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THE CONTRIBUTION OF TOURISM POLICY ON ENTREPRENEURSHIP  
DEVELOPMENT IN RWANDA

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A Thesis

Presented to the School of

Postgraduate Studies and Research

Kampala International University

Kampala, Uganda

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In Partial Fulfillment of the Requirements for the Degree

Master of Business Administration

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By:

TUMAINI MANIMBI

September, 2010

## DECLARATION A

"This thesis is my original work and has not been presented for a Degree or any other academic award in any University or Institution of Learning".

TUMAINI MANIMBI

Name and Signature of Candidate



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## DECLARATION B

"I/We confirm that the work reported in this thesis was carried out by the candidate under my/our supervision".

  
Dr. Angelita Pescadero Canene

Name and Signature of Supervisor

\_\_\_\_\_  
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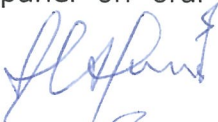
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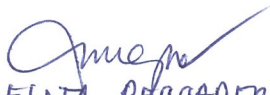
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## APPROVAL SHEET


This thesis entitled " The Contribution of Tourism Policy on Entrepreneurship Development in Rwanda" prepared and submitted by TUMAINI MANIMBI in partial fulfillment of the requirements for the degree of Master of Business Administration has been examined and approved by the panel on oral examination with a grade of PASSED.

  
Prof. Olivier Fungwaya  
Name and Signature of Chairman

  
ANGELITA PESCADERO - CANENE, DPA  
Name and Signature of Supervisor

\_\_\_\_\_  
Name and Signature of Panelist

GUSEYO MUZAMIR SAID  
Asaid  
Name and Signature of Panelist

Malings Ramadhan   
Name and Signature of Panelist

Date of Comprehensive Examination: \_\_\_\_\_

Grade: \_\_\_\_\_

\_\_\_\_\_  
Name and Signature of Director, SPGSR

\_\_\_\_\_  
Name and Signature of DVC, SPGSR

## **DEDICATION**

To my uncle MBANZA B. and his wife

To my dearest parents: Tharcisse B. and Euphrasie M.

To my loving brothers Kalinda, Frank, Audri and Edwin; and sisters Sonia and Nelly

To my uncle Basomingera and aunts: Faina, Yvonne and Rose.

To all my cousins

## **ACKNOWLEDGEMENTS**

My Master study at Kampala International University was sponsored by my uncle Mr. MBANZA Boniface. His financial and material contributions are greatly acknowledged.

I deeply thank my Supervisor, Dr. Angelita P. Canene from Kampala International University for her invaluable and enthusiastic guidance that led me to the successful completion of this study. Her constructive and intellectual orientations have been greatly inspiring throughout this study. I gratefully acknowledge the intellectual contributions of all my lecturers at Kampala International University throughout my master study.

I am thankful to all my respondents that assisted me during the whole process of data collection. I would also like to express my gratitude to Musonera I. for what you have been for me; Mr. NSANA and Tesfahun, both masters' students at Kampala International University for giving me insightful comments on my dataset and for assisting me in reflecting on the SPSS package specifications.

Also, my special appreciation goes to my dear brothers Kalinda V., Ntwari F., and Maboko E. Edwin; my sisters Sonia and Clementine. Their moral encouragement and material support have contributed a lot to make me more confident and ambitious to successfully complete this study. To all my classmates I say thank you for your help in doing course works and exams preparation. And finally, to my friends Nalwoga, Obace and Naijuka I say thank you for your unceasing teachings of English language throughout my stay at Kampala International University.

Best wishes to you all.

## **ABSTRACT**

Tourism is a large industry with many operators such as hotels, companies involved in transportation and tours and because of its complexity; guidelines are required for its sustainability. Investment incentives and financing, capacity building and private sector federation's participation are the strategies of Rwanda tourism policy. The services provided by the tourism industry are low compared to the number of tourist in Rwanda. The study found out the contribution of tourism policy on entrepreneurship development in Rwanda.

The study used descriptive research design. The study population was 71 companies of which 68 managers were purposively selected from tour operators, hotels, travel agencies and academic institution chosen randomly in Kigali city. One validated instrument was used to collect data. Simple percentages, frequency counts and means were used to analyze the data.

Results showed that the tourism industry provide non-financial incentives such as marketing facilities(82.9%), land(90%), basic infrastructures(98%), regular training(64.3%) and getting operational licensing (98.6%); financial incentives such as tax exemption(98.2%), financial schemes provided to entrepreneurs(98.6%) and government guarantee fund(98%). Advocacy, lobbying, capacity building, funding sources facilitation and providing dispute arbitration and business challenge assistance (58.6%) were the private sector federation's contribution to entrepreneurship development in tourism industry in Rwanda. The results also showed that the extent to which private sector federation services affect the success of business in Rwanda was small (88.8%). Limited market, lack of skilled labor force and shortage of water and electricity were the major factors hindering entrepreneurship development in tourism industry in Rwanda. It is recommended that government should provide enabling environment like provision of water and electricity, encourage domestic tourists to fill the gap in low season.

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## **LIST OF ABBREVIATIONS**

BNR:	National Bank of Rwanda
GDP:	Gross Domestic Product
MINICOM:	Ministry of Tourism, Trade and Industry
MINECOFIN:	Ministry of Finance and Economic Planning
NISR:	National Institute of Statistics of Rwanda
ORTPN:	Rwanda Office of Tourism and National Parks
PSF:	Private Sector Federation
RWF:	Rwandan Francs
SPSS:	Statistical Package in Social Sciences
WTO:	World Tourism Organization

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However, this study focused on entrepreneurship development, either directly or indirectly connected to the industry, in terms of environment that is conducive for investment: obtaining business licenses, taxation and other incentives.

### **Statement of the Problem**

In order to achieve vision 2020 goals, it requires Rwanda to grow its economy seven-fold, among which Rwanda tourism industry has a paramount role to play in increasing the service share of Gross Domestic Product (GDP). MINICOM (2006) defines specific aspirations within Vision 2020 that are related to tourism as follows: (i) Rwanda will develop a culture of entrepreneurship; (ii) the country will develop a broad, dynamic and competitive private sector; (iii) Rwanda's private sector's role in investments will increase; (iv) Rwanda's private sector will generate nonagricultural jobs, especially in industry and services, and will significantly contribute to sustainable poverty reduction.

However, in its report MINICOM (2006) states that there is a shortage of hotels of international standards with high comfort, mostly this is observed when international events are held in the country. Furthermore, average comfort hotels with a satisfying functioning are mainly located in the capital City. This type of lodging should be more developed in countryside, near major tourist sites and not only at provinces headquarters. This goes in parallel with poor quality of services offered due to lack of skills and training. It is against this background that the study looks at the contribution of tourism policy on entrepreneurship development in Rwanda.

### **Purpose of the Study**

The main objective of this study was to investigate the factors that impinge the entrepreneurial activities in tourist sector (accommodation, capacity building, etc.) in Rwanda.

### **Research Objectives**

1. To examine various investment incentives and financing in tourism industry in

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **Introduction**

This chapter aimed to bring the entire study into dialogue with the existing body of knowledge, focusing especially on the diverse views about tourism policy and entrepreneurship development. The chapter took a critical approach of the various authors, talked about the ideal nature of policy strategies in entrepreneurial development, how effective and efficient they are.

#### **Concepts, Ideas, Opinions from Authors/ Experts**

##### **Tourism Concepts**

Tourism is defined by Woods, Perry and Steagall (1991) as essentially an export industry that provides domestic services and experiences of domestic resources to foreign consumers in exchange for foreign currency. Instead of staying home and importing goods and services, tourists visit the exporting country and enjoy the experiences and activities on site. Tourist expenditure, therefore, enters directly into the domestic economy through the firms and activities that cater to tourist needs.

In its broadest sense, the tourism industry is the total of all businesses that directly provide goods or services to facilitate business, pleasure and leisure activities away from the home environment. Familiar tourism businesses such as hotels, airlines and tour operators represent only a small proportion of the people employed in the tourism industry or who benefit from it. As the tourist dollars drop down they spread throughout the community and the economy in often surprising ways.

Claims of tourism's economic significance give the industry greater respect among the business community, public officials, and the public in general. This often translates into

decisions or public policies that are favorable to tourism. Economic benefits and costs of tourism reach virtually everyone in the region in one way or another. Economic impact analyses provide tangible estimates of these economic interdependencies and a better understanding of the role and importance of tourism in a region's economy.

