**ASSESSING THE CHALLENGES, PROSPECTS AND OPPORTUNITIES OF HOTEL INVESTMENT: IN THE CASE OF DEBARK TOWN.**

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**A RESEARCH PROPOSAL SUBMITTED IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS OF BACHELOR OF ART DEGREE IN TOURISM AND HOTEL MANAGEMENT**

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# Chapter One

# 1. INTRODUCTION

## 1.1. Background of the study

Tourism is a big industry comprising many sectors such as accommodation, food and beverage services, recreation and entertainment, transportation, and travel services. Each of these sectors contributes to tourism development in various destinations, and has different structures, and performances. According UNWTO (2013), hotel investment in the world is become increase steadily year to year. Germen is one of the leading countries in the world in investment of hotel and other related Tourism sector. The investment to Hotel investment in Africa, Economic literature has suggested that small businesses are an important source of economic development and an important link to entrepreneurial activity, innovation, and job creation (Acs, 1992; Audretsch, 1995; Thurik&Wennekers, 2001).However, in our countries, the hotel and restaurant sector is separately analyzed as being the one closely related to tourism, being also statistically separate from the others. According to the survey of MOCT (2013) the stock of hotels in Ethiopia has increased sharply over the last few years. So tourist accommodation is available as the major attraction, improvement as well as new construction are taking place. In line with this, scrotal distribution of outstanding loans of the banking system in Ethiopia indicated that credit to hotels sector accounted for an insignificant amount of 2% in (2010) and 1.85 percent in (2011). The hotel industry is currently a multi-billion dollar industry in the world employing millions of people. The services that are given in the industry are vital for the development of the industry by creating adequate hospitality to tourists or business people that may visit a certain country For a country to exploit this resource, it needs to have highly qualified and up to the standard hotel facilities and impeccable service.

Therefore, the challenges and opportunities of hotel investment improvements of the banking system in extending credit services would be helpful for the hotel sector but in the case of Debark no such serves so we take as main challenges hotel investments (Ibrahim, 1987).

## 1.2. Statement of the Problem

Investment is the act of investing or state of being invested and a placement of capital in expectations of deriving income or profit for its use. Hotel investment is an important type business in order to develop one’s country economy, job opportunity, living standard and GDP increase Tamrat Mola (2015).The overall objective of investment is broad base that actually incline towards the development of their country. In other word it facilitates and enhances the socio-economic development of the country. In line to this the potential resources should have to be evaluated in a given country for the investors who want to participate in investment activities. Ethiopia has endowed with abundance natural resources and “still untouched” as well as human resource. In this regard Ethiopia has high opportunities for development by different types of investment sectors. Despites of these opportunities there are so many factor that hinder the development of Hotel investment industry in Debark town. For example; Infrastructure Deficiencies, Political and Economic Uncertainity, Market Factors, Environmental Concerns, and Lack of Skilled Labors. In contrast hotel investment in some part of Amhara regions such as Gondar city and Bahir Dar are the symbol of the investment at hotels MOCT (2015).The hotel investment in the Debark town and its opportunities are poor, it typically has some challenges, Therefore, the researcher fill these gaps and identify the challenges factors and the opportunities investment in Debark town.

## Objective of the Study

### General Objective of the Study

The general objective of the study will be assessing the Challenges, Prospects and Opportunities of Hotel Investment In case of Debark Town.

### Specific Objective of the Study

In order to achieve the general objective the study includes the following specific objective

1. .To identify the challenge that affect hotel investment in Debark town.
2. To investigate the opportunity of hotel investment in Debark town
3. To identify the prospects of hotel investment in Debark town

## Research Question

1. What are the major challenges of hotel investments in Debark town?
2. What are the opportunities of hotel investment in Debark town?
3. What are the prospects of hotel investment in Debark town?

## 1.5. Scope of the Study

The study will be carried out in Debark town. In general this study will focus on challenges, prospects and opportunity of hotel investment and practice. In order to manage the study properly and effectively, deciding its scope is important. This study will be delimiting in investigation assessment of challenges ,prospects and opportunity of hotel investment in Debark town**.** Because of time and other resources required for data collection, the study covers only Debark town. The researcher chooses the above listed research areas because of its proximity to collected data to conduct the research. The study will collect the data by interview and questionnaires.

