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## **Assessing the Influence of Foreign Direct Investment in the Development of Hospitality Industry in Kinigi Sector, Musanze District, Rwanda**

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# Assessing the Influence of Foreign Direct Investment in the Development of Hospitality Industry in Kinigi Sector, Musanze District, Rwanda

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## Abstract

This study investigated the influence of Foreign Direct Investment (FDI) on the development of the hospitality industry in Kinigi Sector, Musanze District, Rwanda, an area often overlooked by studies that predominantly focus on urban centers. The research addressed this gap by examining how capital inflows and infrastructure development, technology and knowledge transfer, and employment opportunities generated by FDI contribute to hospitality sector growth in a rural tourism hub. Anchored in investment and development theories, the study employed a descriptive correlational design with a mixed-methods approach. The target population comprised 555 hospitality stakeholders, from which a sample of 180 respondents was selected using stratified sampling techniques. Primary data were collected through structured questionnaires and interviews, while secondary data were obtained through documentary review. Reliability and validity were ensured using Cronbach's alpha, expert review, and a pilot study. Data analysis involved descriptive statistics and inferential techniques, including Pearson correlation and multiple linear regression. The study achieved a high response rate of 96.7%, enhancing the credibility of the findings. Results revealed that FDI significantly influences hospitality development in Kinigi. Capital inflows and infrastructure development improved hotel facilities, road networks, utilities, and communication systems, with mean scores ranging from 3.91 to 4.13 and a strong positive correlation with hospitality growth ( $r = 0.731$ ,  $p < 0.01$ ). Technology and knowledge transfer enhanced operational efficiency, service quality, and staff competencies, reflected by mean scores of 3.93–4.11 and a strong positive relationship ( $r = 0.764$ ,  $p < 0.01$ ). Employment opportunities created through permanent and seasonal jobs, improved working conditions, and skills development also positively affected the sector, with mean scores of 3.95–4.10 and a correlation coefficient of  $r = 0.721$  ( $p < 0.01$ ). Overall, the findings confirm that FDI plays a critical role in driving rural hospitality development through infrastructure improvement, technology adoption, and employment creation, generating both sectoral growth and community socio-economic benefits. The study recommends prioritizing infrastructure investment, technology integration, skills development, and supportive policies to maximize FDI benefits. Future research should explore long-term impacts, environmental sustainability, financial outcomes, and cross-regional comparisons.

**Keywords:** *Foreign Direct Investment, Development, Hospitality Industry, Kinigi Sector, Rwanda.*

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## 1.0 Introduction

Foreign Direct Investment (FDI) is a critical driver of growth and competitiveness in the global hospitality industry. In an era of accelerating globalization, cross-border capital flows have increasingly supported the expansion of service-based economies, particularly tourism and hospitality. The sector-which includes hotels, lodges, restaurants, tour operations, and cultural attractions-attracts significant foreign investment due to its potential to generate employment, improve infrastructure, enhance service quality, and facilitate knowledge and technology transfer (UNCTAD, 2021). Globally, FDI in hospitality has grown steadily over the past two decades, reflecting the sector's resilience and long-term growth prospects. The World Travel and Tourism Council (WTTC, 2023) reports that travel and tourism contributed approximately 9.1% to global GDP in 2022, largely supported by international investment in emerging destinations. Beyond financing infrastructure, foreign investment promotes the adoption of international service standards, modern management practices, and technological innovations. Countries such as the United Arab Emirates, Thailand, and Mexico demonstrate how strategic FDI has expanded luxury accommodation, eco-tourism, and cultural tourism, thereby strengthening local value chains and economic development (World Bank, 2020).

In Africa, the hospitality sector has emerged as one of the fastest-growing industries, driven by rising tourist arrivals, improved connectivity, and growing investor confidence. According to the African Development Bank (AfDB, 2022), FDI in hospitality has contributed significantly to GDP growth, employment creation, and foreign exchange earnings in countries such as South Africa, Kenya, Morocco, and Egypt. The expansion of international hotel brands, including Hilton, Marriott, and Radisson, has introduced modern infrastructure and professional standards. However, challenges such as inadequate infrastructure, regulatory constraints, and skills shortages continue to limit the sector's full potential (Christie et al., 2022). Regionally, East Africa has experienced notable hospitality sector growth supported by foreign investment. Kenya and Tanzania have embedded tourism within their national development strategies, with FDI supporting safari lodges, luxury resorts, and conference tourism facilities (Kenya Investment Authority, 2021). In Tanzania, foreign-funded eco-lodges along the Northern Safari Circuit have promoted conservation-based tourism while generating economic benefits (TRA, 2022). These experiences highlight the role of FDI in fostering sustainable tourism development.