Referring to a research done by Thomas (1998) in Australia demonstrates the impact within economy and community when someone goes on a holiday and comes to our destination. He states that, (i) tourists spend dollars on foods, transport, meals, shopping, petrol, accommodation, entertainment and others then; (ii) tourism industry pays for wages, transport, services (water, gas, electricity), food & beverages, store taxes, commissions to travel agents, entertainment, local government rates and charges, repairs & maintenance, merchandise, administrative expenses, advertising & promotion, gift shops, petrol, legal & professional services, rental of premises, capital assets replacements which finally; (iii) benefits restaurants and take away foods, petrol stations, farmers, retail outlets, bakers, travel agents, taxi drivers, cultural organizations, chambers of commerce, manufacturers, company suppliers, gift shops, film developers, artists and entertainers, crafts people, real estate agents, shopping centers, bus and car companies, interpreters, accountants, trucking operators, administrators, Internet and postal services, engineers, pilots, media and marketers, car dealers, builders, banks, wineries and vineyards, plumbers, mechanics, electricians, marine dealers and suppliers, market gardeners, architects, night clubs and last waiters. These benefits can be especially significant in a destination by diversifying the area's economic base and expanding the employment market, which definitely, gains to everyone if properly managed of course.

## **Tourism policy**

Tourism policies have evolved from three distinct phases of development. The first phase, evident prior to the 1960s, took a laissez faire attitude towards tourism focusing on specific markets and sites with little regard to the wider implication of proposals or projects. This phase was referred to as 'hard' tourism. During the second phase, from the 1960s onwards, the social implications of tourism were recognized, hence the name 'soft tourism'. Phase three is a combination of 'hard' and 'soft' tourism and in this phase the public sector actively encourages the private sector to invest in tourism (Frederick and Tekle, 2006)

In 1988 the World Tourism Organization (WTO) indicated that individual countries are required to design their tourism development policy by taking into account their historical, cultural, social and economic conditions. Besides, it stated, "It is generally agreed that greater focus needs to be placed on policies to reduce leakages from the tourism economy and promote linkages with other sectors. Two spheres of policy-related action stand out in this context: (i) strengthening institutional capacities to create an enabling environment for the tourism industry; and (ii) encouraging entrepreneurship and related involvement in the tourism economy, particularly among national stakeholders" (Tourism Africa, 2006).

For this reason, the Ministry of Tourism, in different countries, adopts many policies to counteract hurdle and obstacles which come in the way of the development of tourism in a country. Policies adopted by Ministry of Tourism are aimed at enhancing services and tourism tools to attract as many tourists as possible. This also includes working on Eco tourism projects (Dieke, 2000). Every possible effort is made to set standards as per norms of the World tourism Industry. Tourism policy actually, sets guidelines to determine which specific objectives and actions should be pursued to meet the needs of those in particular destination areas under consideration. Further, in their study Brown and Essex (1989) pointed out that policies are relevant to both the public and private

tourism sectors. Policies in the public sector are more concerned with the benefits of tourism for the community and have to play a more strategic/ coordinating/ leadership role in the development of tourism. In the private sector, policies are designed to give corporate direction for a profit motive, and as such are opportunistic.

As we have stated above, tourism is a wide phenomenon and extends to numerous operators such as tour, accommodation, companies involved in transportation and so on, and all these aspects of tourism have specific objectives relating to their areas of interest, no one group has the overall interest of the total industry at heart.

In addition, though tourism contributes positively to the economy of a country-destination, some of its impacts on the country's socio-economic and environmental landscape are negative, include increased competition with local citizens for scarce resources (e.g. water, energy, foodstuffs) resulting in price inflation, ecological disturbance and noise pollution from vehicles, aircraft and balloons in National Parks and Game Reserves which disturb wildlife, commercialization and adulteration of local cultures, high moral degradation such as prostitution, drug abuse and other forms of anti-social behavior, and the degradation of fragile marine and terrestrial environment.

From the above reasons it seems imperative to put in place guidelines where every operator should conform to, in order to sustain on the achievements. Referring to Erbes (1973) tourism policy can be learned with regard to the following parameters:

- Making the marketing tools and promotional tools strong
- Training personnel
- Product development
- Make the programs act as catalyst in investments by private bodies.
- Propounding projects and programs at the national level.
- Carry out research work for the betterment of the tourism industry.
- Infrastructure development.
- Involvement of local communities.



In brief, in the context of this study policy issue needs to be linked to creating viable and sensible options for financing tourism projects.

## **Entrepreneurship development**

Entrepreneurship is all about attracting new companies, retaining and growing existing companies, or starting new companies. Within these broad categories, government may influence business investment decisions through one or more of four vehicles: 1) Regulatory and permitting policies, 2) Tax and incentive policies, 3) Non-financial assistance, and 4) Direct financial assistance (Evans, Leighton and Linda, 1989).

Further, we refer to an "entrepreneurial environment" as a combination of factors that play a role in the development of entrepreneurship. First, it refers to the overall economic, socio-cultural, and political factors that influence people's willingness and ability to undertake entrepreneurial activities. Second, it refers to the availability of assistance and support services that facilitate the start-up process. The available literature on entrepreneurial environments can be grouped into two broad streams: (a) general environmental conditions for entrepreneurship and; (b) the role of public policy in shaping the entrepreneurial environments.

General environmental conditions discussed in the literature include legal and institutional frameworks for efficient functioning of private enterprises, presence of experienced entrepreneurs, presence of skilled labor force, accessibility of suppliers, accessibility of customers or new markets, high degree of competition among firms, favorable government policies, provision of training and support services, and supportive infrastructure (Vesper, 1980). In addition, the literature suggests that the characteristics of people, their skills, experience, and motivation, play important roles in new venture creation (Udeh, 1999).

Empirical studies of entrepreneurial environments of various countries show that countries that keep rules and regulations at a minimum, offer tax and other incentives, and provide training and counseling services to start-up entrepreneurs increase the likelihood of new venture start-ups (Ottih, 2000). Furthermore, factors such as availability of financial resources, large size urban areas, and presence of universities for training and research are found to be very important to increase the rate of new venture creation (Shaw and Williams, 1998). Nevertheless, factors such as lack of financial assistance, lack of information on various aspects of business, excessive taxation, and high rate of inflation hinder in most cases entrepreneurship development.

Scholars that focused on the role of public policy (Hisrich et al., 2008) suggest several policy options for developing entrepreneurship. These policy options include provision of venture capital funds, tax-based incentives, and government procurement programs; protection of proprietary ideas and innovations; investment in education and research; explicit recognition of, and support for entrepreneurship by government agencies; fostering of entrepreneurship by educational institutions; and minimization of entry barriers.

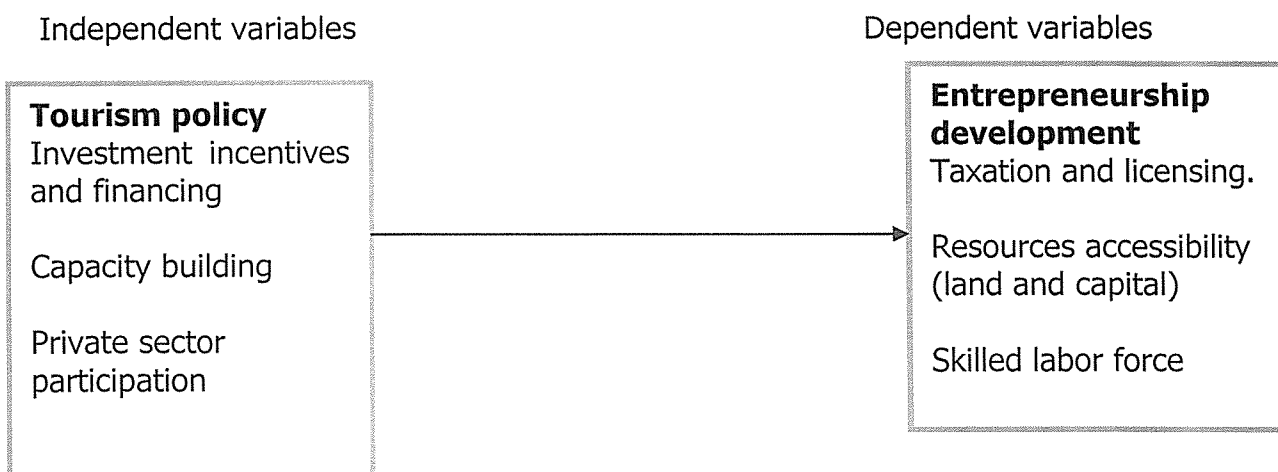
Some commonalities exist among these streams of literature. First, there is agreement among scholars that the more conducive the business environment, the more likely that new businesses will emerge and grow. People will more likely be encouraged and feel competent to start a business when the social environment values entrepreneurship, when various opportunities are available for entrepreneurs, and when they have sufficient knowledge and skills required to start and manage a business. The willingness and capability to start a business may be further enhanced if potential entrepreneurs do not face obstacles during the start-up process and if they are confident that outside expertise could be obtained easily when necessary. Governments both directly and indirectly affect the development of an environment that could support entrepreneurship.