## 1.6 . Significance of the Study

The study will be significant in clearly showing the assessment of challenges and opportunity of hotel investment in Debark town. The findings of the study will be many vital roles for different stakeholders of tourism. Conducting this research will help to know who is responsible for developing Hotel investment and responsible for those challenges to develop it. Government will be the first beneficiary body from this research because it can adjust policies with respect to some hotel investment through some findings of this study. Tourism organizations will be the second body that will be benefited from this study through understanding of those challenges and opportunity of hotel investment. The third, and most benefited will be stakeholders from the local communities in such a way that the study will determine how they will be organizing and benefit from it. So the study will help different stakeholders to work together. Finally academicians, researchers, and other bodies would use the study as a reference of their further study or enhancing their body of knowledge.

## Organization of the Study

The study organized into like chapters the first chapter class includes: background of the study, statement of problem, objective of the study, research question, significance of the study, scope of the study and organization of the study. Chapter two includes the literature review about customer relationship management. Chapter three deals with research methodology which include research design, sample size and sampling techniques data source and collecting method and method of data analysis. Chapter four includes time and budget breakdown.

* 1. **Definition of Terms**

**Hotel;** a hotel is an establishment that provides paid lodging on a short term basis. Facilities provided inside a hotel room range from a modest quality mattress in a small room to large suites with bigger, higher-quality beds, a dresser, a refrigerator, and other kitchen facilities, upholstered chairs, a flat-screen television, and en-suite bathrooms.

**Investment;** Investment is defined as the commitment of current financial resources in order to achieve higher gains in the future. Also, Investment can be defined as an asset or item acquired with the goal of generating income or appreciation over time.

# Chapter Two

# 2. LITERATURE RELATED REVIEW

## 2.1. Hotel Definition:

“**Hotel** is an inn prepared according to law regulations in which a guest can find appropriate accommodation, food and other services for a certain fee”. British law defined the hotel as "a place in which traveler receives accommodation and food for a specified payable price” (Ibrahim, 1987). Webster (2001) defined hotel in his dictionary, New Collegiate Dictionary "as a building or an institution which supplies public with accommodation, food and service”. While “Marcel Gate", who is a professional French researcher, has defined the hotel as "services aimed to provide suitable conditions for the public - sleep and food”. James and John defined hotel in their book (Travel and Lodging Law) as “an organization that provides accommodation and food to a guest for a certain price in return" (UNWTO, 1985)

## 2.2. The Definition of Investment

**Investment** is, without doubt, one of the primary engines of growth in all economies (UNCTAD, 2002). The term investment is a thing worth buying because it may be profitable or useful in the future. According to the definition of investment in the Turkey-Netherlands BIT is broader and follows the typical formulation.

Article 2(b) of the Turkey-Netherlands BIT provides (Malik, 2009): (b) "Investment" means every kind of asset such as equity, debt, claims and service and investment contracts and includes:

* Tangible and intangible property, including rights such as mortgages, liens and pledges;
* Shares of stock or other interests in a company or interests in the assets thereof;
* A claim to money or a claim to performance having economic value and associated with an investment;
* Industrial property rights, including rights with respect to patents, trademark, trade names, industrial designs and know-how and goodwill and copyrights;
* Any right conferred by law, and any licenses and permits pursuant to law. Tourism investment refers to any investment that expands and upgrades a country's product, service and/or experience offered to tourists (Framework Guide to Facilitate Tourism Investment in Australia, 2011). It includes domestic and foreign private sector investment in infrastructure, products, services and experiences, used by, or related to the tourism activity.

This investment can be in both private and public land (national and state parks, reserves, indigenous, cultural and historic sites), buildings, infrastructure, products, services and experiences. Investment is also considered to include issues at the development stage which would affect investment decisions. Example, the investment may relate to products and services that include: short-term accommodation (e.g. hotels, guest houses, motels); tourist facilities (e.g. entertainment, recreation, centers and cultural activities); and other ancillary services (e.g. retail, food and beverage, transport and other services used by both visitors and residents) (the Allen consulting group, 2011).