At the national level, Rwanda has strategically positioned tourism and hospitality as key drivers of economic transformation under the National Strategy for Transformation. In 2022, Rwanda received over 1.1 million visitors, generating approximately USD 445 million in tourism revenue, reflecting a strong post-COVID-19 recovery (RDB, 2023). Foreign investment has been central to this growth, with global hotel brands such as Marriott, Radisson Blu, One&Only, and Singita enhancing hospitality infrastructure, employment opportunities, and Rwanda's international tourism profile.

Locally, Kinigi Sector in Musanze District serves as the gateway to Volcanoes National Park, Rwanda's flagship eco-tourism attraction. Increased tourist arrivals have stimulated hospitality development, particularly through foreign investments in high-end eco-lodges and resorts such as Bisate Lodge and Sabyinyo Silverback Lodge. These investments have introduced advanced service standards and environmentally sustainable practices (Rwanda Chamber of Tourism, 2022). However, despite Kinigi's strategic importance, it attracts comparatively less tourism-related FDI than Kigali. Persistent challenges include limited skilled labour, seasonal employment, weak



linkages between foreign investors and local suppliers, and low adoption of modern operational systems by local enterprises (RICA, 2022). Consequently, examining the contribution of FDI to hospitality industry development in Kinigi Sector is essential for informing policies aimed at promoting inclusive and sustainable tourism growth. Thus, the objective of this study was to assess the influence of foreign direct investment in the development of hospitality industry in Kinigi Sector, Musanze District, Rwanda.

## **2.0 Research Methodology**

This study employed a descriptive case study design to produce the desired outcomes. The target population was 555 participants selected from various field. Hospitality business owners and managers were 50, hospitality employees were 150, local Government official were 15, tourists were 300, and community representatives were 40. The sample size of 180 participants was determined to ensure an optimal balance between statistical rigor and practical feasibility. This size is consistent with statistical power guidelines in social science research, which indicate that samples exceeding 150 respondents are sufficient to detect medium effect sizes with 80% statistical power at a 5% level of significance (Mushi & Kweka, 2023). Accordingly, a sample of 180 participants is considered adequate to generate reliable and precise estimates and to support robust quantitative analyses, including correlation and regression, while remaining manageable within the study's time and resource constraints. Purposive sampling was utilized to select key informants such as business owners, managers, and government officials. This section outlines the methods and instruments used to gather data relevant to the study objectives. Employing both quantitative and qualitative tools ensures comprehensive insights into the influence of foreign direct investment on the hospitality industry in Kinigi Sector. The primary instrument for data collection was a structured questionnaire designed to capture respondents' views clearly and efficiently.

## **3.0 Results**

The results are presented in sections.

### **3.1 Demographic Characteristics of Respondents**

Table 1 presents demographic characteristics of respondents.



**Table 1: Demographic Characteristics of Respondents (n = 180)**

Demographic Variable	Category	Frequency	Percentage (%)
<b>Gender</b>	Male	101	56.1
	Female	79	43.9
<b>Age (Years)</b>	18–25	45	25.0
	26–35	68	37.8
	36–45	40	22.2
	Above 45	27	15.0
<b>Education Level</b>	Secondary	27	15.0
	Diploma	81	45.0
	Bachelor’s Degree	54	30.0
	Postgraduate	18	10.0
<b>Occupation</b>	Business Owners/Managers	34	18.9
	Hospitality Employees	60	33.3
	Government Officials	9	5.0
	Tourists	50	27.8
	Community Representatives	27	15.0
<b>Years of Experience</b>	Less than 2 years	52	28.9
	2–5 years	72	40.0
	6–10 years	36	20.0
	Above 10 years	20	11.1

**Source: Field Data (2025)**

Table 1 shows that both male (56.1%) and female (43.9%) respondents participated, indicating balanced gender representation and inclusivity in the study. This suggests that both men and women are actively engaged in the hospitality and tourism sector in Kinigi, although men slightly dominate managerial roles. Regarding age, the majority of respondents (37.8%) were aged between 26 and 35 years, followed by 25% aged between 18 and 25 years. This implies that the hospitality industry in Kinigi is driven by a youthful and energetic workforce, which is vital for innovation and service excellence in the tourism sector. The education level results reveal that 45% of respondents held diplomas and 30% had bachelor’s degrees, indicating that most stakeholders possess the academic qualifications necessary for professional service delivery in hospitality and tourism management. This reflects the sector’s increasing demand for skilled and knowledgeable personnel.

