

ABSTRACT

With the advent of globalization, there has been a massive surge of Foreign Direct Investment (FDI) inflows into developing countries during the past two decades. Tourism as one of the currently fast growing industries across the world is one of the few service sectors showing concrete and quantitative trading opportunities for all countries, regardless of level of development. In a stable and predictable business environment the industry is relatively becoming a promising factor for multinational companies to inject money through FDI which is also considered among important and sensitive areas for economic growth. This study investigates the impact that FDI may have on employment, specifically for the case of Zanzibar tourism industry.

This case study research was carried out during July and September, 2012. The data collected and analyzed in this study were drawn from the tourist investors in particularly those in north and east coasts and in Zanzibar Stone town. In addition, the research used data from government authorized institutions in Zanzibar such as ZIPA and ZCT. Data were collected by the use of questionnaire and interview and analysis was carried out through the use of SPSS and Excel.

The study revealed that there are positive impacts of the foreign direct investment on employment in Zanzibar. The study also finds that there are a positive relationship between direct foreign investment and tourism, and that FDI have great influence in the social development. Moreover, the study finds tourism FDI play an important role of social responsibility. However there are problems which FDI and tourism face such as inadequate infrastructure services, weak linkages between tourism and other sectors particularly agriculture and poor information as a result of inadequate market research and market intelligence.

In view of this, the study recommends promoting tourism abroad, balancing of tourism and other economic sectors as well as attracting FDI in other sectors of the economy. Conclusively, there is a need for further research to identify how appropriate investment policy can attract more FDI for the growth of Zanzibar economy and creation of job opportunities.