## 2.3. Challenges of the Hotel Investment

For regional branches, other business organizations and special interest groups that have been attracting a growing number of delegates to the country each year. Conference tourism has great Shortage of accommodation in the regions is one of the main impediments even 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 the presence of many international organizations such as the headquarters of the African Union and the United Nations Economic Commission for Africa) in Addis Ababa (Ibrahim, 1987).

Debark town is being a business center and a conference venue, is crowd to annual conferences potential to grow and is poised to gain greater significance due to the development of several top hotels in Debark 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 (Jonathan, 2009).

Human resource development is another issue. Training staff is one thing but retaining the trained staff is also another concern. Other tourism-based counties such as UAE attract the trained/ skilled workers with better working conditions. Brain drain is a problem observed in other sectors, too ( Kifle , 2012).

Stable supply of quality agro-products is important for both hotel/tourism. Although, the hotels would like to purchase agro-products from local suppliers, the buying and selling does not go through due to the lack of reliability of supply and the quality of the products in Debark town. Some business chances are missed due to the low quality of packaging. Despite their intention to purchase from the local market, the hotels import some goods from abroad because good quality packaging is important for the luxurious image of hotels.

The banks in Ethiopia normally require expensive collateral, which should have to cover for loans. Therefore, many of them have difficulties to get loan in Debark .Yet in Debark Credit card services are not widespread and where they are available, the interest charged is prohibitive. This should be solved quickly to attract international tourists. Also, the restriction on the possession of domestic credit cards for foreigners and corporate bodies is an impediment for the hotel and tourism business because payment by credit card through internet is often required nowadays (Felsenstein, 2007.) .

The limitation of the location where tourists can exchange their traveler’s check and the control over the exchange of Birr to foreign currency is troublesome for tourists, as well. This drastically limits their purchasing power (Embassy of Japan in Ethiopia, 2008).

The process of customs is not efficient and burdensome for hotels. The hotels have to go to 13 different offices to get permission to import goods and the duration of the process varies from 1 day up to 6 months depending on the personnel in charge (Ibrahim, 2013).

The negative image of Ethiopia as a country of poverty and starvation prevents it from being a tourism destination. Also, the hotel industry as well as the tourism industry is affected directly by security issues. Deterioration of security can damage the industry seriously. The situation with Somalia, Eritrea, Egypt and Sudan are the big concerns for the industry at the moment quality of this resource to the products of the enterprise or ensuring the productivity for the best interest. Some challenges for hotel investment in Debark town are as follows;

* **Limited Accesssibility;** Debark is relatively remote, with limited road infrastructure and a small airport with infrequent flights. This can be a barrier for some travelers.
* **Competition;** Ass Debark attracts more tourists, competition among hotels could increase, requiring careful market positioning and differentiation.
* **Infrastructure Development;** Debark requires further infrastructure development, including improvements to roads, electricity, and water supply to support a growing hotel investment.

## 2.4. Opportunity of the Hotel Investment

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 would therefore be volatile in their profit levels (Singh, 2003)

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, expanse (Freeman, 1997).

Hotel investment was considered as an investment in an operating business and its' real estate character was not considered unique. However, with the advent of real-estate driven hotel investment, other motives for hotel investment start to surface. For example, the aim of protecting or realizing property rights on the land on which a hotel is built can serve as a motive for hotel construction. Thus, it has become increasingly difficult to view hotel investment as simply a form of investment in an operating business World Bank Group and Ministry of Culture and Tourism (2012).

**2.5. Prospects of Hotel Investment**

Debark is the gateway to the Simien Mountains National Park, a UNESCO World Heritage Site known for its unique biodiversity and stunning landscapes. This park attracts increasing numbers of adventure and nature-loving tourists. Currently, there are limited hotel options in Debark, which presents an opportunity to cater to the growing demand from tourists visiting the Simien Mountains. Ethiopia is actively promoting tourism development, including in regions like Debark. The government might offer incentives or support for hotel investments. Debark retains a strong sense of traditional Ethiopian culture, offering visitors an authentic experience beyond and the major tourist hubs.