Concerning occupation, hospitality employees (33.3%) and tourists (27.8%) formed the largest groups, followed by business owners/managers (18.9%), community representatives (15%), and government officials (5%). This composition provided diverse perspectives from both service providers and consumers, ensuring balanced insights into how FDI influences hospitality development. In terms of experience, most respondents (40%) had between 2 and 5 years of work experience, suggesting they were familiar with ongoing FDI-driven changes in Kinigi’s hospitality landscape. A smaller portion (11.1%) had over 10 years of experience, offering long-term insights



into sectoral transformation. The demographic profile indicates that respondents were suitably qualified and experienced to provide reliable information. The diversity in gender, age, education, and occupation strengthens the validity of the findings and ensures that conclusions drawn about FDI's impact on hospitality development in Kinigi are well-grounded and representative.

### 3.2 Presentation of Findings

This section presents the results obtained from the analysis of data collected to examine the influence of Foreign Direct Investment (FDI) on the development of the hospitality industry in Kinigi Sector, Musanze District. The findings are organized according to the study's specific objectives, beginning with the effect of capital inflow and infrastructure development on the hospitality sector.

#### 3.2.1 Influence of Capital Inflow and Infrastructure Development on Hospitality Industry

This subsection presents and analyzes findings related to the first specific objective: assessing how capital inflow and infrastructure development influence the hospitality industry in Kinigi Sector. Respondents were asked to express their level of agreement with various statements concerning FDI contributions to hotel construction, road improvement, utilities, and overall tourism infrastructure. The results are summarized in Table 2.

**Table 2: Descriptive Statistics on Capital Inflow and Infrastructure Development (n=180)**

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev
Foreign capital has increased the number of hospitality establishments in Kinigi.	2.2	5.0	7.2	48.3	37.3	4.13	0.84
FDI has improved the quality of hospitality facilities in Kinigi.	3.3	6.1	8.9	46.7	35.0	4.04	0.88
FDI has contributed to road improvements serving hospitality businesses.	2.8	5.6	9.4	48.3	33.9	4.05	0.86
Electricity supply reliability has improved due to FDI-funded infrastructure.	4.4	6.1	11.1	46.7	31.7	3.95	0.91
Water supply for hospitality facilities has improved due to FDI.	3.9	6.7	10.0	49.4	30.0	3.96	0.88
Communication networks have improved due to FDI.	3.3	7.2	10.6	47.2	31.7	3.97	0.89
Infrastructure improvements have increased tourist arrivals.	3.9	5.0	12.2	48.9	30.0	3.97	0.90
Improved infrastructure has reduced operational costs for hospitality businesses.	4.4	6.1	13.3	47.2	29.0	3.91	0.93
FDI-supported infrastructure has increased local community participation in tourism.	3.3	6.7	10.6	48.3	31.1	3.98	0.87
Overall, capital inflows have significantly boosted Kinigi's hospitality sector.	2.8	5.0	7.8	50.0	34.4	4.08	0.83

Source: Field Data (2025)

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Table 2 illustrates respondents' opinions on how Foreign Direct Investment (FDI) through capital inflows and infrastructure development has influenced the hospitality industry in Kinigi Sector. The overall trend indicates that over 75% of respondents agreed or strongly agreed with all statements, confirming a widespread perception that FDI has had a positive and transformative impact on the sector. Only a small minority, between 3–5%, strongly disagreed, and 5–7% disagreed, suggesting that very few respondents felt FDI had little or no effect. Meanwhile, 8–13% remained neutral, likely reflecting limited awareness or indirect exposure to FDI-driven projects. The strongest consensus emerged on the statement that foreign capital has increased the number of hospitality establishments in Kinigi, where 48.3% agreed and 37.3% strongly agreed (Mean = 4.13), highlighting visible growth in hotels, lodges, and guesthouses near Volcanoes National Park. Similarly, 46.7% agreed and 35% strongly agreed (Mean = 4.04) that FDI improved hospitality facility quality, underscoring investments in modern lodging and service standards. Infrastructure-related statements also recorded high agreement, with 48.3% agreeing and 33.9% strongly agreeing (Mean = 4.05) that FDI enhanced road networks-crucial for tourism accessibility.