## Private sector and entrepreneurship development

Private sector plays a considerable role to promote both tourism and entrepreneurship in general. It is private sector which bears the major investment risks as well as part of responsibility of satisfying the visitor. The delivery of quality tourism services and providing the customer with value for money experiences are largely private sector responsibilities. Tourism is said government led and private sector driven. Without the private sector contribution, governments with their agencies would be in trouble if not in failure to promoting tourism and entrepreneurship within.

Development of tourism cannot be achieved without close collaboration with the already well equipped private operators (Hisrich et al., 2008). Therefore, tourism policy has a task of helping the private operators in their efforts to undertake activities that support tourism from the visitors' reception, through their care, to the creation of recreational and tourist opportunities.

**Figure: Conceptual framework.**



Source: Author (2010)

Figure 1 indicates that entrepreneurship development constitutes the dependent variable of the study, while tourism policy is the independent variable. The basis is that the quality of tourism policy would be the determinant of favorable environment for entrepreneurship in tourism sector in Rwanda. Logically, it is assumed that the level of envisioned tourism growth and philosophy of the industry are determinants of entrepreneurship development. Thus, the capacity of implementing the tourism programs, which means to finance, manage and allocate resources (where needed) to the priorities, influences the level of entrepreneurship.

First of all the tourism policy tool emphasizes on investment incentives and financing in order to encourage entrepreneurship development. In any case there is a necessity of effective capital investment support, financial and other incentives for entrepreneurship to flourish and hence, tourism development. Investment incentives and financing are emphasized so that entrepreneurial activities develop and promote quality and sustainable tourism products, in order to minimize revenue leakage, and provide significant revenue on investment.

The second technique used is capacity building; in order to meet tourists' requirements, those operating in this particular sector must offer service of quality, including adequate hygienic services, and make that customers obtain good value for their money. Hence, a permanent training and continuing staff improvement in the sector are to be among first priorities.

And the last approach of tourism policy on entrepreneurship development is private sector participation. Because tourism sector depends mostly on private sector's services than any other stakeholders; be it in the organization of the sector, its marketing or in the reception of visitors; moreover it has been observed that the private sector has the best resources, especially when it comes to staff.

## **Related Studies**

This study makes an explicit effort to define entrepreneurial development in a way that might be applied to an examination of economic development efforts. We define the term to include activities that support or foster new business start-ups, and provide access to appropriate space, facilities, equipment, training, education, and capital. A wide variety of programs fall within this general definition, which includes: investment incentives, accessibility to land and funds, availability of trained and skilled labor force.

Since, tourism depends most on the physical environment and other comfortable conditions that exist in the country, infrastructure such airport facilities, roads, water systems and medical facilities have to be improved to attract tourists. This said, tourists often wish to know that when they return from an exotic interior destination they will be comforted by the luxuries of a quality hotel, cheerful restaurants, smooth roads and courteous staffs, cannot be underestimated even to the most intrepid backpacking adventure tourist.

Therefore, if a country wants to increase tourism entrepreneurship, it would have to provide institutional support of financial institutions, make available skilled labor force, and develop private sector to promote entrepreneurship development. In order to accelerate the overall flow of investment in general and backward areas in particular, as also to create large scale employment opportunities, emphasis is being laid on the development of infrastructure and human resources to sustain the long term growth.

## **Investment incentives**

Relevant points for consideration when assessing favorable investment environment for tourism are as follows: accessibility of resources such as land, capital, labor force, supportive tax system, political stability and infrastructure.

First and foremost, it must be remembered that tourism is a business. Investors and bankers will only support the industry if the profit potential justifies the high financial

risk. The key to its success is achieving high occupancy rates (for hotels) and filling tours (for tour agencies and tour operators). Policies that protect the environment and promote safety, and the like, are irrelevant in the absence of policies that could attract investment. If investors are very skeptical: if the potential return does not inspire confidence, investors would prefer to take their tourism investments elsewhere.

Investments incentives are divided in two categories: non financial and financial incentives.

### **Non financial incentives**

Non financial are those incentives related to create an environment that is conducive for investment: registration procedures, obtaining business licenses, marketing facilities, national procurement strategies, accessibility to land and training.

Moreover, strategies like assistance with facilities/space (e.g., equipment acquisition or incubators) are delivered to investors in some countries. Incubators are common mechanisms that are used to encourage and support a wide variety of young companies until they become viable. Not only do these facilities provide new firms with affordable space, but they also provide technical and management support for these companies, provide advice on how to secure equity and long-term debt financing and locate qualified employees. In some cases, these programs help companies by leasing access to highly specialized technical equipment or providing shared services, including receptionist and conference facilities.

For the case of China tourism corporation assists entrepreneurs and agencies in tourism sector and helps alleviate their difficulties particularly vis à vis the government and its agencies. Moreover, a computerized information centre is set up at the State level to make available necessary information to the agencies/entrepreneurs who wish to set up tourism projects (Xu and Eaglen, 2000).

Likewise, entrepreneurship in Taiwan is encouraged through the small and medium enterprise incubation centers. In that case, business incubation is a dynamic process of business enterprise development for the purpose of nurturing young firms, new products and technologies. These incubators provide space, facilities, hands-on management assistance and access to technologies and financing to clients, helping them to survive and grow during the start-up period. To date, 71 incubators have been sponsored by the Taiwan SME Development Fund (Wall, 2004).

- **Land**

The access to land is another catalyst to promoting investment. A framework to facilitate and guide access to land by tourism investors is needed, for land both within and outside protected areas. Land tenure security and land rights for entrepreneurs need to be clarified and strengthened to facilitate investment. Availability of land is a primary requirement of any project. The process of grant of land should be facilitated in urban areas for the projects concerning setting up of hotels, restaurants and apartment hotels etc.

As arrangements for grant of government waste land to industrial units is made, it should be applicable to various tourism projects as well. Arrangements can be made to acquire private land under Land Acquisition Act for various tourism projects by companies registered under the Companies Act. Besides, bankers would like to know that they can recover and transfer all property and land of tourism project as an adequate means of collateral in the event of a failed operation.

- **Capacity building**

Among major factors considered in tourism entrepreneurship development is the need to develop human resources, particularly indigenous personnel, both for reasons of delivering quality services for tourists, as well as enhancing general skills of the local workforce. Additionally, the improvement of standards of service is crucial to the

sustainability of any tourist attraction and a cornerstone of its image. Achieving these broad objectives will potentially encourage sound utilization of local suppliers and thus enhance not only their productivity but also intersectoral linkages. In this sense, the spin-off effects are obvious foreign exchange will be retained locally and further income would be earned.

A study done by Bruce et al. (2004) affirms that, human factor and the quality of service are very important for any tourism destination to emerge as an important stop on the itinerary of the international tourist. Thus, developing systematic, high quality training and create a skilled workforce in value jobs at every level of the tourism industry is vital. The services of professionals such as hotel employees, guides, and waiters and so on... are very vital for tourism to develop and consequently entrepreneurship activities linked to the industry. The study will examine how the availability of skilled labor force influences entrepreneurship in tourism industry.

The same study Bruce et al. (2004) declares that informed and trained worker is the backbone of any successful development process. A community that understands tourism is one that would be better able to benefit from it. Its development demands that the industry be developed and fashioned in the best interest of both the visitor and the residents of the community. This can only be done by creating an appropriate attitudinal environment and educating persons within the local community to talk about tourism as a viable alternative.

The case of Gujarat in India gives us a pragmatic picture of that. The Institute of Hotel Management, Catering & Nutrition which, works under the administrative control of the Central Government is utilized to give new training courses so that the residents can get admission and manpower requirements. The residents of Gujarat undergoing such training are reimbursed a part of the tuition fees through scholarships (Shri et al., 2003).



Considering the importance employment creation potential of tourism, European Union created the European Social Fund's (ESF). Amongst others, the ESF co-finances projects targeting educational programmes and training in order to enhance productivity and the quality of employment and services in the tourism sector. The ESF provides also targeted training combined with small start-up premiums to tourism micro-enterprises. These actions tend to be very effective in creating economic activity and employment. It also co-finances actions that support professional mobility (Johns and Mattsson, 2005).

In addition human resources development is viewed as an important aspect of services industry. Tourism depends upon travel agents, guides and hence trained manpower is a sine qua non condition of tourism industry. If trained manpower is not available locally, the objective of local employment will not be achieved. Policy making should encourage and support creation of training facilities in the private sector by private agencies/individuals. This leads eventually likely to the willingness of investment in the sector, otherwise the cost of expatriate staff can be unaffordable for new venture or start-up enterprise.