The prospects for hotel investment in Debark town are promising, it requires careful consideration and planning. Some of crucial aspects to address are;

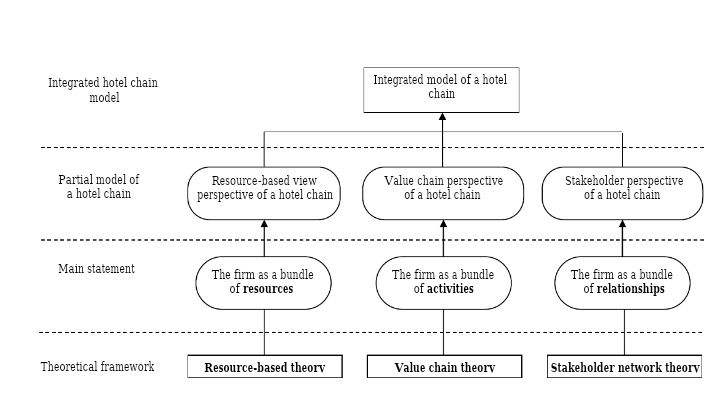
* **Target Market;** Identify the specific type of tourist you will target (e.g., adventure travelers, nature enthusiasts, budget-conscious backpackers) and design your hotel accordingly.
* **Sustainability;** Embrace sustainable tourism practices to minimize environmental impact and promote responsible tourism in a sensitive natural area.
* **Financial Planing;** Carefully analyze the financial feasibility, considering factors like construction costs, operating expenses, and potential revenue streams.

Hotel investment in Debark town, presents both opportunities and challenges. With careful planning, targeted marketing, and commitment to sustainable development, it can be viable investment option for those seeking to capitalize on the growing tourism potential of the Simien Mountains region.

## 2.6. Demand for Hotels

A relative increase of investment is recently observed in the hotel & tourism sector. The hotel industry consists of many different services, including accommodation, restaurants, and cafes 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 The Embassy of Ethiopia in Washington (2012). 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 (Mihalic, 2007). The total number of international tourists arriving in Ethiopia is steadily increasing. As the gateway of all international inbound, outbound and transit tourists/ passenger.

**2.7.Conceptual Framework**



# Chapter Three

# 3.RESEARCH METHODOLOGY

## 3.1.Description of The Study Area

Debarq also spelled Debareq and Debark, is a town in the northern Ethiopia, 90 kilometers north-east of Gondar on the highway between Gondar and Axum, and is in the Simien Gondar zone of the Amhara Region. It is a latitude and longitude of 13°08′N 37°54′E and an elevation of 1850 meters above the sea level. Debark is located on the western foothills of the Simien Mountains, and nowadays serves as a starting point for the hiking tours to the Simien Mountains National Park.(Ethiopian Roads Authority, Gondar-Debark road project: Review of Environmental Impact Assessment, February 2007,p.13)The town is important for communication, trade and growth center situated at distance of 830 km from Addis Ababa. As the national census report in 2015 a total population for this district consisted of 15901930populations. (National census report 2015).

## 3.2.Research Design

The study will focus on the challenge and opportunity of hotel investment activities in Debark town. So, we will use cross-sectional descriptive design because this type of research design help to describe some aspect of phenomena in depth and help to describe the hotel investment in the area and identifying the major challenges and opportunity of hotel investment in Debark town.

## 3.3. The Target Population

The target populations of this study are tourism office, investment office, and investors.

## 3.4. Sample Techniques

The researchers will use non-probability sampling method through purposive sampling method because this type of sampling method is effective, easy and help to require advanced knowledge of the complex populations. So, the researchers based on their responsibility linked to hotel investment these respondents are; Tourism office, Investment office and Investors for the study because of large population and time shortage of the study area.

**Sample size**

So, the researchers decided to select 42 respondents. The researchers will be take 14 respondents from tourism office, 16 respondents from Investment offices, and 12 respondents from investors that found in Debark town.