Further, 46.7% agreed and 31.7% strongly agreed (Mean = 3.95) that electricity reliability improved, while 49.4% agreed and 30% strongly agreed (Mean = 3.96) that water supply systems benefited from FDI. Respondents also acknowledged that FDI boosted communication networks (Mean = 3.97) and increased tourist arrivals (Mean = 3.97), indicating improved digital and physical connectivity. On community outcomes, 48.3% agreed and 31.1% strongly agreed (Mean = 3.98) that infrastructure development enhanced local participation in tourism, implying that FDI supports local employment and business opportunities. Overall, with 50% agreeing and 34.4% strongly agreeing (Mean = 4.08) that capital inflows strengthened the hospitality sector, the results confirm that FDI has substantially shaped Kinigi's economic and hospitality landscape through enhanced infrastructure, service quality, and inclusive growth.

**Table 3: Correlation Analysis between Capital Inflow, Infrastructure Development, and Hospitality Development**

Variables	Capital Inflow & Infrastructure Development	Hospitality Industry Development
Capital Inflow & Infrastructure Development	1.000	
Hospitality Industry Development	<b>0.731**</b>	1.000

\*\*Correlation is significant at the 0.01 level (2-tailed).

**Source: Field Data (2025)**

Table 3 shows a strong positive correlation ( $r = 0.731$ ,  $p < 0.01$ ) between capital inflow and infrastructure development and the overall development of the hospitality industry in Kinigi Sector. This means that improvements in FDI inflows and infrastructure directly enhance hotel growth, service quality, and tourism activities. The high correlation signifies that FDI-driven projects including hotel construction, road networks, and utility provision significantly stimulate



hospitality sector development. The result corroborates Lee and Tan (2023), who found that FDI enhances infrastructure and tourism linkages in East African destinations. Therefore, the findings confirm that capital inflows and infrastructure development have a statistically significant and positive influence on the growth and competitiveness of Kinigi's hospitality industry.

### 3.2.2 Influence of Technology and Knowledge Transfer on the Hospitality Industry

This subsection presents and analyzes findings related to the second specific objective: to evaluate the influence of technology and knowledge transfer on the development of the hospitality industry in Kinigi Sector. Respondents were asked to indicate their level of agreement on statements regarding the introduction of modern hospitality technologies, training programs, managerial skills, and service quality improvements brought by foreign investors. The descriptive results are presented in Table 4.

**Table 4: Descriptive Statistics on Technology and Knowledge Transfer (n = 180)**

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev
FDI has introduced modern hospitality technologies (e.g., online booking systems).	2.2	5.0	8.3	48.9	35.6	4.11	0.84
Use of modern technology has improved service delivery.	3.3	5.6	9.4	47.2	34.4	4.04	0.87
Foreign investors have introduced innovative marketing techniques.	3.3	6.1	10.0	46.7	33.9	4.02	0.88
Staff training programs have been introduced by foreign investors.	2.8	6.7	11.1	47.8	31.7	4.00	0.89
Training programs have improved employee customer service skills.	3.9	6.1	10.0	48.3	31.7	4.00	0.90
Local staff have acquired new managerial and leadership skills.	3.9	7.2	11.7	46.1	31.1	3.94	0.92
FDI has facilitated technology transfer in culinary and kitchen operations.	4.4	6.1	12.2	46.7	30.6	3.93	0.91
Knowledge transfer from FDI has improved efficiency in hotel operations.	3.9	6.1	9.4	48.3	32.2	4.00	0.88
Technology adoption has enhanced guest satisfaction.	3.3	5.6	9.4	50.0	31.7	4.01	0.86
Technology and knowledge transfer have modernized Kinigi's hospitality sector.	2.8	5.0	8.3	49.4	34.4	4.10	0.84

**Source: Field Data (2025)**

Table 4 presents respondents' perceptions of how technology and knowledge transfer from Foreign Direct Investment (FDI) have influenced hospitality development in Kinigi Sector. The overall trend shows that over 75% of respondents agreed or strongly agreed with all statements, demonstrating strong recognition of FDI's role in advancing technology adoption and skill development within the local hospitality industry. Only 2–4% strongly disagreed and 5–7%



disagreed, reflecting a very small group who felt foreign investment had limited or no impact—likely those with minimal exposure to foreign-funded hotels. Meanwhile, 8–12% remained neutral, suggesting limited awareness or indirect engagement with FDI-driven technological innovations. The statement “FDI has introduced modern hospitality technologies such as online booking systems” received the highest support, with 48.9% agreeing and 35.6% strongly agreeing ( $M = 4.11$ ), highlighting the widespread adoption of digital reservation platforms that enhance customer convenience.

