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A Study on the Factors that Affect the Hotel Investments in Gondar Town

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ABSTRACT

Hotel investment increases the productive capacity of an economy. It is very important to utilize unattached resource to create job opportunity for citizen, to increase foreign currency through imports substitution, export promotion of a nation and facilitate the communication and cultural exchange of society. The main purpose of this study is to assess the factors that affect the hotel investment in Gondar Town. Descriptive research design and Non-probability sampling technique was used, self-developed questionnaire was the main data collection instruments. The data gathered from the questionnaire was analyzed using descriptive statistics such as tabulation, frequency and percentage. The findings of the study reveals the factors that are affecting hotel investments are implementation of rules and regulations of the government periodically, Shortage of credit/finance, High tax rate as well as uncertainty in the tax policies of the government, Poor quality of infrastructure facilities in the town and shortage of raw materials for involving in hotel construction activities. Hence, the government and policy makers have to pay special attention on the listed factors for resolving the issues and encourage investors to invest in the hotel businesses in Gondar town.

Keywords: Hotel, Investment, Hospitality, Hospitality Industry

1. INTRODUCTION

Investment is one of the key elements of economic development activities of a country. More the investment activities in a country more are the potentials for economic development. Investment has a connotation of long a term holding period in contrast to speculation that is the purchase of asset seeking profit from short-term price movements (Frank,K,Reilly, 2008).

'Hospitality Industry' refers to the company or organizations that are responsible for the basic needs of customer food or drink and accommodation to people who are away from home (Murray, 2009).

Hotel investment is an act of laying out money or capital in an enterprise with the expectation of profit (Michael and Richard, 2001). The Hotel investment prospects of Global level, improvement of living standards of the population, big global hotel chains entering the local market, have caused intensive development of hotel services and a necessity to improve their quality to match the world standards (Kottler, 2004). Hotel investment increases the productive capacity of an economy. It is very important to utilize unattached resource to create job opportunity for citizen, to increase foreign currency through imports substitution, export promotion of a nation, and facilitate the communication and cultural exchange of society.

In Ethiopia, there is huge amount of resources that are of ineffective utilization because of low level of income; and it is difficult for the determination of hotel investments as successful. It is

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also necessary to deal with the market characteristics and market conditions whenever we deal with hotel investment. In many cases even though the market is profitable fearing the risk, it involved market business man for a part from the sector and the study would try to find out some of the sector and the basic problems for low hotel investment activity (Suzzette, 2011).

Gondar Town is in development path in different sectors; still the town is suffering from having international hotels and providing international accommodation service standards. The Town is not able to attract more private hotel owners due to different reasons and the existing hotels do not perform well as per the international hotel standards. It clearly shows that the hotels are not having sufficient contribution to hospitality industry. Hence, this study aims to identify the factors that affect the hotel investments in Gondar town.

2. MATERIALS AND METHOD

STUDY DESIGN AND SAMPLING PROCEDURE

Descriptive study was conducted from April to June 2019 in Gondarcity, Amhara state, Northwest Ethiopia. According to the data obtained from Ministry of Culture and Tourism office of Gondar town, in the year 2019 there are 36 hotels. Since the study population is small in number, the researcher selected all 36 for the study employing purposive and convenience sampling technique

DATA COLLECTION AND ANALYSIS

The researcher has collected data from the primary sources using the research instruments such as questionnaire from the investors and managers of the hotels in the Gondar town. Data was analyzed using Descriptive statistics (frequency, means and percentages) from all participants for the factors affecting hotel investments in Gondar town

3. RESULTS & DISCUSSION

SOCIO-DEMOGRAPHIC CHARACTERISTICS

SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

VARIABLES	FREQUENCY	PERCENTAGE %
SEX		
Male	26	96.29%
Female	1	3.703%
AGE		
18-25	-	
25-30	3	11.111%
30-35	6	22.222%
35-40	8	29.629%
40-50	9	33.333%
Above 50	1	3.703%
EDUCATION		
Illiterate	-	
High school	3	11.111%

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Higher secondary	7	25.925%
Diploma	8	29.629%
Degree	4	14.814%
Masters	3	11.111%
Others	2	7.407%

TABLE NO 1

The questionnaire were distributed to the investors they are most probably the owners of the hotels, in some cases the managers of the hotels are the ones who actively involved in this activity on behalf of the owners/investors. From the 36 questionnaires distributed, 27 questionnaires are duly filled and returned. The rest 9 are unreturned. Hence, it is not included in the study. According to their response in the Table-1, it clearly states that the majority (96.29%) of them are male respondents, the majority (33.333%) respondents' age group falls under (40-50 years) and the majority (29.629%) hadat least Diploma level of educational qualification.

FACTORS AFFECTING HOTEL INVESTMENT ACTIVITIES IN GONDAR TOWN

VARIABLES / FACTORS	RELATIVE AGREEMENT									
	STRONGLY AGREE		AGREE		NEUTRAL		DISAGREE		STRONGLY DISAGREE	
	F	%	F	%	F	%	F	%	F	%
Implementation of rules and regulations of the government periodically	22	81.481%	3	11.111%	1	3.703%	1	3.703%	-	-
Lack of working place / Land	4	14.814%	7	25.925%	2	7.407%	8	29.629%	6	22.222%
Shortage of credit / finance	12	44.444%	8	28.629%	2	7.407%	5	18.518%	-	-
High tax rate	25	92.592%	2	7.407%	-	-	-	-	-	-
Uncertainty in the tax policies of the government	25	92.592%	2	7.407%	-	-	-	-	-	-
Poor quality of infrastructure facilities in the town	23	85.185%	4	14.814%	-	-	-	-	-	-
Shortage of raw materials	18	66.666%	6	22.222%	-	-	3	11.111%		

TABLE NO 2

From the information's that are stated in Table-2, the majority of the investors strongly agree that there are problems/hindrances for the hotel investment activities. They are implementation of rules and regulations of the government periodically (81.481%), Shortage of credit/finance (44.444%), High tax rate (92.592%) as well as uncertainty in the tax policies of the government (92.592%), Poor quality of infrastructure facilities (85.185%) in the town and shortage of raw materials(66.666%) for involving in construction activities. Hence, all these major hindrances prevail them not to involve in investment activities in Gondar town. The government nationally as well as regional offices must provide keen attention to these issues and provide necessary facilities and services to the investors so that they can actively take part in the investment

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businesses. The majority disagree (29.629%) and strongly disagree (22.222%) for the land availability related factors as it is evident that there are plenty of free lands are available for the hotel construction purposes in Gondar town

4. CONCLUSION

The study on the factors that affect hotel investments in Gondar town was very productive, the major factors that are hindering the investment activities lies from the government side. Hence**,** the national and regional government should resolve the existing problems and encourage hotel investment activities for investors as Gondar town in one of the most popular tourist destinations in Ethiopia.

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