## **Financial incentives**

- **Tax Concessions and Exemptions**

Empirical studies that have considered the effects of the policy environment on entrepreneurship have focused on personal income tax rates, with the expectation that higher tax rates should suppress entrepreneurship. Nearly all studies have found a positive relationship, whether it is between tax rates and aggregate rates of entrepreneurship (Long, 1982a; Evans and Leighton, 1989; Parker, 1996 and Robson, 1998.) or between tax rates and the likelihood that an individual will be an entrepreneur (Long, 1982b; Schuetze, 2000; and Fan and White, 2003).

The divergence between expectations and results with regard to the effects of the personal income tax is usually attributed to the perception that, because of the nature of a tax system that relies on self-reporting, being an entrepreneur allows for relatively greater opportunities for tax evasion (Robson and Wren, 1999). Cullen and Gordon (2002) however, argue that, because entrepreneurs decide whether or not to incorporate their business, and because personal income tax rates are higher than corporate rates, the tax system provides a net subsidy to risk-taking. This net subsidy arises because an entrepreneur facing losses would prefer to face personal income tax rates so that the deduction of the losses against other income would have greater tax-reducing value. All else equal, an increase in personal income tax rates makes this option more valuable, thereby increasing the likelihood that someone would choose to become an entrepreneur.

Other studies have begun to look at the question of taxes and entrepreneurship using more complicated indicators of the tax system. Robson and Wren (1999) separate the effects of average and marginal tax rates, suggesting that the former represents the incentive for tax evasion while the latter represents the disincentive. Bruce (2000) looks at the differential tax treatment of self-employment and wage-and-salary earnings, finding that marginal and average tax rates on self-employment earnings are negatively related to the probability of becoming self-employed. Gentry and Hubbard (2000) find that the more progressive a tax system is, the less likely it is that an individual will enter self-employment. Bruce et al. (2004) look at state level differences in a variety of tax policies, including rates of sales taxes and personal and corporate income taxes, along with whether policies allow combined reporting and limited liability corporations.

Since tourism is essentially a private sector enterprise, the right conditions to attract private investment must be in place. Investors must feel a sense of security about investing in a country and a sector that are perceived as high risk. By international standards of the industry, the first concession would be a tax holiday on all capital investments in the sector for five to seven years. This, for example, is below the ten-

year concession that is commonly given to developers in Caribbean destinations. Secondly, the industry should be given a waiver on duty and consumption taxes for the import of items necessary for the tourism industry. In absence of these concessions, the industry is stagnant and does not contribute as much as it could to the government treasury. The returns from granting these concessions can be perceived afterwards, basically in the form of higher income tax revenues.

Important reference on taxes comprises the study of Shri et al. (2003) in India, it shows that tax holiday of 5-10 years is made available up to 100% of capital investment to various tourism projects located in Special Tourism Areas whether declared by the Central Government or the State Government, located in designated areas and located on National and State Highways. The scope and the extent of the benefits of tax holiday vary according to certain considerations such as the admissible expenditure, the size of the capital investment etc. The benefit of tax holiday is also made available for the purpose of expansion of the existing tourism projects in these areas: sales tax, purchase tax, electricity duty, luxury tax and entertainment tax.

- **Financing**

A study of Burns and Dewhurst (1996), shows that capital investment in eco-tourism in Guyana is between a quarters to a third of per unit cost of a similar investment in the Caribbean. The typical capital investment cost per unit at an eco-lodge is about US\$35,000 with appropriate fiscal concessions and infrastructure already in place (i.e., roads, air strip, etc.). A similar unit in a Caribbean destination is about US\$100,000. Bankers may be willing to back such investments, provided the concerns mentioned above are mitigated.

Suitable arrangements in the lending criteria for viable projects are crucial criterion for entrepreneurs in order that their financial requirements are met. The lending criteria of financial agencies are made with regard to the financial ceiling, debt equity ratio, recovery period, moratorium etc.

Seed or venture capital formation involves the (1) "management or operation" of programs designed to provide access to capital or (2) "direct financial investment" in companies or capital pools designed to directly provide capital to entrepreneurial firms. Thus, programs to hold seed or venture capital forums or form angel networks would provide "management" support to capital formation while programs that invest directly in projects or leverage capital to be invested in private funds would provide seed capital (e.g., financing to help complete a product prototype) or venture capital (e.g., risk capital offered at the initiation of production and marketing efforts).

### **The relationship between tourism and entrepreneurial development**

Being primarily based on entrepreneurship and small businesses, tourism can facilitate the development of an entrepreneurial class (Thomas, 1998, 2000, Morrison, Rimmington and Williams, 1998; Getz, 2004; Buhalis and Main, 1998). The participation of the local population in the tourism industry contributes to the balanced development of both the industry and the nation. Indeed, the tourism industry intensifies the development of a vibrant and innovative group of local entrepreneurs the opportunities and challenges of the industry.

In theorizing the relationship between tourism and entrepreneurship development, researchers come up with two philosophies: growth oriented and lifestyle entrepreneurship. The phenomenon of lifestyle entrepreneurs is the opposite of the growth-oriented or typical Schumpeterian entrepreneurs. Lifestyle firms are businesses set up mostly, either to undertake an activity the owner manager enjoys or to achieve a level of activity that provides adequate income (Burns, 2001). The opposite are growth firms that are set up by an entrepreneur in the traditional Schumpeterian sense to grow and to raise profit through sales or through selling the business on to someone else. Schumpeter (1934) argues that without growth or economic progress there is no scope for entrepreneurship, history will then repeat itself.

Given that tourism industry is primarily located in attractive regions there is a much higher concentration of lifestyle entrepreneurs and this is often the main motivation for entrepreneurial activity. From an economist's perspective lifestyle entrepreneurs accept suboptimal levels of production. Stuart (2005) continues by saying, the leisure and tourism industries have always attracted a large number of small businesses and non-growth oriented ownership- entrepreneurs. The perceived nice life, often close to the beach or the alpine regions or at attractive parts of city, has frequently motivated entrepreneurs to leave their job and adventure in tourism and hospitality. Quite often this implied primarily following a dream, often with no experience, training or expertise in these areas.

Nevertheless, in broad view the positive consequences of tourism can be seen likely in economic growth, economic diversification and stabilization; employment creation, as primary source of income but most importantly secondary source of income; maintenance and improvement of public services, infrastructural improvements; revitalizing crafts, customs and cultural identities; increasing opportunities for social contact and exchange; protection and improvement of both the natural and built environment, and lastly increasing recognition of local communities priorities and potential by policy-makers and economic planners.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **Research Design**

This study used a descriptive survey design to determine the contribution of tourism policy on entrepreneurial development in Rwanda. This design allows collection of data from a group of people through the use of a sample population. This study used quantitative approach of data collection.

#### **Research Population**

The study population was 71 top level managers of wide range of enterprises representing a cross section of the tourist industry, including accommodation, travel agencies, tour operators and tourist academic institution) currently operating in Kigali.

#### **Sample size**

For effectiveness of getting representative sample of the study population it was imperative to use stratified random sampling. This technique ensured representation of significant subgroups of the population. The population was divided into strata according to their companies namely, tour operators, travel agencies, hotels and academic institution. Through stratified random sampling the researcher determined the extent to which each stratum in the population was represented in the sample and it was guarantee represented defined categories of company in the population, and sample size was 68 managers.

#### **Sampling Procedure**

Purposive sampling technique was used in this study. A sample was drawn from top managers within each company, based on his/her own experience of knowledge of the group sampled, having in mind that these respondents have the information he/she

requires.

**Table1: Population and sample size**

<b>Companies</b>	<b>Population</b>	<b>Sample size</b>
Tour operators	25	24
Tour agencies	20	19
Hotels	25	24
Academic institutions	1	1
<b>Total</b>	71	68

Source: Morgan table in Amin (2005)

### **Research Instruments**

The researcher used questionnaire and documentation analysis. In the process of collecting primary and secondary data, the selection of these tools was guided by nature of data that were required, as well as by the objectives of the study.

**Questionnaire:** the questionnaire had both closed and open ended questions. These questions required them to choose the most appropriate alternative; with open ended questions the respondents were invited to express themselves about challenges in their daily experience. The method was used because managers are busy in their duties, so far with questionnaire it entailed them humble time to fill the questionnaire at their free time. And it helped to obtain quantitative information because of its importance in providing specified information. At each level the researcher made efforts to establish the parameters for the contribution of tourism policy on entrepreneurship development in Rwanda.