Similarly, 47.2% agreed and 34.4% strongly agreed ( $M = 4.04$ ) that modern technology has improved service delivery through automation and digital payment systems, reflecting efficiency gains across hotel operations. Marketing-related innovations also benefited from FDI, as 46.7% agreed and 33.9% strongly agreed ( $M = 4.02$ ) that foreign investors introduced online advertising and global partnerships that increased the visibility of Kinigi’s hotels. Regarding human capital development, 47.8% agreed and 31.7% strongly agreed ( $M = 4.00$ ) that staff training programs were introduced, and 48.3% agreed and 31.7% strongly agreed ( $M = 4.00$ ) that these programs enhanced customer service skills.

Additionally, 46.1% agreed and 31.1% strongly agreed ( $M = 3.94$ ) that local employees gained managerial and leadership competencies through FDI-led knowledge exchange, while 46.7% agreed and 30.6% strongly agreed ( $M = 3.93$ ) that FDI improved culinary operations through the adoption of advanced equipment and techniques. Across all indicators ( $M = 3.93$ – $4.11$ ), respondents consistently recognized FDI’s contribution to operational efficiency, innovation, and service modernization. Overall, the findings confirm that FDI has been instrumental in fostering technological advancement, human capital development, and service excellence, thereby strengthening the competitiveness of Kinigi’s hospitality industry. These results align with Mbaki and Ngoma (2023) who found that foreign investment accelerates innovation diffusion and professional training within East Africa’s hospitality sector.

**Table 5: Correlation Analysis between Technology & Knowledge Transfer and Hospitality Development**

Variables	Technology & Knowledge Transfer	Hospitality Industry Development
Technology & Knowledge Transfer	1.000	
Hospitality Industry Development	0.764**	1.000

**Note:** Correlation is significant at the 0.01 level (2-tailed).

**Source:** Field Data (2025)

Table 5 indicates a strong positive correlation ( $r = 0.764$ ,  $p < 0.01$ ) between technology and knowledge transfer and the development of the hospitality industry in Kinigi Sector. This implies that as foreign investors introduce modern technologies, innovative practices, and staff training programs, the hospitality sector experiences substantial improvements in efficiency, service delivery, and competitiveness. The strength of the correlation ( $r = 0.764$ ) suggests a very strong



relationship, meaning that technological innovation and skill transfer account for a large portion of the observed growth in Kinigi's hospitality industry. Since the p-value is less than 0.01, the relationship is statistically significant, rejecting the null hypothesis ( $H_{02}$ ) that technology and knowledge transfer have no significant effect on hospitality development.

### 3.2.3 Employment Opportunities from FDI on Hospitality Industry

This subsection presents and analyzes findings related to the third specific objective: to examine the type, quality, and accessibility of jobs created by foreign direct investment (FDI) in Kinigi's hospitality industry. Respondents were asked to indicate their level of agreement with statements regarding job creation, accessibility, working conditions, wages, and career advancement opportunities arising from FDI-funded hospitality projects. Table 6 summarizes the descriptive statistics.

**Table 6: Descriptive Statistics on Employment Opportunities from FDI (n = 180)**

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev
FDI has created new hospitality job opportunities in Kinigi.	2.8	5.0	8.3	49.4	34.4	4.10	0.84
Jobs created through FDI are accessible to local residents.	3.3	6.1	9.4	47.2	34.0	4.04	0.87
Employment from FDI offers competitive wages.	4.4	6.7	11.1	46.7	31.1	3.96	0.90
Employment offers good working conditions.	3.9	6.1	10.6	48.3	31.1	4.00	0.88
Employment offers reasonable job security.	4.4	6.1	12.2	46.1	31.1	3.96	0.91
FDI has created both permanent and seasonal jobs.	3.3	5.6	9.4	48.9	33.9	4.08	0.86
Local people have been promoted to managerial positions in FDI-funded hotels.	4.4	6.1	11.1	46.7	31.7	3.95	0.91
Employment from FDI has reduced unemployment in Kinigi.	3.3	5.0	9.4	49.4	32.8	4.03	0.85
FDI-related jobs have improved household livelihoods.	2.8	5.6	10.0	48.3	33.3	4.06	0.84
FDI has encouraged more youth to pursue hospitality careers.	3.3	6.1	9.4	47.8	33.3	4.03	0.87

**Source: Field Data (2025)**

Table 6 presents respondents' perceptions of employment opportunities generated by Foreign Direct Investment (FDI) in Kinigi's hospitality sector. Overall, the data show that over 75% of respondents agreed or strongly agreed with all statements, indicating a strong consensus that FDI has significantly enhanced job creation, income levels, and career development. Only 2–4% strongly disagreed and 5–7% disagreed, reflecting a small group who felt that FDI's employment benefits remain limited or inaccessible to them, while 8–12% remained neutral, possibly due to indirect exposure to FDI-funded establishments. The statement "FDI has created new hospitality job opportunities in Kinigi" received the highest support, with 49.4% agreeing and 34.4% strongly

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agreeing (M = 4.10), confirming that FDI has expanded employment in hotels, lodges, and guesthouses.