According to Yamane (1967), assuming a normal distribution, a sample size for an academic purpose can be determined as:



Whereas: **n** = no. of samples,

**N** = total population,

**e** = error margin / margin of error Confidence level of 90 present (which will give us Margin of Error of 0.10)

N = 212732

E = 0.1



**212732/1+212732\* (0.1)\*(0.1)**

**n = 99**

# The population of the study will be 212732 participants, after calculating each population to decide the sample size there will be 99 participants selected for data collection process. Out of 99 samples 57 questionnaires will be distributed and 42 interviews are conducted by selecting randomly from each respondent

Table 1

|  |  |  |  |
| --- | --- | --- | --- |
| No | Respondents | Sample size | Percentage |
|  | Investment office | 16 | 29% |
|  | Culture and tourism office | 14 | 26% |
|  | Investors | 12 | 24% |
|  | Total | 42 | 100% |

Source; researcher survey, 2019

## 3.5. Methods of Data Collection

The study was essentially based on primary data and secondary as main sources of information. Primary data collected by employing focus questionnaire survey and key informant interviews. In terms of secondary data collected from relevant offices and literature review are made.

**Primary Data**; beside the other means to collect all the relevant information towards the study, the researchers collect the primary data from different direct source both interview and questionnaires in order to catch the necessary information for the accomplishment of the study.

**Interviews Survey**

The researchers will be use source of data collection method such as, interview in different place door to door interview because the researchers wants to meet directly with the informants. The researchers conduct the interview for all the targeted population (for culture and tourism office, and investment office) in order to enforce the data gathering from the questionnaire. The interview can pursue in depth information around the topic.

**Questionnaire Survey**

For data the relevant primary data collection, the researchers will be use questionnaires select in order to save the respondent‘s time and to make respondents free in giving their idea and suggestions. The researcher will be use questionnaire in order to collect the relevant information on regarding their attitude towards the community.

**The secondary data;** has been gather from related written book materials, previous research papers and studies which are essential to the research. Such as collected from different secondary source like: different research paper, and on line books. This data collection instrument helped the researchers to get concrete and valuable data from the researchers subject that identify in the research.

**3.6. Method of Data Analysis**

The researchers will be use quantitative and qualitative approach to assess the challenges, opportunities, and prospects of hotel investment; the researchers will be use qualitative and quantitative statistics. Description of the data will collected by tables, percentage, and may be graph and chart, after having data analysis corresponding interpretation is making. The interpretations were focused on the result to issues under considerations.

**Chapter Four**

## 4. TIME SCHEDULE AND BUDGET BREAKDOWN

## 4.1. Time Schedule/Work Plan

Table 2:Time Schedule

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| No | Activities | Month | | | | | | | | |
| May | June | July | Aug | Sept | Oct | Nov | Dec | Jan |
| 1 | Title selection |  |  |  |  |  |  |  |  |  |
| 2 | Proposal writing |  |  |  |  |  |  |  |  |  |
| 3 | Proposal submission |  |  |  |  |  |  |  |  |  |
| 4 | Presentation of proposal |  |  |  |  |  |  |  |  |  |
| 5 | Data collection |  |  |  |  |  |  |  |  |  |
| 6 | Data processing and analyzing |  |  |  |  |  |  |  |  |  |
| 7 | Report writing |  |  |  |  |  |  |  |  |  |
| 8 | Paper submission |  |  |  |  |  |  |  |  |  |
| 9 | Presentation |  |  |  |  |  |  |  |  |  |

## 4.2.Budget Break Down

Table 3: Materials and activities schedules for the study

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No | Items | Unit | Quantity | Unit cost(ETB) | TOTAL |
| 1 | Duplicating paper | Ream | 5 | 200 | 1000 |
| 2 | Pencil | Number | 8 | 3 | 24 |
| 3 | Flash disk | Each 32 GB | 1 | 400 | 400 |
| 4 | Transport cost(data collectors) | Each two times/day | 4 | 600 | 2400 |
| 5 | Pen | Packets | 4 | 25 | 100 |
| 6 | Pencil | Number | 5 | 10 | 50 |
| 7 | Stapler | Number | 3 | 30 | 90 |
| 8 | Cost for internet package | Hour | 70 | 10 | 700 |
| 9 | allowance | Day | 4 | 300 | 1200 |
| 10 | Printing proposal paper |  | 5 | 60 | 300 |
|  | Total costs for researchers |  |  |  | 6264 |

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