## **Validity and Reliability of the Research Instruments**

Questionnaire was presented to experts in research, using the method of expert judgment; researcher contacted the supervisor and two other experts to ensure the reliability and validity of the research instruments. After the consultations, the researcher made the necessary adjustment, to ensure that the questionnaire was made according to the advice of the experts. This made the questionnaire more clearly, relevant, specific and logically arranged. To insure the validity of the data collection instrument, the researcher used the formula  $V = RQ/TQ$ , where the number of relevant questions was divided by the total number of questions, and the outcome was above optimal score.

$$V = RQ/TQ = 12/14 = 0.85$$

The above expression, indicates that, the number of questions on the questionnaire, were above the required 0.5 scores. Hence, the instrument used was valid.

## **Data Gathering Procedures**

After the research proposal was approved, the researcher passed to administrative process to obtain an introductory letter from the Director of School of Post Graduate studies to support the researcher's verbal explanation to respondents on why the research is being carried out. Then permission was granted by the authorities to allow the researcher do his/her study. From there the questionnaires were administered to the prospective respondents, from the selected companies; the filling in was as one pleases. After getting back the questionnaires, the researcher went on putting collected data into analytical tool Statistical Package in Social Sciences (SPSS), which generated tables, frequencies, mean and percentages for interpretation.

## **Data Analysis**

The researcher analyzed the research findings based on evidence compiled with logical and analytical arguments. The researcher's argument supported literature review. In



this study quantitative technique was employed. The data collected were analyzed using SPSS to compute statistical measures: percentages, frequencies and mean.

### **Ethical Considerations**

The study was carried out with permission and the full knowledge of the managers of selected companies. No respondent's name was mentioned in this research report. The data collected were kept confidential and were exclusively used for the academic purpose only. This research was fully conducted ethically and all copyrights were observed.

### **Limitations of the Study**

Because of language barrier some managers could not answer questionnaire in English, so it gave the researcher hard time to translate the questionnaire in French language in order that the respondents may provide valuable information.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

This chapter presents findings in reference to the research questions. The findings are from primary data presented table in Frequencies and percentages. The profile of the respondents and the major findings are presented as follows.

#### Profile of the respondents

**Table 4.1 Gender**

Gender	Frequency	Percent
Male	60	88.6
Female	8	11.4
Total	68	100.0

Source: Primary data

Based on the above table 88.6 % of the respondents are male and 11.4 % are female. This shows that gender balance is not observed.

**Table 4.2 Age category**

Age category	Frequency	Percent
26-35	44	64.9
36-45	24	35.1
Total	68	100.0

Source: Primary data.

The majority of the respondents are in the age range of 26-35 (62.9%) and the rest are in between 36-45 (37.1%). This is a result of the strategy of rejuvenating staff by getting in active and flexible staff in tourism industry that can cope with customers, in

both international languages spoken in Rwanda, and the range (26-35) fits because it encompasses young graduates and post graduates who are bilinguals. The table below affirms that assertion.

**Table 4.3 Education level**

	Frequency	Percent
Bachelor	58	85.7
Master	9	12.9
PhD	1	1.4
Total	68	100.0

Source: Primary data

The majority of the respondents 85.7% have bachelor's degree, 12.9% have master's degree and 1.4% has PhD. This shows that respondents have enough skills and they are able to manage, predict and deal with any change in macro-economy and other unpredictability that might occur in their job. This is a good thing for entrepreneurship because all the respondents have attended higher education and are armed with minimum skills to manage business.

## Profile of the companies

**Table 4.4 Frequency distribution of types of company in duration of operation**

Type of company		Duration of operation			Total
		More than 10 years	More than 5 years	Less than 4 years	
Hotel		1	8	15	24
	%	4.0	32.0	64.0	100.0
Tour operator		2	5	17	24
	%	8.0	20.0	72.0	100.0
Academic institution		0	0	1	1
	%	.0	.0	100.0	100.0
Tour agency		0	2	17	19
	%	.0	10.5	89.5	100.0
Total		3	15	50	68
	%	4.3	21.4	74.3	100.0

Source: Primary data.

Of the four types of companies of this study interest, results in exhibit above showed that the majority of surveyed companies (74.3%) have been operating in the industry less than four years this leads to the conclusion that they are fruits or outcome of the national tourism policy, due to conducive business climate granted by the latter. 21.4% of the companies under study have been operating more than five years; and the rest (4.3%) have been operating for ten years backwards.

Moreover, the results showed that there is also disparity even within companies- types- tour agencies lead with (89.5%), followed by tour operators (72.0%) and 64 % for hotels. Throughout this period the academic institution was created in the last period

less than four years that is why it is representing 100%. This shows the pace to which hotels and tour operators are growing faster than the two other types of companies. The next table gives the figures of the companies throughout the time from our sample.

## **Investment incentives in tourism industry in Rwanda**

### **Non- financial incentives provided to entrepreneurs in tourism industry in Rwanda**

**Table 4.5 Easy to get operational license**

	Frequency	Percent
Easy	67	98.6
Not easy	1	1.4
Total	68	100.0

Source: Primary data.

The above table shows how is easy to get an operational license in tourism, results have shown that 98.6% of the respondents find it easy, while 1.4% find it very easy. Getting easily operational license stimulate entrepreneurial activities in the way that it reduces the cost an entrepreneur should encounter in terms of time and money; hence the easier is getting operational license the more entrepreneurs will be willing to invest in the sector.

**Table 4.6 Cost of getting operational license**

Cost	Frequency	Percent
Yes	28	41.0
No	40	59.0
Total	68	100.0

Source: Primary data

Based on the table above, results show that 41.0% of the respondents mentioned that getting operational license is expensive; while 59.0% of the respondents found it cheap, it cost them approximately \$100, which is relatively cheap compared to the projects' size in terms of investment. This can be a bumper to entrepreneurship development because if to get the permitting document for an entrepreneur to start up a business is costly the probability is high for him/her to quit and look for another sector to operate in. the higher it is the more entrepreneurship reduces; it has inverse result on entrepreneurship.

**Table 4.7 Providing marketing facilities**

Options	Frequency	Percent
Agree	56	82.9
Strongly agree	4	5.7
Disagree	8	11.4
Total	68	100.0

Source: Primary data.

Results, in table above, show that 82.9% agreed that government agencies provide for them marketing facilities, like its media, websites, international tourism exhibitions...; and 5.7% strongly agreed, while 11.4% disagreed. Facilitating entrepreneurs with efficient marketing means influence their activities positively therefore it shapes at some extent its development.

**Table 4.8 Land accessibility**

Options	Frequency	Percent
Agree	31	45.6
Strongly agree	30	44.1
Disagree	7	10.3
Total	68	100.0

Source: Primary data.

The table above indicates that 45.6% of the respondents agreed that the access to land is made available to entrepreneurs investing in tourism sector; then 44.1% strongly agreed and the rest 10.3% of the respondents disagreed by saying it is not accessible and if any, it is costly. Land has big implication on entrepreneurship, and when it comes to tourism, the need becomes extra than ever because some projects need large land like hotels or recreational parks.

**Table 4.9 Providing advices in managerial and technical skills**

Options	Frequency	Percent
Agree	1	1.4
Strongly agree	67	98.6
Total	68	100.0

Source: Primary data.

When asked if they are given advice in their entrepreneurial activities, results show that 98.6% of respondents strongly agreed and 1.4% agreed. Advising entrepreneurs on how to do business is very positive in a way that it helps entrepreneurs to understand well and overcome even dodge some challenges common in their field. In other words, it equips entrepreneurs with skills be technical or managerial and therefore it flourishes entrepreneurship.

**Table 4.10 Basic infrastructures availability**

Options	Frequency	Percent
Agree	1	1.4
Strongly agree	67	98.6
Total	68	100.0

Source: Primary data.

The results above, 98.6% of the respondents agreed that the basic infrastructures are in place and 1.4% of them reported strongly agree. Good and well functional telecommunication systems; providing well-maintained roads and access leading to tourist attractions that it boosts tourism industry in a sustainable manner, hence the imperativeness of infrastructure to develop the tourism entrepreneurship. The existence of adequate and well functional infrastructure motivates and gives place to entrepreneurship. The better they are the more likely is entrepreneurship to be developed

**Table 4.11 Regular training**

Options	Frequency	Percent
Agree	23	33.8
Strongly agree	20	29.4
Disagree	25	36.7
Total	68	100.0

Source: Primary data.

From the above table, results show that 36.7% of the respondents disagreed of receiving training of their staff from any public agency. 33.8% of the respondents agreed and said that their staffs receive training and 29.4% of them strongly disagreed.