Similarly, 47.2% agreed and 34.0% strongly agreed (M = 4.04) that these jobs are accessible to local residents, suggesting that foreign investments are benefiting nearby communities. In terms of job quality, 46.7% agreed and 31.1% strongly agreed (M = 3.96) that FDI-funded jobs offer competitive salaries, while 48.3% agreed and 31.1% strongly agreed (M = 4.00) that working conditions have improved. Regarding job stability, 46.1% agreed and 31.1% strongly agreed (M = 3.96) that such employment provides reasonable security, and 48.9% agreed and 33.9% strongly agreed (M = 4.08) that both permanent and seasonal opportunities are available. FDI has also enhanced career development, with 46.7% agreement and 31.7% strong agreement (M = 3.95) that local employees have been promoted to managerial roles.

Moreover, 49.4% agreed and 32.8% strongly agreed (M = 4.03) that FDI has reduced unemployment, while 48.3% agreed and 33.3% strongly agreed (M = 4.06) that it improved household livelihoods. Encouragingly, 47.8% agreed and 33.3% strongly agreed (M = 4.03) that foreign investments have motivated youth to pursue hospitality careers. Therefore, the findings demonstrate that FDI has played a pivotal role in expanding employment, improving income and job quality, and fostering career growth in Kinigi's hospitality sector. These results align with Makanzu and Mutesi (2023), who found that FDI-led tourism projects across East Africa generate substantial direct and indirect employment, contributing to local socio-economic development.

**Table 7: Correlation Analysis between Employment Opportunities and Hospitality Development**

Variables	Employment Opportunities	Hospitality Industry Development
Employment Opportunities	1.000	
Hospitality Industry Development	0.721**	1.000

**Note: Correlation is significant at the 0.01 level (2-tailed).**

**Source: Field Data (2025)**

Table 7 shows a strong positive correlation ( $r = 0.721$ ,  $p < 0.01$ ) between employment opportunities generated by FDI and hospitality industry development in Kinigi Sector. This indicates that as more jobs are created and accessible to local residents, the hospitality sector grows in capacity, service delivery, and competitiveness. The correlation coefficient ( $r = 0.721$ ) demonstrates a substantial relationship, while the p-value ( $<0.01$ ) confirms statistical significance. These results suggest that employment opportunities are a critical channel through which FDI enhances both human capital and economic vitality within the hospitality industry. Thus, it can be concluded that FDI-induced employment significantly strengthens Kinigi's hospitality sector, providing jobs, improving livelihoods, and promoting youth engagement in tourism careers.



### 3.2.4 Development of the Hospitality Industry

This subsection presents and analyzes findings related to the dependent variable: the overall development of the hospitality industry in Kinigi Sector. Respondents were asked to indicate their level of agreement with statements concerning the impact of FDI on competitiveness, service quality, variety of services, marketing, tourism arrivals, community participation, and sustainable practices. The results are summarized in Table.8.

**Table 8: Descriptive Statistics on Hospitality Industry Development (n = 180)**

Statement	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Dev
FDI has improved the overall competitiveness of Kinigi's hospitality sector.	2.8	5.6	7.8	50.0	33.9	4.11	0.83
Guest satisfaction has improved due to FDI-funded facilities.	3.3	6.1	9.4	48.3	32.8	4.04	0.87
The variety of hospitality services has increased due to FDI.	2.8	5.6	8.9	49.4	33.3	4.11	0.84
FDI has improved marketing and promotion of Kinigi as a tourist destination.	3.3	6.1	10.0	47.8	32.8	4.01	0.87
FDI has boosted tourism arrivals in Kinigi.	2.8	5.0	9.4	48.9	33.9	4.09	0.83
Average tourist length of stay has increased due to better services.	3.3	5.6	9.4	48.3	33.3	4.06	0.85
Community participation in tourism has improved due to FDI.	3.3	5.6	10.0	48.9	32.2	4.05	0.85
Tourism revenue has increased due to FDI.	2.8	5.0	8.9	49.4	33.9	4.12	0.82
FDI has contributed to sustainable eco-tourism practices in Kinigi.	3.3	6.1	9.4	47.8	33.3	4.02	0.86
Overall, FDI has positively transformed Kinigi's hospitality industry.	2.8	5.0	8.3	50.0	33.9	4.12	0.82

