1. In What way your hotel contributes to the country's economy?

2. How many employees do you have?

3. Can you please state some of the problems you encountered in the hospitality industry

4. Could you please identify most guests favored hotel features and services they are looking for?

5. What should be done in order to develop the hotel industry in general?

6. If you wish to add any important points to the scope of the study

Addis Ababa University

Faculty of business and economics

Department of Public administration and development management

(Questionnaire for Ministry of Culture and Tourism)

Dear Respondent,

My name is Henok Mitiku. I am a post graduate student at Addis Ababa University School of business and economics. For my Master's study, I am examining the role of private sector role in the economy in the case of privately owned hotels in Addis Ababa.

As the study scope focus primarily on four and five stars hotels in Addis Ababa. I am inviting your hotel to participate in this research to complete the attached survey.

This questionnaire is intended to gather information about the contribution of the hotel industry to the country's economy in general. I can assure you that any information that you provide in this questionnaire will be kept confidential and only be used for academic purposes. And note that this is not a test. There are no write and wrong answers, if you do not find the answers that's fits exactly, please mark the one that comes closest.

Your genuine response is highly valuable and very supportive for the study and there are no identified risks from participation in the survey. The survey is anonymous. Participation is completely voluntarily. It will take you approximately 15-20 minutes of your time to complete filling this questionnaire. Please answer all questions as truthfully and objectively as possible and return the questionnaires promptly to me.

Thank you in advance for your kind cooperation and precious time.

Sincerely,

Henok Mitiku

Cell phone: +251911-666218

Email: h5m62000@yahoo.com

PART I: Closed ended questions

The following statements relate to your general feedback about the hotel industry and its outcome for employees and the country at large. For each statement, please show the extent to which you believe the exact response you may have, Please tick () the boxes applicable to you.

No	Questionnaire items	Measurement scales				
		Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
1	Hotels in Addis Ababa have a huge contribution to the country's economy.					
2	Hotels in Addis Ababa are capable of serving tourists of the country satisfactorily					
3	Most of hotels in Addis Ababa have a very good place to stay to incoming tourists					
4	Related government policy is favorable to the hospitality industry in general					
5	The existing policy of the government attracts investors to the country allow them to invest in the hospitality industry.					

PART II. Open ended question

1. How incoming tourists of the country express hotels in Addis Ababa?

2. Do tourists enjoy their stay in the Country? How?

3. What are the elements most tourists looking for from hotels in Addis Ababa?

4. How four and five star of Addis Ababa hotels capable of serving incoming tourists?

5. What are the major responsibilities of Ministry of Culture and tourism in relation with hotels?

6. If you wish anything to add in relation to the topic

Addis Ababa University

Faculty of business and economics

Department of Public administration and development management

(Questionnaire for Ministry of Finance and Economic Development)

Dear Respondent,

My name is Henok Mitiku. I am a post graduate student at Addis Ababa University School of business and economics. For my Master's study, I am examining the role of private sector role in the economy in the case of privately owned hotels in Addis Ababa.

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PART I: Closed ended questions

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No	Questionnaire items	Measurement scales				
		Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
1	Privately owned hotels in Addis Ababa have a significant role to contribute to the economy					
2	Four and Five star hotels in Addis Ababa have a capacity of serving their guests satisfactorily.					
3	The country's economy is in its increasing stage from the hospitality industry					
4	The sector has a favorable policy doing business without any government intervention.					
5	Improvements required developing the sectors contribution.					

PART II. Open ended questions

1. What are the indicators of the country's economy that could be generated from privately owned hotels in Addis Ababa?

2. What could possibly the country maximizes to attain economic growth from the sector?

3. What are the problems associated with the hospitality industry in general?

4. What are the convenient policies to the sector to attract foreign direct investment?

5. How is the sector performing against the country's economic movement?

6. If you wish anything to add in relation to the topic

Addis Ababa University

Faculty of business and economics

Department of Public administration and development management

Structured check list for focus group discussion and interview

(For Travel agents, Economist and Experienced hotel guests)

1. In what way private hotels economic contribution expressed?
2. As per your experience, what are hotel features most guests looking for?
3. How is related government policy support the sector?
4. Discuss Hotel employees and their economic needs?
5. Discuss the bottlenecks of the hospitality industry?
6. Discuss on ideas how to get the optimum economic growth to the sector
7. Discuss related issues how to look another market to maximize revenue to the sector?

Declaration

The thesis entitled “The Role of Private Sector in the Development of the Tourism Industry: The Case of Privately Owned Hotels in Addis Ababa” is my original work. It has not been presented for any university or college and that all sources of materials used for the thesis have been duly acknowledged.

Henok Mitiku

Teferi Regassa (Ato)

Advisor

Addis Ababa

May 2015