Tourism is one of the services industry that requires skilled labor force to thrive; it is essential that those involved in the tourism industry ensure that customers obtain good value for their money; hence the need of capacity building to keep staff updated of new skills and technology.

**Table 4.12 Summary of the means grades of non financial incentives**

Non financial assistance	Mean	Responses
Easiness in getting license	1.01	High
Cost of getting license	1.69	Low
Providing procurement strategies	1.04	High
Providing marketing	1.06	High
Land access	1.63	High
Providing advices	1.99	Very high
Helping understanding regulatory	1.99	Very high
Training of your staff	2.64	Low
Effects on business	2.76	Very high
Grand mean	1.7	High

Source: Primary data.

Table 12 indicates the non-financial incentives and its effect on the success of their business, determined by use of mean scores of easiness in getting license, cost of getting license, providing procurement strategies, providing marketing, land access, providing advices, helping understanding regulatory, training of staff, and how it does affect the business. The findings indicated that there exist a relationship between entrepreneurship development and delivery and the cost of operational license in an easy way.

Presently information on legal requirements of a business like registration procedures, obtaining business licenses among others can be obtained from government regulatory bodies like the Rwanda Utilities Regulatory Authority (RURA), RDB and Rwanda Revenue Authority (RRA). Access to land is slightly below the grand mean score of 1.63, results have shown that it is granted but at relatively high price; and government agencies provide for them marketing facilities like its media, websites, and international tourism fairs e.g. WTM-London and ITB-Berlin. Thus, the easier one gets the document and other facilities to initiate his/her business the more he/she is willing to invest in that industry.

From the same table, the effect of the non financial incentives on the business in tourism industry is very high, with a mean score of 2.76 it is considerable above the average. For tourism to develop it requires infrastructure that are mostly sophisticated than sometimes the need of the local community, though this can benefit from its installations. The better they are the more likely is entrepreneurship to be developed. Finally, capacity building was recognized by respondents as incentive put in place as elucidated in table 12, training of staff in tourism industry is scored negative, the researcher observed that the scarcity of skilled labor constitutes a hamper to entrepreneurship (and has been recognized as a hindrance of investing in tourism sector in Rwanda) due to its costly in quality of service and payment of imported labor. The research disclosed however, that the policy makers identified it and had developed recently different programs to deal with this. Among these programs we can cite like providing of training fund taken in parallel with training different staff of different companies in the industry by the public agency in charge of developing tourism and investments in Rwanda, the Rwanda Development Board (RDB). Further, the PSF contributes also at some extent in capacity building in this sector.

However, most of the respondents mentioned that there is no training of staff of the companies operating in tourism industry, yet, it is significant factor; and as the table 12 indicates training has a mean score of 2.64 implying that to have minimum skills

needed is difficulty, which does not benefit entrepreneurship in that case. No wonder that scarcity of skilled labor has been recognized as a hindrance of investing in tourism sector in Rwanda due to its costly in quality and payment of imported labor. The research disclosed however, that the policy makers identified it and had developed different programs to deal with this. Among these programs we can cite like providing of training fund taken in parallel with training different staff of different companies in the industry by the public agency in charge of developing tourism and investments in Rwanda, the Rwanda Development Board (RDB). Further, the PSF contributes also at some extent in capacity building in this sector.

### **Financial incentives provided to entrepreneurs in tourism industry in Rwanda**

**Table 4.13 Existence of financial resources**

Options	Frequency	Percent
Agree	67	98.6
Disagree	1	1.4%
Total	68	100.0

Source: Primary data.

As demonstrated in the table above, the results showed that 98.6% of the respondents strongly agreed that there is existence of financial resources. 1.4% of the respondents disagreed. The most part of developing entrepreneurship is accessing to funds; despite innovative ideas of entrepreneurs and their knowledge and expertise, without fund to support it, it might be impossible even useless for both entrepreneurs and the whole community.

**Table 4.14 Existence of government guarantee fund**

Options	Frequency	Percent
Strongly agree	67	98.6
Disagree	1	1.4
Total	68	100.0

Source: Primary data.

The results above show that 98.6% of the respondents strongly agreed that there is a public guarantee fund to help entrepreneurs to get funds and only 1.4% disagreed. This fund helps entrepreneurs to get bank loans when it was impossible for the lack of collateral.

**Table 4.15 Tax exemption**

Options	Frequency	Percent
Agree	48	70.6
Strongly agree	20	29.4
Total	70	100.0

Source: Primary data.

The results in the exhibit above illustrated that 70.6% agreed that tax system prevailing in Rwanda gives exemption to some taxes to enterprises operating in tourism industry, such as input, excise, sales and corporate taxes and 29.4% of the respondents strongly agreed on that fact. Supportive tax system is a key factor for entrepreneurship to thrive, because it helps the entrepreneurial activities to minimize the cost of the production, hence the profitability of the businesses.

**Table 4.16 Summary of the means grades of financial incentives**

Incentives	Mean	Responses
Taxes exemption	1.68	High
Existence of financial resources	1.68	High
Government guarantee fund	1.90	High
Effects on business	2.76	Very high
Grand mean	1.75	High

Source: Primary data

From the above exhibit, the results illustrated that the incentives provided have a very high effect on most of the respondents' businesses with a score mean of 2.76; with a mean score of 1.68 the findings illustrated that there is a high relationship between taxes and entrepreneurship development in tourism industry in Rwanda. Among these, the research found that corporate tax, input tax and sales tax are the major ones and as we observed they do impact and develop entrepreneurial activities. Input and corporate taxes are the most significant and likelihood to thrive entrepreneurial activities due to the extent to which the enterprise can benefit and increase its return on investment (ROI) and their gross profit increases as well, this leads undoubtedly to attract many investors and other business men/women in the industry. Empirical studies have shown that double taxation- of dividends paid by stakeholders and corporate- discourages businesses from organizing as corporations, which is not stimulus to entrepreneurship.

Additionally, tourism is service industry that relies on commercial exchange (buying and selling on domestic and international markets) of goods and services, with input tax incentive entrepreneurship in this industry is likely to flourish, since the entrepreneur will not incur other expenses over the purchases and transportation fees. Whenever an entrepreneur purchases machinery, equipment and raw materials they are not charged

due to this incentive. This is backed up with the findings of Shri et al. (2003) whose conclusion is that duty and concessions can be perceived afterwards, in the form of higher income revenues, if we consider the returns of these taxes on the business in general and the startup projects in particular, otherwise the industry is stagnant. However, unlike in other countries, the research revealed that in Rwanda entrepreneurs are not given tax holiday, though common in tourism industry.

Most of the respondents have a mean score of 1.90 of government guarantee fund implying that funds are accessible to any prospective entrepreneur in the industry. Likewise, availability of financial sources has 1.68 mean score, meaning that the financial resources in tourism industry in Rwanda are likely to boost entrepreneurship development as the grand mean shows.

So far, as known, funds are the backbone of entrepreneurship, and this can be fulfilled by either providing collateral to entrepreneurs – because entrepreneurs might have innovative projects with huge yields, but do not have finances- or by making available and accessible funds- in terms of easiness and cost- for potential investors willing to expand their projects or starting new ones. Table 15 revealed that financing the projects or making funds available, being one of the major reasons of entrepreneurship development in tourism industry in Rwanda by attracting and retaining investors in the sector. As for the second financing schemes made available to entrepreneurship, table 16 showed that there is government guarantee fund that facilitates entrepreneurs to get funds, banks being profit oriented, find it risky to give their money to entrepreneurs who do not have any security.

As for the second financing schemes made available to entrepreneurship, table 16 showed that there is government guarantee fund that facilitates entrepreneurs to get funds, banks being profit oriented, find it risky to give their money to entrepreneurs who do not have any security.

Coupled with the taxes' concessions the entrepreneurs are seem to be trapped into government's trap, they invest in the sector without hesitation; moreover, financial institutions in that case do not complicate the procedures -though they have to follow them- because they see that the probability is high for entrepreneurs to payback their money. Ottih (2000) corroborated this by showing that countries that offer tax and other incentives, and provide training and counseling services to start-up entrepreneurs increase the likelihood of new venture start-ups.

## The contribution of private sector federation in tourism sector in Rwanda.

**Table 4.17: Ranks of services offered by private sector federation**

Ranks of PSF' s services	Frequency	Percent
<b>A.</b> 1. Advocacy, 2. Lobbying, 3. Capacity building, 4. Funding Sources facilitation, 5. Provide dispute arbitration	18	26.4
<b>B.</b> 1. Advocacy, 2. Capacity building, 3. Lobbying, 4. Funding Sources facilitation, 5. Provide dispute arbitration	41	60.3
<b>C.</b> 1. Lobbying, 2. Advocacy 3. Provide dispute arbitration, 4. Capacity building, 5. Funding Sources facilitation	8	11.8
<b>D.</b> 1. Capacity building, 2. Advocacy, 3. Lobbying, 4. Funding Sources facilitation, 5. Provide dispute arbitration	1	1.4
Total	68	100.0

Source: Primary data.