#### Source: Field Data (2025)

Table 8 presents respondents' opinions on the overall development of Kinigi's hospitality sector resulting from Foreign Direct Investment (FDI). The data indicate a strong positive perception, with over 75% of respondents agreeing or strongly agreeing that FDI has enhanced the sector's competitiveness, service quality, marketing, and tourism growth. Only 2–3% strongly disagreed and 5–6% disagreed, suggesting that a very small proportion of respondents felt FDI had minimal or uneven effects. Meanwhile, 7–10% remained neutral, possibly reflecting limited awareness or indirect exposure to FDI-related initiatives.

The statement "Tourism revenue has increased due to FDI" received high support, with 49.4% agreement and 33.9% strong agreement ( $M = 4.12$ ), confirming the significant economic contribution of FDI to the local hospitality sector. Similarly, "Overall, FDI has positively transformed Kinigi's hospitality industry" recorded 50% agreement and 33.9% strong agreement ( $M = 4.12$ ), emphasizing respondents' recognition of FDI's role in improving infrastructure,



service standards, and destination competitiveness. In addition, “The variety of hospitality services has increased due to FDI” (49.4% agree; 33.3% strongly agree; M = 4.11) demonstrates that foreign investment has encouraged diversification and innovation within the sector.

Other indicators including guest satisfaction, marketing effectiveness, tourist length of stay, community participation, and sustainable eco-tourism practices-also achieved mean scores between 4.01 and 4.09, reflecting consistent agreement that FDI fosters holistic sectoral development. The findings reveal that FDI has been instrumental in driving the growth, diversification, and sustainability of Kinigi’s hospitality industry. The results align with Akinyi and Nshimiyimana (2024), who observed that FDI contributes significantly to tourism competitiveness, community empowerment, and infrastructure modernization in East African rural destinations.

**Table 9: Correlation Analysis between FDI and Hospitality Industry Development**

Variables	FDI Factors (Capital, Infrastructure, Technology, Employment)	Hospitality Industry Development
FDI Factors	1.000	
Hospitality Industry Development	0.749**	1.000

**Note: Correlation is significant at the 0.01 level (2-tailed)**

**Source: Field Data (2025)**

Table 9 shows a strong positive correlation ( $r = 0.749$ ,  $p < 0.01$ ) between combined FDI factors and the overall development of Kinigi’s hospitality sector. This indicates that increased capital inflows, improved infrastructure, technology transfer, and employment opportunities collectively enhance service quality, competitiveness, tourism arrivals, and community participation. The correlation coefficient ( $r = 0.749$ ) demonstrates a substantial relationship, while the p-value ( $<0.01$ ) confirms statistical significance. Hence, the findings confirm that FDI has a statistically significant and positive impact on the overall development and competitiveness of Kinigi’s hospitality industry, benefiting both investors and local communities.

**4.0 Discussion of Findings**

This study examined the influence of Foreign Direct Investment (FDI) within existing hospitality and tourism development literature, highlighting its role in shaping infrastructure, technology transfer and employment in Kinigi Sector, Musanze District. FDI-related capital inflows are widely acknowledged as catalysts for hospitality development through their contribution to infrastructure expansion. Prior studies demonstrate that investment in transport networks, utilities, and hospitality facilities enhances destination accessibility and service capacity, thereby strengthening tourism performance (Smith & Gibbons, 2023; Ndiaye & Faye, 2022). Similar evidence from both regional and local contexts indicates that coordinated capital investment and infrastructure development are essential for improving competitiveness and destination attractiveness in emerging tourism areas (Bilola & Ngu, 2023; Ndayisenga & Uwitonze, 2024).



These insights underscore the importance of integrated infrastructure development as a foundation for sustainable hospitality growth in rural destinations such as Kinigi. Technology and knowledge transfer represent another critical pathway through which FDI supports hospitality sector modernization. The literature consistently shows that foreign investment facilitates the adoption of digital systems, international service standards, and managerial expertise, which enhance operational efficiency and service quality (Lee & Tan, 2023; Mushi & Kweka, 2023). Evidence from both regional and national studies further highlights that technology-driven knowledge transfer fosters innovation and strengthens competitiveness in hospitality enterprises (Okello & Nabawanuka, 2023; Niyonsenga & Habimana, 2024). This suggests that FDI contributes not only financial resources but also intangible assets essential for long-term sectoral development.

Employment creation is also emphasized in the literature as a key developmental outcome of FDI in the hospitality industry. Studies indicate that employment opportunities generated through foreign investment enhance workforce skills, improve service delivery, and contribute to socio-economic development in host communities (Durand & Martin, 2023; Demir & Ceylan, 2023). In the Rwandan context, employment in hospitality has been associated with increased community participation, innovation, and inclusive tourism growth (Uwizeyimana & Nkurunziza, 2024; Habineza & Uwimana, 2024). These findings reinforce the role of FDI-driven employment as a mechanism for both human capital development and local economic empowerment.

Overall, the literature supports the view that FDI exerts a multidimensional influence on hospitality development through interconnected channels involving infrastructure investment, technology and knowledge transfer, and employment generation. When supported by appropriate policies and local stakeholder engagement, FDI can serve as a powerful driver of competitive, inclusive, and sustainable hospitality development in emerging tourism destinations such as Kinigi.

## **5.0 Conclusion**

The study concludes that Foreign Direct Investment (FDI) is a pivotal driver of hospitality development in Kinigi Sector, with far-reaching effects on infrastructure expansion, technological advancement, knowledge transfer, and employment creation. The research establishes strong positive relationships between FDI and hospitality sector growth across all examined dimensions, demonstrating that capital inflows, technology transfer, and employment opportunities all contribute significantly to sectoral development. FDI-driven capital inflows have significantly improved physical infrastructure, upgraded hotel facilities, and enhanced transportation and utility networks, thereby strengthening the foundations for tourism growth. The transfer of technology and managerial know-how has modernized hospitality operations, raised service quality standards, and strengthened workforce competencies, promoting innovation and competitiveness across the sector. Employment opportunities generated through FDI have further contributed to local empowerment by increasing household incomes, reducing unemployment, and supporting wider socio-economic development, with the majority of respondents affirming these positive impacts.

The study concludes that despite these positive contributions, FDI alone is insufficient to guarantee inclusive and sustainable hospitality development in Kinigi Sector. The realization of its full benefits depends largely on supportive local policies, effective regulatory frameworks, and the meaningful integration of local communities and enterprises into the tourism value chain. In the absence of these enabling conditions, FDI risks producing uneven development, with limited spillover effects for local stakeholders and constrained long-term benefits. The findings underscore that while FDI can serve as a powerful catalyst for transforming rural hospitality destinations such



as Kinigi, sustainable and inclusive outcomes require deliberate and coordinated action among investors, government authorities, and local communities. Maximizing the developmental impact of FDI therefore extends beyond capital inflows to include intentional investments in skills development, community participation, and policy alignment, ensuring that foreign investment fosters long-term resilience, equitable growth, and sustained sectoral development in alignment with Rwanda's National Strategy for Transformation.

## **6.0 Recommendations**

The study recommends that the Government of Rwanda and local authorities in Musanze District should prioritize continuous infrastructure investment to maintain and expand the gains achieved through FDI in Kinigi Sector. Specifically, stakeholders should focus on upgrading road networks, ensuring reliable electricity and water supply, and enhancing digital communication infrastructure to support the growing demands of the hospitality industry. Policymakers should establish clear regulatory frameworks that incentivize foreign investors to partner with local suppliers and service providers, thereby strengthening backward and forward linkages within the tourism value chain. Additionally, the Rwanda Development Board should create investment incentives that explicitly reward foreign investors who demonstrate commitment to technology transfer, local employment, and skills development, ensuring that FDI benefits extend beyond immediate capital injection to long-term capacity building and sustainable sectoral transformation.

Moreover, the study recommends that hospitality stakeholders should implement comprehensive skills development programs targeting local youth and community members to enhance their employability and career advancement prospects within the sector. Training institutions should collaborate with foreign-funded hotels and lodges to design curriculum that addresses industry needs, including modern hospitality management, digital technologies, customer service excellence, and sustainable tourism practices. Furthermore, local government officials should facilitate regular multi-stakeholder forums bringing together foreign investors, local business owners, community representatives, and tourism authorities to foster dialogue, address challenges, and co-create strategies for inclusive growth. Finally, researchers should conduct longitudinal studies to assess the long-term impacts of FDI on environmental sustainability, financial performance of local enterprises, income distribution patterns, and cross-regional comparisons within Rwanda's hospitality sector, thereby generating evidence to inform adaptive policy interventions and maximize the developmental dividends of foreign investment in rural tourism destinations.

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