Results in table above showed that the majority of the respondents 60.3% ranked B very high to be combination of services offered by PSF to entrepreneurs in tourism industry. Combination A was ranked high with 26.4% of the respondents. The combination C was ranked low and very low ranked one is the combination D.



The highest ranked combination (B) comprises the services as follows: Advocacy to be first, then second capacity building, thirdly lobbying, fourthly funding sources facilitation, and the last in this combination comes providing dispute arbitration and challenge business assistance; the higher ranked one includes the following: Advocacy, Lobbying, Capacity building, Funding Sources facilitation, and providing dispute arbitration comes last. 11.8% of the respondents confirmed that private sector provides for them its services as follows: lobbying, advocacy, provide dispute arbitration, capacity building, and funding sources facilitation; only 1.4% of the respondents said that it provides capacity building, advocacy, lobbying, funding sources facilitation, and provide dispute arbitration and challenge business assistance.

As the results have shown, private sector federation represents the interests of the private sector, while providing innovative services for growth and professionalism through capacity building of member enterprises and through lobbying it pushes government to be engaged in different departments that might interface with business in Rwanda, towards sustainable private sector.

**Table 4.18: Extent to which PSF services affect the success of their business.**

	Frequency	Percent
Big extent	6	8.8
Small extent	60	88.3
Low extent	2	2.9
Total	68	100.0

Source: Primary data.

In the table above, results show that 8.8% of the respondents reported that these services affect at big extent their business, and the majority 88.3% of the respondents said PSF' services affect their business at small extent, and only 2.9 of the respondents reported that they affect their business at low extent.

**Table 4.19 Summary of the means grades of financial incentives**

<b>Combination of services</b>	<b>Mean</b>	<b>Rank</b>
Combination A	2.88	2
Combination B	3.70	1
Combination C	2.00	3
Combination D	1.20	4
Grand mean	2.4	Small extent

Source: Primary data.

The above table scores the services offered by PSF, the results have shown that PSF emphasizes on advocacy, lobbying, capacity building, fund sources facility, and dispute arbitration and business challenge assistance with a mean score of 1.20. The same table indicates that the services rendered by PSF to entrepreneurs in tourism industry in Rwanda have small impact on their business. Furthermore, the services that are judged to help entrepreneurship development like fund sources facility, dispute arbitration and business challenge assistance in the all combination are lowest ranked. No wonder that they have small effect on entrepreneurship development, if one considers the investment climate in Rwanda and in tourism industry in particular, the first three services PSF offers can be replaced by other government agencies' services.

## Factors that hinder tourist entrepreneurship development in Rwanda

**Table 4.20 The challenges that face tourist entrepreneurship development**

Companies	Challenges
Hotels	Limited market; lack of skilled labor; difficulty to find the required equipment locally, shortage of water supply and electricity not reliable.
Tour operators	Limited market due to few international markets: USA, western Europe and now China.
Tour agencies	cost of transport facilities –cars-
Academic institution	Lack of skilled labor force. It has to import academic staffs on the detriment of its profitability.

Source: Primary data

Results have shown that entrepreneurs face the problem of cost transport facilities – cars-, which constitutes a huge burden for companies that rely on means of transport as capital investment (such as tour agencies). Again majority of the respondents, for them, the big challenge is to find the required equipment locally; results also showed that the poorness of infrastructure in terms of cost and availability- water, electricity, and Internet- (majority are hotels); other challenges mentioned at low ratio are difficulty of obtaining raw materials and other inputs at reasonable cost and high taxes, and the last challenge identified is the limitation of the market, some countries like USA, western Europe and China, therefore the tourism depends on those major international tourists, in any contingency or inconvenience in those countries, these companies are in high probability to work in failure; and as well known this kind of tourism has its peak and dip seasons. This consequently, end up in idleness of resources –financial, human,

premises etc- and worsened by low occupancy rate during low season in tourism's lifecycle. This is caused mostly by the low rate of domestic tourists to bridge the gap during this season.

Based on field data, results asserted that lack of skilled labor constitutes a hold back in their business. This hinders at some extent their daily activities and thus the profitability of their companies due to poor quality of service and performance of the employees, which incurs high cost of expatriate labor force (this is common in hotel sector); this might lead entrepreneurs to be reluctant in investing in the sector. The results mentioned as well that government should assist in providing mass training of their staffs in its training program of different agencies. The fact is that the fund has been introduced recently but cannot cope as quickly as the need press.

Poor infrastructure is also among the challenges bothering entrepreneurship in tourism in Rwanda, in terms of cost and availability (water, electricity, Internet). Water and electricity were identified as major hindrance in tourism entrepreneurship, as the industry most in hotels uses water and electricity at high scale. The scarcity of these increases the costs by turning to others supplementary sources.

One more challenge reported is the difficulty of finding required equipment locally; this hinders most in the context that Rwanda being landlocked the importation of goods is very expensive.

## **CHAPTER FIVE**

### **FINDINGS, CONCLUSIONS, RECOMMENDATIONS**

This chapter presents the major findings, logical conclusions and recommendations drawn from the research findings. The researcher attempted to show how the findings translate into business performance and attempts to give suggestions and recommendations on how tourism policy can enhance tourism entrepreneurship development.

#### **FINDINGS**

##### **Various investment incentives and financing in tourism industry in Rwanda.**

One of the objectives of this study was to explore various investment incentives given to entrepreneurs in Rwanda, results showed that they are of two categories: non financial and financial assistance.

Among non financial assistance results revealed the following: getting operational licensing is made easy and its cost is relatively cheap; Facilitating entrepreneurs with efficient marketing means influences their activities positively therefore it shapes at some extent its development. Another factor pointed out is providing advice in entrepreneurial activities, results showed that majority of respondents strongly agreed, advising entrepreneurs on how to do business is very positive in a way that it helps entrepreneurs to understand well, overcome and even dodge some challenges common in their field. In other words, it equips entrepreneurs with skills be technical or managerial, hence thriving of entrepreneurship. Then the existence of adequate and well functional infrastructure was identified as a factor motivating and giving place to entrepreneurship, research discovered that Rwanda government provides at most the basic infrastructure to tourist entrepreneurs.

For tourism to develop it requires infrastructure that are mostly sophisticated than sometimes the need of the local community, though this can benefit from its installations. The better they are the more likely is entrepreneurship to be developed. Finally, capacity building was recognized by respondents as incentive put in place as elucidated in table 13, results showed that training of staff in tourism industry is of big importance though low rated, the researcher observed that the scarcity of skilled labor has been recognized as a hindrance of investing in tourism sector in Rwanda due to its costly in quality and payment of imported labor force.

For financial assistance we can cite the following: taxation and financial schemes provided to entrepreneurs in tourism industry in Rwanda. Tax system has been identified as one of the incentives that develop entrepreneurship. Results illustrated that taxes are made exempt in order to attract more investors in this economic sector. This incentive has demonstrated a significant correlation in entrepreneurship development in tourism industry.

Once more, results demonstrated that funds, in Rwanda, are the backbone of entrepreneurship development in tourism industry, and this is fulfilled in two ways: through providing collateral (through government guarantee fund) to entrepreneurs and by making available and accessible funds- in terms of easiness and cost low interest rates- for potential investors willing to expand their projects or starting new ones.

### **Contribution of private sector federation in tourism sector in Rwanda**

From the table 19, the researcher observed that the high ranked combination of PSF' s services to entrepreneurs comprises – from the first to the last mostly offered services-: advocacy, lobbying, capacity building, providing dispute arbitration and business challenge assistance, and funding sources facilitation were highly ranked. Research revealed further that it does affect entrepreneurship development at small extent.

The last objective was to find out challenges that presently face entrepreneurship in tourism industry. The respondents give the most challenges they always face in their daily duties.

### **Factors that hinder tourist entrepreneurship development in Rwanda**

Results have shown that entrepreneurs in tourist industry face the following problems: (1) cost of transport facilities –cars- constitutes a huge burden for companies that rely on means of transport as capital investment (such as tour agencies). (2) Again, another big challenge is to find the required equipment locally; results also showed that (3) the poorness of infrastructure in terms of cost and availability- mostly for water and electricity- (majority are hotels); (4) finally other challenges mentioned are difficulty of obtaining raw materials and other inputs at reasonable cost and high taxes, and (5) the limitation of the market, since domestic tourism is rated low it difficult to tourism industry in Rwanda to cope with dip season; as a result the Rwandan tourism depends on international tourists and as well known this kind of tourism has its peak and dip seasons. This results in the idleness of resources –financial, human, premises etc- and low occupancy rate during low season in tourism’s lifecycle.

Besides, based on field data, results asserted that lack of skilled labor constitutes a hold back in their business mostly in academic sub- sector. This hinders their daily activities and thus the profitability of their companies due to poor quality of service and performance of the employees, which incurs high cost of expatriate labor force (this is also common in hotel sector).

## **CONCLUSIONS**

The tourism policy contributes considerably in entrepreneurship development in tourism industry in Rwanda. This is seen if one considers the different incentives provided to entrepreneurs. As revealed in this study, different categories of encouragements and motivations are given to entrepreneurs willing to and investing in tourism sub sectors like accommodation, tour operators and agencies, and academic institution transmitting knowledge and skills to people on tourism. In addition, private sector federation does provide services that boost at some extent in tourism sector in Rwanda. However, there are some factors that hinder tourist entrepreneurship development like poor infrastructure in terms of cost and availability of electricity and water; lack of enough skilled labor force and lack of required equipment locally are hindrances to the tourism entrepreneurship currently in Rwanda.

## **RECOMMENDATIONS**

Based on the findings of this study, the following recommendations are suggested in order to enable entrepreneurship to fully develop in tourist industry in Rwanda:

- ❖ Private sector federation should make effort to improve the effectiveness of its services in order to increase the intensity of entrepreneurship. It should double more its efforts in facilitating its members with funding and participate intensively in arbitration of the dispute;
- ❖ The government should make sure that the basic infrastructure is available and accessible at reasonable price (water and electricity) to increase the likelihood of entrepreneurship development;
- ❖ Capacity building should be reinforced and training infrastructures should be improved in order to increase the yield of improved human resources in tourism industry;



- ❖ Government should develop strategies to encourage domestic tourism but also encouraging these tourists to use services offered by the tourist enterprises, because very often domestic tourists do not use their services; this can be reached by encouraging these enterprises to utilize price cut off strategy during dip season.

The researcher recommends some titles for further research:

1. The effect of the investment incentives to the profitability of the companies operating in tourism industry.
2. Assessing the contribution of domestic tourism in SMEs' development.

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**KAMPALA  
INTERNATIONAL UNIVERSITY**

P.O.BOX 20000  
KAMPALA- UGANDA.  
TEL:-041-266813

OFFICE OF THE DEPUTY DIRECTOR  
SCHOOL OF POSTGRADUATE STUDIES AND RESEARCH

ust 25, 2010

Dear Sir/Madam,

RECOMMENDATION FOR TUMAINI MANIMBI

is to inform you that the above named is our registered student  
(**A/20003/82/DF**) in the School of Post Graduate Studies pursuing a Master of  
Business Administration (**MBA-Tourism Management**).

has completed his taught Modules and is left to work on research entitled: "The effect of tourism Policy on Entrepreneurship Development in Rwanda".

assistance rendered to her regarding research will be highly appreciated.

rs faithfully,

*[Handwritten signature]*

de'Yara Phd

de Yara PhD  
**DEPUTY DIRECTOR-SCHOOL OF POSTGRADUATE STUDIES AND RESEARCH**

KAMPALA INTERNATIONAL UNIVERSITY  
P.O Box: 2000 KAMPALA- UGANDA

SPORTS VIEW HOTEL  
KIGALI-RWANDA

12<sup>nd</sup> September, 2010

Dear Sir,

With reference to your letter recommending Mrs. TUMAINI MANIMBI to carry out her research within our company, I hereby allow her to conduct her research entitled the contribution of tourism policy on entrepreneurship in Rwanda.

Yours sincerely

Hilary Nzeyimana

Director Manager SVH



## Appendix A

## Sample size (s) required for the given population sizes (N)

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	256	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Note : From R. V. Krejcie and D. W. Morgan(1970), Determining sample size for research activities, Educational and psychological measurement, 30, 608, Sage Publications.

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## APPENDICES

### APPENDIX II: QUESTIONNAIRE FOR MANAGERS

#### Kampala International University (KIU)

##### Research Questionnaire

This research is conducted in partial fulfillment of the requirements for the Award of Master of Business Administration (MBA) of Kampala International University (KIU) under the topic: The contribution of tourism policy on entrepreneurship development in Rwanda.

After a well selective process, your company was included in our research sample and we hope you will provide us with relevant information.

The information is exclusively sought for academic purpose and its confidentiality is highly guaranteed. Please answer each question honestly.

#### **Section A. Background information**

1. Type of the company

- a. Hotel ☐
- b. Tour operator ☐
- c. Academic institution ☐
- d. Travel agency ☐

2. Gender

- a. Male ☐
- b. Female ☐

3. Age category

- a. 18-25 years ☐
- b. 26-35 years ☐
- c. 36-45 years ☐

d. 46-55 years ☐

4. Level of education.

a. Secondary ☐

b. Bachelor degree ☐

c. Master degree ☐

d. PhD ☐

### Section B: Various investment incentives and financing in tourism industry in Rwanda

1. For how long has your company been operating in Rwanda?

a. More than 10 years ☐

b. More than 5 years ☐

c. Less than 4 years ☐

2. Is it easy to get tourism operational license?

a. Easy ☐

b. Not easy ☐

3. Do you think that it is expensive to get the operational license?

a. Yes ☐

b. No ☐

4. Rate the following entrepreneurial incentive that government provides you on a regular basis. (Tick options that apply)

a) Non- financial assistance	Agree	Strongly Agree	Disagree	Strongly Disagree
Government agencies provide marketing facilities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
There is transparency in public procurement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Section C: The contribution of private sector federation in tourist entrepreneurship in Rwanda.**

1. Rank the following services offered by private sector federation to entrepreneurial development according to their importance?

- a. Advocacy
- b. Lobbying
- c. Capacity building
- d. Funding Sources facilitation
- e. Provide dispute arbitration and business challenge assistance

2. At what extent do those services affect the success of the activities of your company?

- a. Big extent
- b. small extent
- c. Low extent

**Section D: The factors that hinder tourist entrepreneurship development in Rwanda.**

What challenges do you face in your business, which might hinder entrepreneurship development?.....

.....

.....

.....

.....

.....

.....

.....

Thank you for filling in this questionnaire.



**TUMAINI 'S CURRICULUM VITAE**  
**AS AT 28<sup>th</sup>, August, 2010**

I am trustworthy, hard working and reliable person; am a good communicator and able to interact with customers in multiple languages: English, French, Kinyarwanda, and Swahili. I have good interpersonal skills and understanding of the importance of excellent customer service.

**A. Personal data**

NAMES	FIRST	MIDDLE
	Tumaini	Manimbi

ADDRESS	TELEPHONE	E-MAIL
	+250783240616	kamanimbiri@yahoo.fr

OTHERS	DATE OF BIRTH	NATIONALITY	GENDER	MARITAL STATUS
	02 <sup>nd</sup>	Rwandan	Female	Bachelor

**B. Working experience**

January- March 2008: NATIONAL UNIVERSITY OF RWANDA- BUTARE

Part of the organization committee of Arts Azimuts Festival I, organized by the University Center for Arts and Drama (UCAD), and I was in charge of Togolese drama Troop.

January-July 2007: NATIONAL UNIVERSITY OF RWANDA

Documentary research of KINYAMATEKA Newspaper on the roots of ethnic conflict in Rwanda during the period 1950-1959, under supervision of NKAKA Raphael (PhD) lecturer at University mentioned above.

### C. Education

QUALIFICATION	DATE CONFERRED	INSTITUTION
Masters Degree in Business Administration: Tourism-Management (MBA)	2010	Kampala International University. P.O. BOX 20000 Kampala.
Bachelors Degree in Socio economic History	2004	National University of Rwanda. P.O. BOX 114 Butare.
Certificate Secondary Education	1999	Groupe Scolaire St Immaculée de Rwankuba – Rwanda
PLE	1993	Primary School of KINANIRA- DRC

### D. Research so far done:

1. The effect of tourism policy on entrepreneurship development in Rwanda.
2. The socio economic impact of cultural tourism in Rwanda.

### E. Computer literate

I can use well Microsoft word computer applications, Microsoft office excel and Microsoft office power point.

### Referees

Dr. NKAKA Raphael  
Senior lecturer at National University of Rwanda  
Mobile Tel. No: +25078307767

Dr. KEROSI Josaphat Bosire  
Dean School of Business and Management (KIU)  
Mobile Tel. No: +256-783-686-146

I, the undersigned, certify that to the best of my knowledge and belief, this information correctly describe myself, my qualifications and experience.

TUMAINI MANIMBI